



August 7, 2019

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- Vallecitos Water District
- Valley Center
Municipal Water District
- Vista Irrigation District
- Yuima
Municipal Water District

Karla Nemeth, Director
Department of Water Resources
1416 9th Street
Sacramento, CA 95814

RE: State Water Project Contract Amendment for Delta Conveyance
Comments on State Water Contractors July 31, 2019 Negotiation Session

Dear Ms. Nemeth:

On behalf of the San Diego County Water Authority (Water Authority), our 24 member agencies and the more than 3.3 million people we represent, I want to express my appreciation for the manner in which you and Governor Newsom and the Administration are proceeding to ensure public transparency and an opportunity to comment on the State Water Project (SWP) Contract Amendment for Delta Conveyance. The Water Authority strongly supports and appreciates your ongoing efforts to secure a sustainable Bay-Delta.

At its last meeting on July 25, 2019, the Water Authority's Board of Directors voted to support the Governor's Executive Order N-10-19, including consideration of a single tunnel, conditioned only on tunnel costs being properly allocated. We concur with the Contractors' stated objective that the purpose of these negotiations should be to develop an agreement that will "equitably allocate costs and benefits of a potential Delta Conveyance Project" (DCP Negotiation #:005, SWC Submission # SWCDGP-0001). *We seek from this process your confirmation that the same measure will be applied not only among the participants and non-participants (as defined in this process), but also among all parties that will actually pay the costs of these facilities. In other words, the characterization and cost allocation by DWR should be consistent for all purposes and for the parties who will actually pay these costs.*

We believe you are on the right track in focusing on the proportionate water supply benefits of both existing SWP supplies and Delta Conveyance Project Water in allocating costs of the Project. This treatment is consistent with the existing SWP contract and Water Code § 12934(d)(3), which would treat Delta Conveyance facilities as a Delta Water Charge, and thus a supply charge.

As you know, the Delta Water Charge under the SWP contract is a supply charge that captures the cost of conservation facilities, including Oroville, Delta, and San Luis, and a portion of the aqueduct leading from San Luis facilities to the Delta facilities. In contrast, the Transportation Charge covers the use of facilities required to deliver SWP water to the service area of each SWP Contractor. Consistent with the existing SWP contract, the Delta Conveyance Project costs should be recognized as "project conservation facilities," as defined in Article 1(f) and (g)(2), based on Water Code § 12934(d)(3)—serving the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta. Under the current SWP

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contract these would all be supply, not transportation, charges, and that distinction should remain in any Contract Amendment.

We understand that the Governor's portfolio plan is an independent process, and the Water Authority plans to remain an active participant there. However, for purposes of this Contract Amendment process, we believe it is important to note that the misallocation of supply costs can have a devastating effect on effective water management, by sending the wrong pricing signals for conservation and water exports from the Bay Delta.

We look forward to your continued efforts and appreciate your consideration of our request. Our Board of Directors would very much like to be able to express unqualified support for the Delta Conveyance Project, assured of the consistent and fair allocation of costs as described above. Please let me know if you would like any additional information or analysis.

Sincerely,



Sandra L. Kerl
Acting General Manager

cc: Governor Gavin Newsom
Senate President pro Tem Toni Atkins
Wade Crowfoot, Secretary for Natural Resources
Water Authority Board of Directors