January 18, 2018

Sent via U.S. Mail and E-mail to:
cwpcom@water.ca.gov

California Water Plan Update 2018
Strategic Water Planning Branch
Statewide Integrated Water Management
California Department of Water Resources
P.O. Box 942836
Sacramento, CA 94236-0001

Attention: Mr. Francisco Guzman

DWR Strategic Water Planning Branch:

Metropolitan’s Comments on California Water Plan Update 2018 – Public Review Draft

The Metropolitan Water District of Southern California (Metropolitan) welcomes the opportunity to provide comments on the Public Review Draft of the California Water Plan Update 2018 (Update 2018). As a member of the Advisory Committee, Metropolitan participated as a stakeholder and provided input since October 2016. Metropolitan appreciates the leadership of the Department of Water Resources (DWR) in developing an open and inclusive process and for its resolve in completing Update 2018.

Metropolitan shares DWR’s goal of a sustainable water future. Metropolitan supports a proactive and strategic approach, empowerment at regional and local levels, and effective policies and investments to address challenges. While Update 2018 provides an abbreviated summary of the two-year efforts, it still captures the essence of DWR’s vision for a sustainable future for California.

Metropolitan submits the following comments aimed at making Update 2018 an even stronger document. In addition to the general comments below, Metropolitan provides in Attachment 1 detailed comments on Update 2018.

- Update 2018 should show a link between the various updates and highlight that each one builds from previous efforts. One of the key messages of Update 2013 was that it complements Governor Brown’s California Water Action Plan (CWAP) as a path toward a sustainable water future. Metropolitan believes that Update 2018 would be strengthened by providing a stronger reference to the discussion of CWAP in Update 2013 and progress from the annual summary of accomplishments of the CWAP Implementation Report.
Metropolitan suggests linking the six listed Update 2018 Recommended Actions to the identified ten essential actions advanced in the CWAP. This would demonstrate the continual theme from Update 2013 and that it is a “Catalyst for Action” with an emphasis on innovation, integration, and investment toward a sustainable water future.

Because nine of the fourteen Supporting Documents listed were not available at the time of review, Metropolitan cannot furnish a complete review of the Update 2018. DWR should consider a public review process for these documents.

In lieu of a public review of the documents, Metropolitan suggests relabeling the “Supporting Documents” as “Supplemental Documents”.

With Update 2018 already released, these Supplemental Documents would need further discussion and development during Update 2023 before becoming implementable actions.

Update 2018 emphasizes the “focus on State government” role and the funding needed to implement Recommended Actions to achieve sustainability goals. However, Update 2018 also needs to emphasize that generating this additional State funding would result in fiscal impacts to the public.

Since Novel Funding is not a part of the Funding Scenarios presented, this discussion should be moved from Chapter 4 to the “Funding Mechanism Inventory and Evaluation” (Funding Mechanism Document) or other appropriate supplemental documents.

Metropolitan asks that the reference to Metropolitan’s Water Stewardship Rate (WSR) be removed from the Funding Mechanism Document. The WSR is not the type of charge it is represented to be in the Funding Mechanism Document, and the description provides inaccurate information and creates unnecessary confusion as to Metropolitan’s rate component.

Metropolitan hopes that these comments are helpful in making Update 2018 a stronger document. As a member of both the Association of California Water Agencies (ACWA) and the California Urban Water Agencies (CUWA), Metropolitan also concurs with the separate comment letters submitted by both associations. Metropolitan looks forward to a continued collaboration process amongst federal, state, regional, and local stakeholders as we move towards Update 2023.

Please contact Edgar Fandialan at efandialan@mwdh2o.com if you have any questions.

Sincerely,

Brad Coffey
Manager, Water Resource Management
DWR Strategic Water Planning Branch  
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January 18, 2019  

EF: vsm  

Attachment  
cc: Ms. Karla Nemeth  
California Department of Water Resources
Overall Comments:

- After much emphasis on the four societal values as the basis for Sustainability Actions over the course of the Update 2018 development, the Executive Summary should provide a stronger discussion to link the listed Recommended Actions to the societal values (which appear only in the box on p. 2-1). In addition, Metropolitan suggests adding a closing paragraph in the Executive Summary that would allow for transition and continued discussions regarding sustainability into the Update 2023 process.

- The Executive Summary lists the Recommended Actions, but should also reference the additional funding and extent of potential fiscal impact that would be required to implement these actions. For added clarity, Metropolitan suggests citing Table 4-1 and adding a brief discussion in the Executive Summary that would also highlight the significant funding provided by local and federal sources, the additional funding the State is seeking to justify, and potential fiscal impact that would be required to initiate and implement these identified actions.

- Metropolitan agrees with the Update 2018 acknowledgement of California’s many successes in water resource management driven by local and regional actions (p. 2-1).

- Some text in Chapter 2, “Challenges to Sustainability” (p. 2-3) are generalized statements without specificity or qualification and seem counter to the reality water suppliers are experiencing. They are also counter to the short history of water used (2011-2015) shown in Figure 1-1. It would be helpful to qualify those statements with time periods or other supporting references.

  - “Water quality degradation: …increased agricultural and urban wastewater discharges …have negatively affected water quality.” Many wastewater agencies have been experiencing decreasing urban wastewater flows and an increasing concentration of pollutants for the past 10 years. The pollutant load also increased in agricultural discharges as water use efficiency increases. Metropolitan suggests that the concentration of pollutants cause the negative impact to water quality instead of the increases in discharges.

  - “Water quality degradation: …increasing rainfall …have further diminished water quality.” Please clarify the reference to increasing rainfall as actual, historical, or if it is a projection.

  - “Aging and Inadequate Built infrastructure: …even as it comes under greater stress created by hydrologic extremes and increasing water demand.” Please qualify the time period and location of the increasing water demand. Southern California has not seen an increase in water demand since 2000 even with a population increase of over 2 million people.

  - “Sacramento-San Joaquin Delta (Delta) Conflicts: Increasing demand for the Delta’s resources…” Please quantify the uses (environmental, agricultural, or urban) or users that cause the “increasing demand.” Also clarify if the increases are actual, historical, or projected, and in what time period. A general statement may be incorrectly interpreted as the State Water Project being the primary and only cause of the increasing demand.

- “Changing Demands for Water: Future water scenarios published in Update 2013 (p. 2-4) show an increase in urban water demand ranging from 1 maf to 7 maf per year by the year
2050…” This is not a good reference anymore as we have seen a structural change in urban water use and the passage of the conservation legislation (AB 1668 and SB 606). The challenge of demand hardening and shift to permanent crops making it more difficult to use short-term water use reduction as a tool for managing shortages during droughts is valid. However, it should not be predicated on increasing urban water use.

- The supplemental documents on sustainability indicators need a more thorough review and discussion. The limited review and comment period does not allow stakeholders to fully understand the methodology, indicators, and metrics to properly assess implementation of the proposal. Furthermore, the two case studies to demonstrate the application of the proposed methodology, indicators, and metrics are still under preparation at this time.

**Comments on Funding Discussion for Water Resource Sustainability:**

- **Factual Accuracy on Metropolitan’s Water Stewardship Rate**
  - The supporting document, “Funding Mechanism Inventory and Evaluation” (Funding Mechanism Document), incorrectly includes one of Metropolitan’s rate components, the Water Stewardship Rate (“WSR”), as an example of a public goods charge. The Funding Mechanism Document describes the WSR as a “volumetric fee for public-purpose programs” or surcharge for a public purpose. However, Metropolitan’s WSR is not a surcharge for a public purpose program. The WSR is a component of the total volumetric rate Metropolitan charges its 26 member agencies for wholesale water services. Thus, the WSR is part of fees for services and recovers the actual cost of providing those services. The WSR is not charged separately for the purpose of undertaking public purpose programs.

  - The amount of the WSR is intended to recover the revenue required for Metropolitan to undertake its demand management programs, which serve the purpose of reducing the need to import water into Metropolitan’s service area. The reduction of imported water results in reduced or avoided system infrastructure costs and makes system capacity available for all users of Metropolitan’s system. Those costs are therefore incurred to provide Metropolitan’s wholesale water services, including the use of Metropolitan’s system.

  - Accordingly, the WSR should not be included at all in the Funding Mechanism Document or Update 2018 as an example of a public goods charge. It is not the type of charge it is represented to be, and the description provides inaccurate information and creates unnecessary confusion as to Metropolitan’s rate component. Additionally, it is imperative that any description of Metropolitan’s rate components be accurate, as the WSR and other aspects of Metropolitan’s wholesale water service rates and charges are the subject of pending litigation. As a result, we ask that you remove this example from the Funding Mechanism Document.

- **General Funding Comments:**
  - Update 2018 emphasizes the “focus on State government” role and the funding needed to implement Recommended Actions to achieve sustainability goals. However, Update 2018 needs to also emphasize earlier in the document that generating this additional State funding need would result in fiscal impacts to the public.

  - Update 2018 presents a $90 billion estimate of additional State funding need over the next 50 years, in addition to local and federal contributions assumed to continue at the same proportion (p. 4-2). With the funding reference materials unavailable at the time of review, it is unclear how these estimates are generated. It also remains unclear what this funding
will specifically accomplish and what level of the critical, systemic and institutional challenges will be addressed.

- Update 2018 estimates State funding need and potential administration of $2.6 billion in Years 1-5, $5.7 billion in Years 6-10, $38.3 billion in Years 11-30, and $43.5 billion in Years 31-50 (p. 4-3). These levels of annual expenditures would require significant efforts to disburse, document, track, and measure. Are these funding levels realistic in what DWR could practicably administer?

- Novel Funding Mechanism:
  - Since Novel Funding is not a part of the Funding Scenarios presented, this discussion should be moved from Chapter 4 to the Funding Mechanism Document or other appropriate supplemental documents.
  - Update 2018’s claim that novel funding mechanism could more directly link revenues and expenditures to the beneficiaries of water management activities (p. 4-6) is not substantiated.
  - Metropolitan agrees with the Update 2018 statement which acknowledges that in applying any novel funding mechanism, the ability and willingness of the public, or local agencies, to pay must be considered (p. 4-6). However, Update 2018 also discusses novel funding mechanism as a funding decision intended to balance prevailing State policies that is carried through legislative process (p. 4-6). These two concepts on novel funding could be seen as conflicting. It is unclear how the State would reconcile the need to fill a funding gap with its consideration of public willingness for such funding increases. It is also unclear how the State would evaluate public willingness in terms of which type and level of novel mechanism to exercise.
  - Metropolitan agrees with the statement: “… State administered novel mechanisms should be designed to minimize the impact on local agencies’ ability to generate revenue…” (p. 4-6). Since Update 2018 assumes that local funding will continue into the future at the current funding proportion, the ability of local entities to generate funds from fees, service payments, or water rates in support of such projects should be preserved.

- Funding Scenarios:
  - Update 2018 presents funding scenarios (Scenarios A, B, and C) with different levels of contribution from State General Fund and General Obligation (GO) Bonds (p. 4-9). These scenarios will generate roughly the same amount of additional funds (about $3.5 billion). This additional funding, however, will only be enough to meet Update 2018’s estimate of State’s funding needs for a few years. It is apparent that additional funding mechanisms will be required to generate the level of State funding needed to implement Update 2018’s Recommended Actions based on estimates presented in Table 4-1. After increases in funding from State General Funds and GO Bonds have been secured under the scenarios identified, Update 2018 still indirectly points to novel funding mechanisms as the next sources of additional funding for the State, with legislative actions as vehicle. As previously stated, Metropolitan suggests moving the novel funding discussion from Chapter 4 to a supplemental document. This topic is an important discussion that needs to continue into the Update 2023 process.
  - Meeting the State’s funding need through an increase in General Funds and/or GO Bonds will result in an increase in cost per household and cost per capita. The fiscal impacts of the funding mechanisms are mentioned, but not emphasized. Update 2018 should also
acknowledge that not only will there be increased costs to the public, but also that these costs could be additive when several funding mechanisms are implemented.

- Scenario A suggests doubling of historical average funding from GO Bonds. However, State funding from GO Bonds is currently capped by debt service limitations. Any legislative action to increase this limit would require consideration of public willingness as this action would correspond to increases in taxes or revenues levied from the public. This might not be realistic. Metropolitan suggests continued discussion and coordination of efforts to evaluate future funding mechanisms as part of Update 2023.