Committee on Resources
Subcommittee on Water & Power

Testimony

United States House of Representatives
Committee on Resources
Subcommittee on Water and Power
The Honorable John T. Doolittle, Chairman
Written Testimony of Richard M. Moss, General Manager
Friant Water Users Authority
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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I very much appreciate being given the opportunity to testify before the Subcommittee to provide some analysis of the real time changes occurring in the Friant Division Service Area of the Central Valley Project ("CVP") as a result of the implementation of the Central Valley Project Improvement Act ("CVPIA").

Introduction

I am Richard M. Moss, the General Manager of the Friant Water Users Authority. The Friant Water Users Authority is a joint powers authority formed under state law comprised of 25 member agencies that all get water from the Friant Division of the CVP.

The Friant Division service area is comprised of approximately 1 million acres of the world's richest farmland. It ranges from the southern part of Merced County all the way to the Grapevine in Kern County. The majority of the service area is in Madera, Fresno, Tulare and Kern counties. This 1 million-acre area annually produces about $3.5 billion in gross agricultural production. We grow a tremendous variety of crops. The majority of the area is dedicated to permanent plantings of grapes, nuts, tree fruit and citrus. We also have a significant amount of row and field crops, as well as leading the nation in dairy production. This area is truly unique in its quality of agriculture and in its ability to produce all of this on small family farms that average approximately 100 acres in size. The area is also renowned for its highly efficient use of irrigation water, having been a "hot bed" for the development of drip and low volume irrigation technology. We can boast of some of the highest irrigation efficiencies found anywhere in the world.

The Friant Division of the CVP consists of Friant Dam and Millerton Lake on the San Joaquin River northeast of Fresno, the 152 mile long Friant-Kern Canal that runs south all the way to Bakersfield and the Madera Canal that runs north to the Chowchilla River. The Project annually delivers approximately 1.5 million acre-feet of water. This water supply is principally used as a supplemental water supply providing only 1.5 acre-feet per acre on the average. However, there are some parts of the service area that rely totally on the Friant Division water as their sole source of supply. The area is blessed with good quality groundwater aquifers. Groundwater is the firm source of supply for the majority of the service area. The Friant Division is unique in the west in that it employs a two-class system of water deliveries. The Class 1 water is the first water to develop behind Friant Dam and is delivered to those parts of the service area that have limited or no access to groundwater supplies. The Class 2 water develops only after the Class 1

demands have been met and is delivered to those parts of the service area that can rely on groundwater. Class 2 water is typically used to replenish the groundwater through "in-lieu" recharge, providing growers with surface water in-lieu of using their wells, and through direct recharge -- percolating water in recharge basins, natural water ways and unlined canals into the underground aquifers. The Friant Project has been in service for 50 years and has been successful in arresting the serious condition of groundwater overdraft that existed prior to the project. It should be noted, however, that a condition of critical groundwater overdraft still exist in parts of the service area and in neighboring areas in the southern San Joaquin Valley.

In this testimony I will avoid the temptation to complain about the CVPIA and how it is being implemented, or dwell on the clear need for changes. I will try to concentrate instead on what I see as the real time impacts of this law on our part of the world and on the people of the San Joaquin Valley. From what I can see, the San Joaquin Valley is the only region being demonstrably and adversely impacted by this law, even though the law has yet to be fully implemented. I will focus on the tremendous increases in cost of our water supply and its consequent impacts to the historically successful program of conjunctive use of groundwater that our water supply is predicated upon. I will spend some time discussing the impacts of a reduced and increasingly uncertain water supply to parts of the service area. I will also describe the changes and impacts to our growers, our districts and to the region as a whole. Finally, I will comment on some of the lessons to be learned from the CVPIA that can be applied to Bay/Delta CalFed solutions.

CVP Friant Division Canal Side Water Costs

The most obvious impact to the Friant Service Area generated by the CVPIA has been in our cost of water. Our districts have experienced an increase in water cost since 1989 of approximately 1000 percent for Class 1 water and as much as 1600 percent for Class 2 water. A big part of this cost increase is attributable to CVPIA.

Prior to 1989, all of our districts were operating under their original CVP water service contracts, most of which were signed in the late 1940's and early 1950's. These contracts provided Class 1 water at $3.50 per acre-foot and Class 2 water at $1.50 per acre-foot. Federal legislation passed in 1986, as part of the Coordinated Operations Agreement authorization, required the repayment of all of the CVP's capital costs by the year 2030 and annual repayment of the CVP's operation and maintenance expense. It also created, for the first time in Reclamation Law, the potential for irrigation water supplies to be assessed operation and maintenance deficits, as well as interest on those deficits. This new cost-of-service rate structure, which was implemented with the renewal of the original Friant water service contracts starting in 1989, alone accounted for a four fold increase in the cost of water.

The passage of the CVPIA in 1992 has added several new components of cost to our water supplies.

The Friant Surcharge (CVPIA Section 3406(c)(1)) was applied immediately upon the enactment of the legislation into law in the fall of 1992. It provided for a $4 per acre-foot charge to all water delivered by the Friant Division of the CVP (in addition to the Restoration Fund charges) until and unless Congress acts to reestablish regular flows in the San Joaquin River below Friant Dam. The Friant Surcharge was increased to $5 per acre-foot in 1997 and will again be increased to $7 per acre-foot in 1999.

The Restoration Fund charge (CVPIA Section 3407), which established a maximum of $6 per acre-foot charge for agricultural water supplies (adjusted annually for inflation), was implemented in the fall of 1993. The Bureau of Reclamation has always seen fit to charge the maximum which currently, when adjusted for inflation, is set at $6.88 per acre-foot. It should be noted that the Restoration Fund charge is also applied to

water developed by the Hidden and Buchanan Projects on the Fresno and Chowchilla Rivers. These projects provide a supplemental water supply to the Madera Irrigation District and the Chowchilla Water District in addition to those districts' CVP Friant Division water supplies. These projects were late additions to the CVP and did not have any impact on the downstream fisheries as the rivers they are on are intermittent streams. The construction of the projects was mainly justified on their flood control and recreation benefits.

The Bureau of Reclamation, in recognizing that the CVP would not be able to sell to its contractors the water that was reallocated under CVPIA to the other new purposes of the project (which do not pay for water), reduced the water delivery base upon which CVP capital and operation and maintenance costs are allocated to its contractors by approximately 1.1 million acre feet (out of approximately 3.6 million acre-feet). This reduction in water supply carrying the cost of the project created a 30 percent increase in cost for the balance of water supplies left to be delivered to CVP contractors.

Additionally, the CVPIA mandated actions and activities for the Bureau of Reclamation staff to accomplish that are not funded out of the CVPIA Restoration Fund. Such activities as the conduct of the Programmatic Environmental Impact Statement, renewal negotiations for interim contracts every two years and the Trinity River Flow Study are funded by water and power user operation and maintenance or capital cost revenues.

Beyond all of this, we face the prospect of having tiered water pricing (CVPIA Section 3405(d)) increase our average cost of water another $3 to $4 per acre-foot when we enter into long-term contracts. This aspect of the law is especially disheartening when applied in the context of the Friant Division's groundwater conjunctive use operations. The increment of our water supply used most extensively for direct groundwater recharge will have an additional $10 to $20 per acre foot added to it, making it virtually impossible to afford for this purpose.

The attached figure displays the cost increases Friant Division districts have experienced over the past 12 years, as well as the deliveries anticipated to be made by the CVP during that time period. It is easy to see the costs rapidly escalating at the same time as the available water supply is diminished.

Additional District Costs in Implementing CVPIA

There have been significant additional costs to our member districts in implementing the CVPIA beyond those costs contained in the canal side rates.

The districts have been mandated to develop and implement water conservation plans. Most districts have had to retain consultants to help develop the plans and run the gauntlet of approval regimen with the California Department of Water Resources and the Bureau of Reclamation.

The districts have had to pay for staff and consultants to participate in the development of rules and regulations for the CVPIA, including the infamous, and protracted, "Garamendi Process." This includes participation in the development of the Programmatic Environmental Impact Statement mandated by the CVPIA, a process that has lasted some four years.

The districts have all had to negotiate interim renewal contracts, not once, but at least twice in most cases. These negotiations were not proforma in nature. They were complex, lasting several months and involving hundreds of thousands of dollars of attorney and consultant fees.

Beyond this, there has been a number of legal challenges brought against the implementation of the CVPIA

to clarify its meaning or to clarify the allocation of the impacts being wrought on CVP contractors (no less than four separate cases), most of which are still in process today. Although the Friant Water Users Authority and its members have not initiated any of this litigation, we have been compelled to participate in the litigation in order to protect our interests.

In understanding the impacts that these additional costs can have on a Friant district's operations, it is important to understand the limitations our districts have in raising revenues.

The districts have essentially three sources of revenue: (1) water tolls, (2) land based assessments or standby charges and (3) the sale of assets or reserves. In groundwater conjunctive use districts, water tolls are functionally limited to the cost of the alternative competing source of water, groundwater. The cost to pump groundwater ranges from $15 per acre-foot to $25 per ace-foot in the Friant service area. Thus, water tolls cannot exceed this cost or growers will make the short term economic decision to use their wells instead of taking available surface water. Consequently, most districts have looked at levying additional assessments or standby fees (which moves the costs from water tolls to the land). However, assessments and standby charges have practical and legal limitations to their inflation. California constitutional amendments Proposition 13 and more recently Proposition 218 have placed some real constraints on increasing revenues through land-based levies. In many districts the land-based levies now exceed the county taxes, creating an untenable situation for most district elected officials. Regardless of how many times you explain that its not your fault for the tremendous cost increases your constituency is experiencing, they always tend to blame the ones levying the charge.

Water Supply Impacts

The CVPIA has yet to bring significant water supply reductions to Friant Division contractors. The biggest threat to Friant Division water supplies lies in the language calling for the study of reestablishing flows in the San Joaquin River below Friant Dam for a salmon fishery. That study has not been completed. Beyond this, the biggest threat to our water supplies lies in the allocation of responsibility for providing water quality and fishery flows on the San Joaquin River as part of the Bay/Delta water quality/water rights hearings. Here CVPIA has actually played a constructive role in providing a mechanism and a source of revenue from Friant Division water users in order for the Bureau of Reclamation to buy water made available by other San Joaquin River water users. This CVPIA purchased water will be used for a 12-year scientific study of necessary fishery flows for the San Joaquin River and the Delta. This is commonly known as the Vernalis Adaptive Management Plan ("VAMP"). If adopted by the State Water Resources Control Board, it will clearly be the single biggest environmental success to have been made possible by the CVPIA.

The CVPIA has reduced CVP water supplies to the federal Cross Valley Canal contractors on the same basis as supplies have been reduced to San Luis Division contractors (such as Westlands Water District). The federal Cross Valley Canal contractors are all within the Friant Division service area. They typically contain lands that were developed after all of the Friant Division water supplies were contracted for. The majority of the federal Cross Valley Canal contractors are districts with little or no access to alternative water supplies, even groundwater, and yet are developed to permanent, high value plantings. These contractors have struggled with these new water shortages. They have struggled to the point that the underlying agreement that provides for the exchange of water with the Arvin-Edison Water Storage District (a Friant Division contractor) in order to exchange the water into the federal Cross Valley Canal districts' boundaries, has fallen apart.

I believe it is important to remind people that the first water reallocated from the CVP irrigators under the CVPIA was the un-contracted for yield of the CVP. A large part of this yield had been designated for ultimate use within the Mid-Valley Canal service area, an area that encompasses the entire Friant Division service area. This water was supposed to be used to arrest the groundwater overdraft that continues to exist in the southern San Joaquin Valley. Even though it was not under contract at the time of passage of the CVPIA, it nevertheless was considered to be a very important and integral part of our water supply future.

It is safe to say that we have not begun to see the full water supply impact of the CVPIA on the San Joaquin Valley. We have been blessed with several significantly above normal water supply years in California, which have masked the water supply impacts. Beyond this a number of additional water supply "hits" to CVP supplies lay in the offing. Additional Trinity River flows, for example, have the prospect of further reducing CVP supplies to our federal Cross Valley Canal contractors and to other CVP contractors in the San Joaquin Valley.

Impacts to Groundwater

We are very concerned about the continuance of the Friant Division's highly successful program of conjunctive use of it surface water and groundwater resources. The program of "in-lieu" groundwater recharge is clearly in jeopardy as we are losing the ability to get growers to use surface water when it is available. Surface water costs have risen dramatically. When combined with lowering energy costs through deregulation, pumping of groundwater will have a distinct economic advantage to growers for some time. Using deep wells has the added advantage of ease in use, especially when converting to low volume drip or micro sprinkler systems. Groundwater can be obtained on-demand, at the flip of a switch, and typically does not have the filtering requirements of surface water when used in low volume systems. Many of the high tech low volume installations are abandoning the use of surface water altogether, if they have the choice.

The programs of direct recharge are also becoming more difficult to afford. In providing a direct recharge program there are several cost components that must be considered. There is the cost to buy the water to put in the basins. There is the cost to buy the land and build the basins. This cost has risen considerably as virtually all land within the Friant service area has already been developed. Thus, productive farmland must be taken out of production. There is the cost to operate and maintain the recharge basins. Then lastly, there is the cost to pull the water back out of the ground for irrigation. Directly recharged groundwater is the most expensive water we deliver. It is important to note that in most Friant districts the district does not provide the groundwater extraction facilities. Growers maintain their own deep wells. Consequently, there is no sale of this water by the district to recover the district's costs in the direct recharge of the water. Thus, the district must recover its investment by either adding to the water toll on the water it does deliver or assess additional land-based levies, each with its attendant problems as noted above.

Given the reductions in surface water that the region has sustained with the implementation of CVPIA and related laws, the shortfall has been made up primarily with groundwater.

We are seeing what we believe to be accelerated groundwater declines and less recovery in good water years. Again, the trend has been masked by several good water years, but in the board rooms of our member agencies, they know their operations and what they should be doing under these circumstances. As one of my board members put it, "we are now in the business of managing money, not managing water."

The consequences of groundwater overdraft are well known in this region. The area was developed on groundwater and initially flourished only to be devastated when the groundwater reserves ran low. The

Central Valley Project was hailed as the savior of the region as it helped to bring the groundwater supplies back into balance with demands. Before the CVP, land subsidence was prevalent and is showing signs of returning.

With enough drawdown of our groundwater resources we can expect deterioration of our groundwater quality. Cones-of-depression for wells serving our cities will reach farther out into farmlands, concentrating toxins in the groundwater that otherwise are insignificant. We have seen this with the DBCP problem in the recent past. Groundwater is a limited resource. Eventually, the good quality water will be depleted and all that will be left is the ancient saline groundwater that resides at the bottom of the aquifers.

We are not sitting still and watching this happen unabated. Almost all of our districts have formed groundwater management plans. The Friant Division districts actively promoted the original state legislation that provides for this authority. We, obviously, have pressured the Bureau of Reclamation for reductions in our price for water, especially when it is plentiful, like we have experienced these past two years. We have been faced with the ridiculous situation of trying to market floodwater at $24 per acre foot, canal-side, while the Bureau is making damaging flood releases downstream into the San Joaquin River. We have asked for programmatic relief from the high price of CVP water when we are in a flood release mode. We need to know that a price break will be provided so that we take the steps necessary to find a place for some of this water. Given the shaky economics of direct recharge, we need to know what the advantage is to taking flood water ahead of time to include it in our analysis in order to develop the needed infrastructure. The Bureau of Reclamation has a habit of providing the pricing relief a month after the beginning of the floods.

We have also looked to the CVPIA for some new partnerships that have met with some limited success. CVPIA Section 3406(b)(22) provides an opportunity for growers with the right kinds of crops, in particular rice, to work cooperatively with the Fish and Wildlife Service and the Bureau of Reclamation to leave their fields flooded for waterfowl after harvest and in return be relieved of certain Restoration Fund charges. We have picked up on this idea and have sought to have this program expanded to include direct groundwater recharge basins operated to provide a conjunctive waterfowl habitat benefit. The Bureau of Reclamation has not seen its way clear to provide this approach on a programmatic basis but has worked with us to develop a number of demonstration projects. We have demonstration projects underway on recharge basins operated by the Deer Creek and Tule River Authority and the Delano-Earlimart Irrigation District. These projects were developed with partnerships including the California Waterfowl Association, the local Audobon Society, the California Department of Fish and Game and others. This is one way for the Friant Division service area to acheive some local environmental benefit from the average $15 million a year we currently are putting into the CVPIA Restoration Fund. When accomplished in conjunction with providing a direct groundwater recharge benefit, we also are addressing the region's largest single environmental concern, groundwater overdraft.

We have entertained the development of new partnerships with urban interests to help us (and them) utilize our underground reservoir to store water. Metropolitan Water District of Southern California ("MWD") has ventured into our region and struck a deal with one of our member agencies to bank floodwater in their local underground. Originally, the deal between the Arvin-Edison Water Storage District ("AEWSD") and MWD tried to utilize the CVPIA provisions for water transfers, proposing a net loss of water resources to our region. Local opposition was overwhelming. The program was stopped dead in its tracks. The proposal was reformatted to clearly provide that new water would be developed, utilizing floodwater, that would be shared between the partners, that local needs would always be met first and that a long term agreement would be in place to assure that the only way MWD would venture into our region for water supplies would be on a cooperative, joint-venture, basis, where the "pie was made bigger" before it was shared. The

program is also being reformatted to utilize the groundwater banking provisions of the CVPIA, not the water transfer provisions. The water transfer provisions did not provide the flexibility for us to collectively get to this creative solution. The irony is important to note here. CVPIA created the financial situation where AEWSD had to find a "deep pocket" to help them with their infrastructure needs due to the tremendous increases in canal side water prices. CVPIA was the reason for the demise of the Cross Valley Canal Exchange Program, which previously supplied AEWSD's firm water needs, because of the new water shortages applied to the federal Cross Valley Canal contractors exchange supply. And CVPIA opened the door for MWD to ride into the San Joaquin Valley to provide economic relief in exchange for some of AEWSD's over-subscribed water supplies, through the provisions allowing CVP water to be used outside of the CVP service area. We have managed to negotiate around this irony and develop solutions utilizing CVPIA. They are solutions that work because they are grassroots developed and grass roots supported.

We have initiated negotiations with local development interests who are interested in developing away from prime farmland, but do not have a water supply to support their development. Urban development interests helping our groundwater districts cope with their high costs of developing and operating their groundwater conjunctive use programs is something we are sure to see more of.

Contract Provisions of CVPIA

It is important to note the changes to contracting for CVP water that have occurred as a result of CVPIA. There will be no long-term renewal of water contracts for CVP districts until the completion of the Programmatic Environmental Impact Statement ("PEIS") called for in the CVPIA. This has forced the districts into interim renewal contracts of three-year and two-year successive terms while the PEIS is being conducted. Every round of renewal negotiations has been unnecessarily contentious. This virtually continual negotiation and controversy has all added to the pall of uncertainty that hangs over the water supply provided by these contracts. Further, Congress injected some additional uncertainty into the long-term nature of these contracts, and the attendant water supply, by raising a question as to whether the Secretary of Interior would renew these contracts 25 years after their initial long-term renewal under CVPIA. Bankers and appraisers do not overlook this uncertainty when analyzing collateral value of properties dependant upon CVP water supplies.

The CVPIA provisions which provide an incentive (contract "hammer" clause, CVPIA Section 3404(c)(3)) for early renewal of have also served to increase CVP water costs. Some districts or cities with expiration of their original contracts still off into the future have chosen to fund against the potential of not wanting to be forced to accept a contract of unknown terms prior to the termination of their existing contact. This requires the district to collect an additional one and one-half times the Restoration Fund charge from their water users ($10.32 per acre-foot for agricultural water use and $20.64 per acre-foot for urban water use).

Impacts to Growers

Growers tend to be their best advocates. Growers like Kole Upton are very capable of explaining the impacts to their farming operations that have resulted, thus far, from the implementation of the CVPIA. Please listen to their concerns, as they are legitimate and very real. It is important to note that no two farms are alike. No two farmers are alike. Their soils, their family make-up, their financial situation, all tend to make each operation unique. Thus, it is difficult to draw broad characterizations of how the CVPIA is impacting farms in our region. You must live in the middle of it to feel and see the changes.

Water is an input component in agricultural production. The dramatically higher price our farmers have to

pay for water and for their irrigation district's operations is taking money out of their pockets. They are not buying equipment they would otherwise buy and they are not making improvements to their lands like they might otherwise make, including irrigation system improvements. In cases where a grower is undercapitalized, we see farmers being pushed into bankruptcy as a result of these higher input costs and less collateral value of their lands, making lending more difficult. We are witnessing a spiraling economic effect. Less certain, more costly, water supplies means that growers are not investing in their lands and property on a long-term basis. Less long-term investment and improvement to the lands and property means less collateral value assigned by lenders. Less collateral value of the lands and property leads to higher interest rates and higher cost of doing business, less willingness to lend, and ultimately less capital investment in the lands and property. The spiral starts all over again.

It is important to note that growers have a very difficult time in passing input cost increases on to their buyers. Growers, unfortunately, are "price takers, not price makers," and have very little control over what they get paid for their commodity. Their modicum of control comes in producing the highest quality produce and lots of it (quality and yield are key).

It is also ironic to see the impacts of CVPIA working at cross-purposes to one of the primary purposes of Reclamation Law, namely encouraging the development and continuance of the small family farm. Higher input costs for farming, including higher water costs, put smaller growers at a clear disadvantage. Economies of scale and investment capital are not readily available to small growers. Higher water costs and lessening equity value of their property forces smaller growers to sell out to larger operations - just the opposite of the intent of the Reclamation Program. You might not see the drop off in gross agricultural production values from the annual county agricultural commissioner reports. You need to look deeper and what you will find is farming is less profitable - gross is up, net is down and that the face of Friant Division farming is changing. Children are no longer returning to the family farm. Operations are consolidating or are being purchased by larger farming corporations.

I need to make one additional note relative to the impacts to growers. Where growers are making capital improvements to their property in the form of the installation of high tech low volume irrigation systems, it is made with a considerable capital investment. These farmers are then penalized for this investment in the form of higher property taxes, a not insignificant problem given the size of the investment (typically $1000 per acre or more).

Impacts to Districts

Needless to say, the districts are reeling from the "sticker shock" of 1000 to 1600 percent increases in their CVP water costs over a very short period of time. These increases magnify virtually every decision the district board makes. For example, a decision to buy 10,000 acre-feet of additional water for late summer groundwater recharge used to involve a decision to $35,000. Now that same decision involves the investment of $350,000. For small districts, with annual operating budgets, not including their water payments, of typically less than $1 million per year, these decisions are now monumental.

Districts now have to borrow for annual or multiple year cash flow needs. The districts' reserves are no longer adequate to carry them through wet and dry cycles or even through the cash flow need of an irrigation season. This adds to the districts' cost of operation in having to finance a portion of their operating expense. Some districts are having to forego system improvements and/or are deferring needed maintenance. Some districts are experiencing higher delinquencies on their assessments and standby charges and some have been witness to the equivalent of "taxpayer revolts" and lawsuits.

Of greatest concern, are the impacts to our groundwater conjunctive use districts that are unable to compete with the cost of growers using groundwater when surface water supplies are available. Some districts that have been unable to convince growers to use their higher priced surface water, are close to insolvency. Some are considering selling assets (selling water they would otherwise use for groundwater recharge).

Regional Impacts

There are others that will testify today as to the regional economic and sociologic impacts that have befallen the San Joaquin Valley as a result of the implementation of the CVPIA. It clearly has slowed the economic recovery that the rest of the nation and the state have enjoyed. Our region continues to lead the state in the unenviable category of unemployment.

The Friant Water Users Authority did cooperate in an analysis of the economic impacts that could be expected to be created if we were to experience a significant diminishment of our water supply as might be expected from the reestablishment of flows below Friant Dam for a salmon fishery. This study was conducted by the University of California and further refined by the agricultural economics-consulting firm Northwest Economics Associates. The conclusions of the study were simple. The economic dislocation would be huge. A water loss of 500,000 acre-feet of Friant Division water supplies would create annual losses exceeding $750 million dollars in farm gate receipts.

We understand the need to have a source of money to fund restoration and environmental enhancement activities associated with the mitigation of the development of the Central Valley including the development that was instigated with the creation of the CVP. It is, however, very frustrating to see the approximately $15 million per year, some $70 million since the inception of the CVPIA, leaving the Friant Division service area. When we look at our own infrastructure needs, when we look at our schools, our parks, and most recently our flood control needs, it makes us sick to see that money leaving our region.

Outlook for CalFed

It would appear obvious to restate, but our region of the CVP is not interested in paying any more for our water supply. The CalFed solution must be affordable to agriculture and the costs must be spread broadly for the broad public benefits and appropriately to those who directly benefit. We would hope that the CalFed solution does have some water supply in it for our region to help with our groundwater overdraft problems. Again, the biggest problem I see is one of affordability.

To those who would say that the "soft path" water management solutions proffered by the proponents of the CVPIA should be applied to the balance of California and the rest of the west to meet our future water supply needs, I would say look at the CVPIA's impacts and results to see if you truly are getting what you bargained for. Reallocating huge amounts of water from one region to another region is clearly not the answer. While a certain amount of water transfers and water conservation are bound to be a part of any solution to meeting the west's burgeoning water needs, there has to be a core of real water development to make it work. More storage, more system capacity, resulting in more system flexibility to meet with the highly variable hydrology and biology of the state's water system must be at the core of the CalFed solution. This flexibility is what has gotten us through the natural and man-made droughts of the past 20 years. Squeezing every drop out of the existing system to meet average water year needs leaves no flexibility for drought or for working within the ever-greater environmental constraints on our water system.

Summary

There have been real time, adverse impacts from the implementation of the CVPIA to our part of the San Joaquin Valley. Some of them were intentional; some of them were consequences not well understood at the time of passage of the law. A law as complex and far reaching as the CVPIA could be expected to have some attendant problems with its implementation as well as unintended consequences. Virtually every aspect of water management for our member districts was dealt some aspect of change with the passage of the CVPIA.

Of greatest concern is the impacts this law is having on our groundwater basins and the historically successful program of conjunctive use of surface and groundwater upon which the Friant Division of the CVP was predicated. We need to get back to managing water, not money.

We have been very lucky so far in that Mother Nature has dealt us a pretty favorable set of water years to start off the early years of implementation of the CVPIA. There, most assuredly, is more adversity to come with the implementation of this law in a series of drought years or even average years.

There clearly is need for amendment of some aspects of the CVPIA. The law is not perfect, even its strongest proponents would say so. This does not mean a wholesale "gutting" of the law. Fix those places where the law is unclear to eliminate the varying interpretations. Fix the law in those places where it is at cross-purposes with the original purposes of the CVP, such as the groundwater conjunctive use aspects of the Friant Division's authorization. Fix it in a manner that does not redirect impacts. For example, we are not interested in getting relief from the aspects of the law troubling us at someone else's expense.

We would be pleased to work with the Subcommittee to formulate the needed changes to the CVPIA in the weeks and the months ahead. We should not delay in beginning to formulate these changes. Thank you.

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