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YOSEMITE NATIONAL PARK

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May 22, 2013

Ms. Felicia Marcus, Chair  
State Water Resources Control Board  
1001 I Street, 24th Floor  
Sacramento, CA 95814-2828

Re: Diversification of San Francisco's water supply portfolio

Dear Chair Marcus:

As advocates for a restored and healthy Tuolumne River, we have followed the State Board process as it moves forward to update the Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta Plan). We paid close attention when San Francisco presented its comments orally at the board workshop on March 21, and have now had the opportunity to review the full text of San Francisco's March 29, 2013 letter to the State Board on the matter.

Disappointingly, San Francisco's letter demonstrates not only its opposition to helping to provide sufficient flows to assist salmon and other fish in the lower Tuolumne River but also its aversion to diversifying its water supply portfolio. As a result, San Francisco has presented an unwarranted resistance to changes in its water system that not only makes it difficult to accommodate environmental restoration but also impedes water supply reliability for its customers. The SFPUC's estimate of economic impacts presumes that the San Francisco and its wholesale customers are incapable of developing water supply alternatives that would ameliorate impacts associated with reduced diversions from the Tuolumne River. In this regard, San Francisco and its wholesale customers lag behind most large urban water agencies in California.

**Unwarranted projections of impacts to water supply**

The State Board has stated that its update of the Bay-Delta Plan is not likely to affect San Francisco's diversions (see Substitute Environmental Document, page 5-56). San Francisco claims otherwise, citing language from its "4<sup>th</sup> Agreement" (with the Turlock and Modesto Irrigation Districts) that pertains to potential action of the Federal Energy Regulatory Commission, but not to any action by the State Board. San Francisco provides no explanation, however, as to why the

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language in the 4<sup>th</sup> Agreement would apply to the State Board proceeding. Nor does its letter explain why the State Board does not have discretion to determine whether and to what extent San Francisco might be obligated to assist with flow enhancements below Don Pedro Reservoir.

Using the 4<sup>th</sup> Agreement language, San Francisco makes a further series of unwarranted assumptions leading to a conclusion that its Tuolumne River diversions would be decreased by an average of 118,000 acre-feet per year during a repeat of the hydrologic conditions of the 1987-1992 drought (roughly half of its diversion volume in most years). This conclusion is without foundation and does not provide the basis for a productive discussion with the State Board as it moves forward with its statutory responsibility to update the Bay-Delta Plan.

We suggest that the State Board disregard San Francisco's water supply analysis in its entirety unless it can provide a more solid foundation for its findings.

#### Unreasonable costs associated with reduced diversions

As stated above, we disagree with the conclusion related to anticipated reductions in diversions of Tuolumne River supplies to the Bay Area. Even if such reduction were to take place, however, the very high costs associated with the reductions are not justified. Water supply agencies across the State have adjusted to far higher reductions in recent decades and found ways to meet the needs of their customers at a small fraction of the cost that San Francisco asserts.

San Francisco asserts that its customers would incur a cost of \$49,000,000,000 per year during a repeat of the hydrologic conditions of the 1987-1992 drought in which its diversions from the Tuolumne River would be reduced by 118,000 acre-feet per year. These figures indicate that the average unit value of this water would be \$415,000 per acre-foot! This value is without precedent. It is more than 40,000 times the retail cost of water for farmers in the Turlock and Modesto Irrigation Districts. It is more than 200 times the cost of retail water in Bay Area communities or the current cost of developing recycled supplies (see, for example, San Diego's Water Purification Demonstration Project *Project Report (Final Draft)*, March 2013.)

To be fair, these values are not strictly comparable. The cost in Turlock and Modesto is for raw water, while the retail and recycled water costs are for treated water. And the \$415,000 per acre-foot value associated with potentially reduced diversions is not a cost of supply, but is the estimated *value* of water supply to business.

But including \$415,000 per acre-foot as a potential cost as San Francisco has asserted in its letter to the State Board assumes that it would do nothing whatsoever to replace or otherwise mitigate supplies that might be forgone. Such an approach is analogous to starving to death because one's favorite restaurant is shut down. The value should not be taken seriously.

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Of course, if it were the case that instream flows on the lower Tuolumne did substantially affect San Francisco's ability to divert water, it would not simply absorb the impact but would take action to replace the lost supply.

We ask the State Board to instruct San Francisco that its unreasonable assessments of economic impacts will be disregarded and to ask San Francisco to provide a realistic assessment of what actions it would take to respond to reductions in diversions in Tuolumne River supplies at a minimum cost to its ratepayers.

### Diversification of Supply

The San Francisco Regional Water System presently relies on the Tuolumne River for 85% of its current supply. Such a high degree of reliance on supply from a single source makes the water system vulnerable in a number of ways. An extended drought in the Tuolumne watershed, potentially exacerbated by the effects of global warming, threatens reliability in San Francisco and the other Bay Area cities that depend on its Regional Water System. Also, any outage due to seismic activity or other causes on the conveyance system that stretches the width of California could have serious consequences for customers (we do commend San Francisco and its customers for its substantial work over the last decade on its Water System Improvement Plan to increase the reliability of pipelines within the Bay Area.).

But San Francisco's reluctance to engage in any substantial efforts to diversify its water supply diminishes its ability to contribute to efforts to restore parts of the Tuolumne River and related ecosystems. Efforts to increase flows on the lower Tuolumne through the State Board, FERC or other processes will continue, as will the appeal to restore Hetch Hetchy Valley in Yosemite National Park.

While San Francisco may choose to resist any attempts to reduce the environmental impacts of its water system in the Tuolumne watershed, it should recognize that it will serve its customers better if it develops alternative resources that will substantially diversify its water supply portfolio. Other major urban water utilities in California have been doing so for the last 20 years and continue to make substantial progress. By taking only minimal steps to diversify its portfolio, San Francisco is behind the curve and is stubbornly clinging to an increasingly outmoded way of providing water to its customers.

Table 1 (attached) provides a selection of water supply projects and programs that have been developed over the past 20 years by urban agencies in California – most of which have been developed with little or no controversy. The list is not comprehensive and not intended to be. It is merely a list of some of the more substantial programs and projects that other urban agencies in California have developed in order to accommodate the needs of their customers. These

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investments have often been developed at least in part to respond to the need to operate diversion facilities in ways that do less harm to the natural environment.

Of course, all water systems are different and there are few "one size fits all" solutions for developing new supplies. San Francisco's wholesale and retail customers generally use less water on a per capita basis than many other urban communities in the State. In addition, San Francisco's system presently has limited connections to the State Water Project so investments in groundwater banking or transfers may require additional conveyance as well.

San Francisco, of course, is developing a modest degree of water supply diversity. The ongoing investments in groundwater in the west and southwest basins are a positive step forward. San Francisco's cooperative work with other Bay Area agencies on recycling and even a potential desalination plant may well result in a better integrated and more reliable water system for the entire Bay Area (though we are withholding judgment on the outcomes of these processes).

Overall, however, San Francisco has done very little compared to the vast array of projects that other urban agencies in California have already completed and are continuing to develop. We ask the State Board to encourage San Francisco to learn from many of these examples and to pursue substantial new investments in sustainable water supplies.

### Conclusion

Urban water agencies throughout California, particularly those that rely on diversions from the Delta through the State Water Project, have experienced a reduction in diversion capability in order to reduce harm to the natural environment, including the protection of endangered species. These agencies have developed a wide variety of alternative supply projects to provide increased reliability while reducing environmental harm. San Francisco can and should do so as well.

We ask the State Board to work cooperatively with San Francisco and its wholesale customers in their efforts to develop resilient and sustainable water systems that will protect both California's economy and its natural waterways.

Thanks you for your consideration of these comments. Please feel free to contact Restore Hetch Hetchy if you have any questions.



Spreck Rosekrans  
Director of Policy

Cc: Mr. Art Torres, San Francisco Public Utilities Commission  
Ms. Irene O'Connell, Bay Area Water Supply and Conservation Agency

**Table 1: Selected urban water supply investments in California since 1990**

Utility	Program or Project
Contra Costa Water District	<ul style="list-style-type: none"> <li>• Construction and Expansion of Los Vaqueros Reservoir - 160,000 acre-feet</li> <li>• Middle River Intake and Pump Station</li> </ul>
East Bay Municipal Utility District	<ul style="list-style-type: none"> <li>• Freeport Regional Water Facility to access contract supplies with the Bureau of Reclamation</li> <li>• Ongoing discussions with Placer County and others to “firm up” supply through Freeport</li> </ul>
Zone 7	<ul style="list-style-type: none"> <li>• Semitropic water bank – 65,000 acre-feet</li> </ul>
Alameda County Water District	<ul style="list-style-type: none"> <li>• Semitropic water bank – 150,000 acre-feet</li> </ul>
Santa Clara Valley Water District	<ul style="list-style-type: none"> <li>• Semitropic water bank – 350,000 acre-feet</li> <li>• Will double production of recycled water by 2035 (from 14,000 acre-feet per year to 29,000 acre-feet per year)</li> </ul>
Metropolitan Water District of Southern California (on behalf of all customers)	<ul style="list-style-type: none"> <li>• Diamond Valley Lake – 810,000 acre-feet</li> <li>• Semitropic Water Bank – 350,000 acre-feet</li> <li>• Arvin Edison Water Bank – 350,000 acre-feet</li> <li>• Kern Delta Water Bank – 350,000 acre-feet</li> <li>• Local Groundwater Storage (Long Beach, Chino, Orange County, Compton etc.) – 212,000 acre-feet</li> <li>• Water transfers to MWD through State Water Project and Colorado Aqueduct – 331,000 acre-feet per year (average 2008-2010, average cost \$218 per acre-foot)</li> </ul>
San Diego	<ul style="list-style-type: none"> <li>• Water transfers through Colorado Aqueduct - 124,000 acre-feet per year (average 2008-2010, average cost \$688 per acre-foot)</li> </ul>
MWD customers (other than San Diego)	<ul style="list-style-type: none"> <li>• Water transfers through the State Water Project - 77,000 acre-feet per year (average 2008-2010, average cost \$267 per acre-foot)</li> </ul>
Orange County	<ul style="list-style-type: none"> <li>• The Municipal Water Districts of Orange County currently use 40,000 acre-feet of recycled water per year and expect to increase the amount to 60,000 acre-feet per year by 2035</li> </ul>
West Basin	<ul style="list-style-type: none"> <li>• Currently recycles 30,000 acre-feet per year - plans to expand to 70,000 acre-feet per year by 2035</li> </ul>
Los Angeles	<ul style="list-style-type: none"> <li>• Currently recycles 5,000 acre-feet per year - plans to expand to 59,000 acre-feet per year by 2035</li> </ul>
San Diego	<ul style="list-style-type: none"> <li>• Currently recycles 27,931 acre-feet per year - plans to expand to 49,998 acre-feet per year by 2035</li> </ul>