

Notes. BDCP Finance Committee Working Group. October 27, 2011.

The group discussed what the exporters have to pay for and what the costs to the public and others might be. The contractors stated CM1 plus mitigation is their obligation. Others stated that non-exporters who caused impacts on Delta biology should pay for some restoration costs. Contractors also have to pay for any requirements of biological opinions. It was noted that the new conveyance plus mitigation and existing biological opinions would be the equivalent of what is required in a CESA 2081 permit with no assurances. The non-conveyance habitat measures in the plan are the basis for 50 year assurances. What part of the measures that form the basis of the assurances will be the responsibility of DWR and Reclamation and therefore the contractors?

Below: "NGO", "exporter", and other comments were from one person, not the entire group.

NGO: BDCP should prepare financing scenarios for the program that would include both public and private costs (e.g. conveyance, habitat, science and administration) as well as a range of approaches to conveyance (e.g. different capacities, operations and investments in regional supplies.) Such scenarios could inform decision-making in BDCP and lay the groundwork for resolving financing issues at the end of the process.

NGO Request: table showing requirements of biological opinion habitat vs. BDCP habitat.

Delta Vision and PPIC have described impacts of upstream and in-Delta development.

What are the criteria to determine the costs of mitigation, versus contribution to recovery?

Who pays for the costs of the adaptive management program?

Need for flood control funding to supplement some of the conservation measures, such as Yolo Bypass.

NGO: exporters should pay for part of costs of contribution to recovery.

Concern was expressed that BDCP provides no assurances to upstream water users with respect to water rights priorities and area of origin protections.

NGO: CM 1 is not really a conservation measure. Another attendee stated that was true particularly since the concept of a peripheral canal is not a new one and it was never previously called a "conservation measure .

NGO: A public goods charge could help pay for the part of BDCP not paid for by the exporters.

NGO: In addition to mitigation for the construction of CM 1, there is mitigation for the operation of CM 1. The BIOPs also require this.

NGO: is the existing habitat crediting agreement robust enough to allow the exporters to develop BDCP habitat development beyond that required for the BIOPs? Some NGOs want exporter support for funding not provided by exporters.

Monitoring: It currently costs \$30m per year. Paid largely by the EIP program, funding by exporters, and state and federal funds. There is also a need for monitoring in the Bay Delta watershed. These costs are likely to increase under BDCP.

Exporter: monitoring program is not sufficiently transparent today.

Those paying for the habitat program will want to help determine the monitoring program. This could be a general fund cost, at least in part.

NGO: New programs require new \$. Desire not to switch existing funds into new programs.

NGO: The idea that the permit could be revoked due to lack of funding is not realistic, given the cost of CM 1.

USBR will make a presentation on CVPIA funding to the working group at a future meeting.

Stating the contractors should only pay for the monitoring already legally required by the biological opinions is too narrow when monitoring is also required for BDCP implementation, for example, in order to determine what adaptive management changes are needed

Exporter: the financial obligations of the exporters to make changes pursuant to the adaptive management plan should be defined up front.

NGO: If a new funding source is established, how can the funders be assured that the funds will not be loaned or re-appropriated to a different purpose by the legislature or Department of Finance?

NGO: Must be careful that new funds are not simply used to fund positions in state government. Funds must go to the purpose for which they were created.

The 2012 bond act is not reliable yet. Too much uncertainty about polling, etc. Making changes in the bond is very risky, given how hard it was to put together. Deferring it to 2014 may be necessary, given the polling. But some want to see it voted on in 2012. Some want to see an across the board cut. Others feel it diverts attention away from BDCP.

Public goods charge. Highly speculative. If upstream water agencies pay it, they want to see the funds going to local projects. This debate could distract from BDCP, but the funds could be used to help implement BDCP. Funds would have to be targeted and specific, and protected from diversion. Some examples of possible expenditures are demand management in local areas, habitat, Delta levees, etc. Other questions are how to assess (Delta diversions from Delta and upstream)), volumetric vs ET? Which water rights would be subject to the fee? How does CVPIA fee fit in? Local agencies would need an exemption from Prop.218 to collect the fee. Local agencies would want all or most of the money to be spent locally.

CUWA has developed a paper on this, and will make a presentation to the next finance working group.

EDF will develop a model of which agencies or water rights holders might be responsible for which costs.

The question of the ultimate responsibility of the exporters for the habitat parts of BDCP in the event of failure of public funding was discussed.