

DEMAND MANAGEMENT OPTIONS AND RECOMMENDATION

Stephanie Anagnoson

Director of Water & Natural Resources

June 20, 2019



THE CHALLENGE

What Everyone Wants

Predictability and Certainty

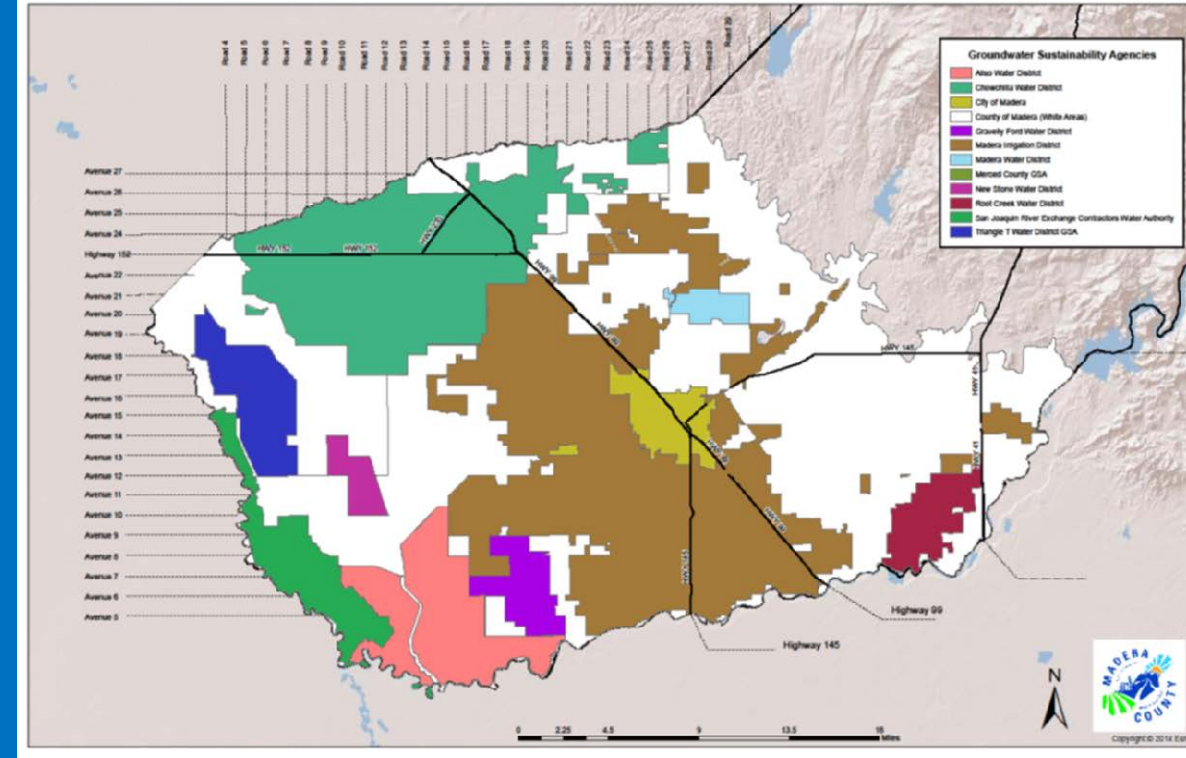
What Everyone Gets

Less Predictability and Greater Uncertainty

The Way Through

Continuous Dialogue Built Upon

- *Trust*
- *Transparency*
- *Legitimate stakeholder processes that include all beneficial users*



-Gary Peterson, Salinas Valley Basin GSAs

PRESENTATION OUTLINE

- Projects
- Demand Reduction
- Rates

PROJECTS



PROJECTS

- Potential sources of water:
 - CVP Section 215 water
 - Purchased water from others (CVP, water rights)
 - Pursue new water right
- Locations for direct or in-lieu recharge:
 - East area with water conveyed via Madera Canal and MID/CWD laterals
 - West area with water diverted from Chowchilla Bypass, delivered to bottom-end of MID/CWD laterals, or via streams
- Methods: recharge ponds, Flood-MAR, dry-wells, in-lieu irrigation

PROJECTS

- Pros
 - Supplements native groundwater
 - Offsets small portion of demand reduction
- Cons
 - Requires significant infrastructure that does not yet exist
 - Supplies are intermittent
 - Benefits may be limited to certain areas in the GSAs

DEMAND REDUCTION



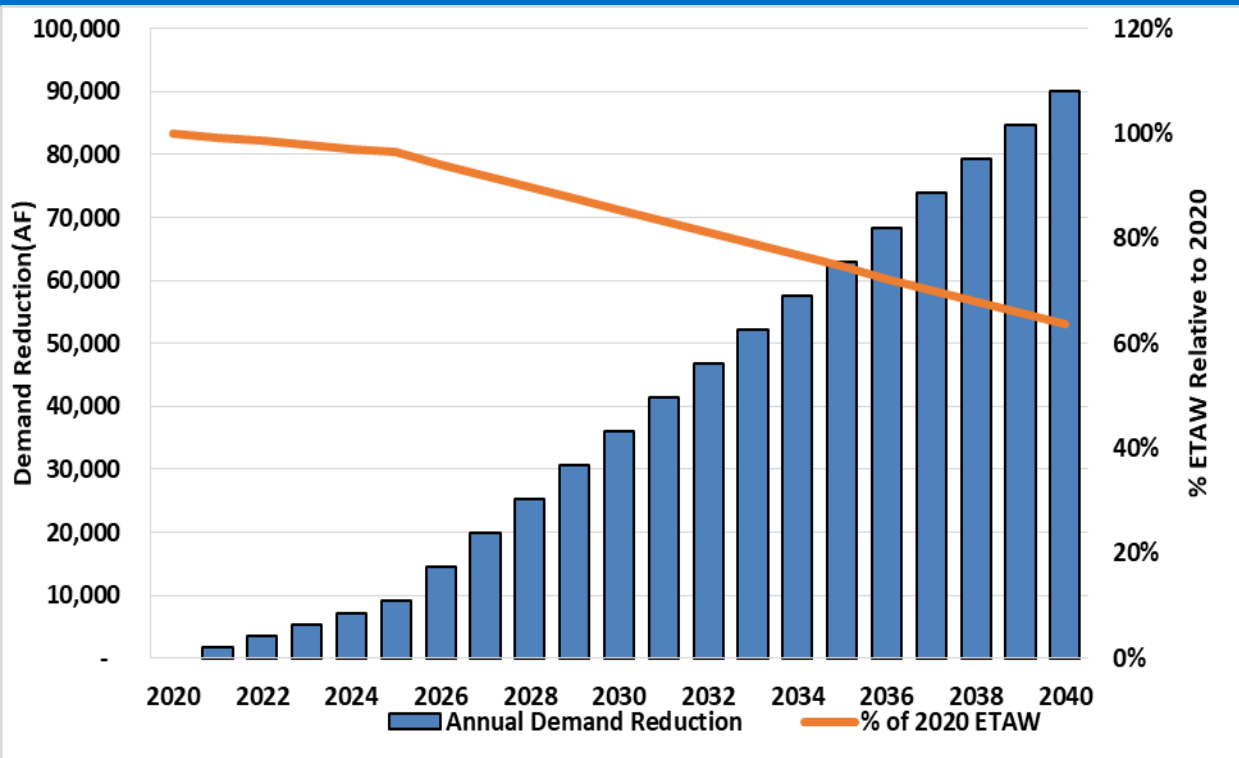
DEMAND REDUCTION

- Relevant regulatory sections
- §354.44(2) If overdraft conditions are identified...the Plan shall describe projects or management actions, including a quantification of demand reduction or other methods, for the mitigation of overdraft.
- §354.26 (b) The description of undesirable results shall include the following:
 - (3) Potential effects on the beneficial uses and users of groundwater, on land uses and property interests, and other potential effects that may occur or are occurring from undesirable results.

DEMAND REDUCTION

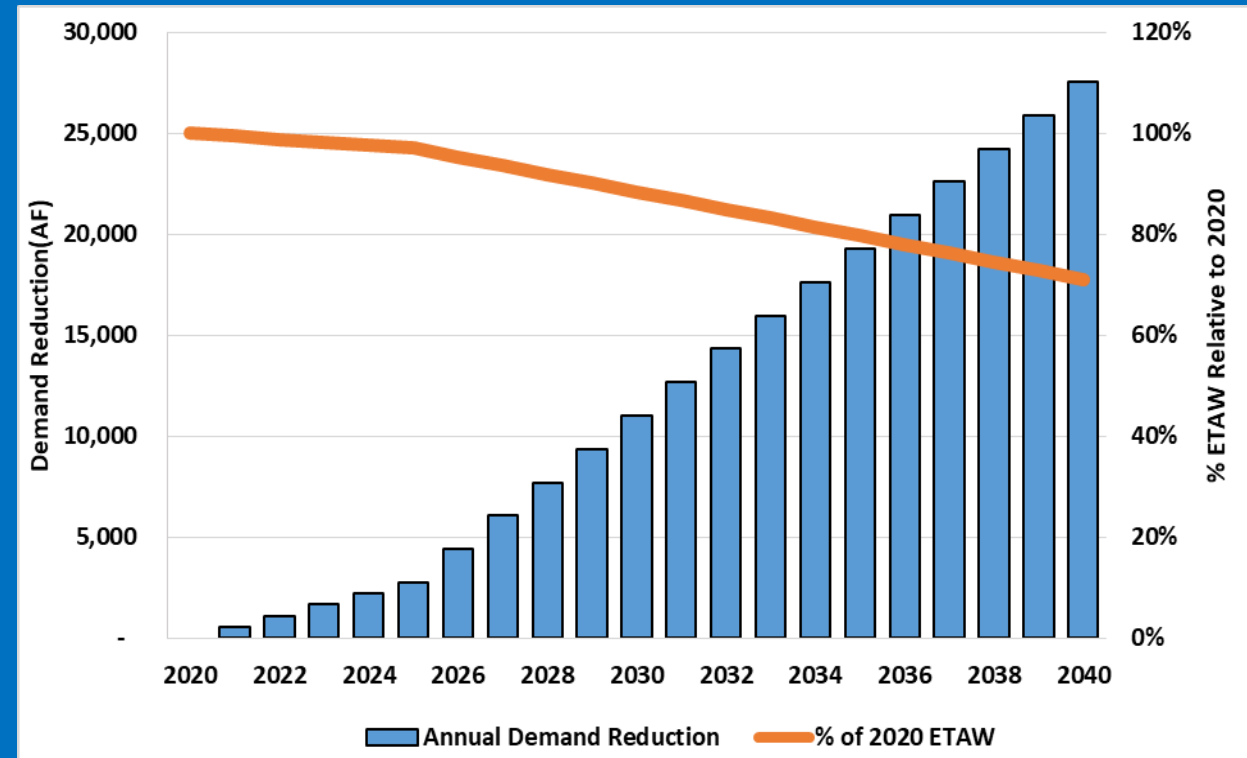
Madera Subbasin County GSA

2040 Goal: ~ 90,000 af/yr less use
(3,500 to 5,500 af each year)



Chowchilla Subbasin County GSA

2040 Goal: ~ 28,000 af/yr less use
(1,500 to 3,500 af each year)



CURRENT OPTIONS FOR DEMAND REDUCTION

(These can be combined and modified over time)

- Strategy #1: Allocations at the parcel level
(May 17 and May 23, 2019 meetings)
- Strategy #2: Water markets
(October 19 and November 16, 2019 meetings at FB)
- Strategy #3: Easements
 - 1 year rental
 - 5-10 year rental
 - In perpetuity

STRATEGY #1: ALLOCATIONS

Pros

- Managed based on known conditions

Cons

- Administratively difficult
- Allocations set by GSA (e.g. 'government control')
- Complexity associated with setting allocations (crop type, irrigated/non-irrigated, carry-over, etc.)

STRATEGY #2: WATER MARKETS

Pros

- Cost-effective
- Added grower flexibility
- Independent choices
- Less 'government control'

Cons

- Initial allocation is of key importance
- Administratively difficult
- Could allow 'water speculation'

STRATEGY #3: EASEMENTS

Pros

- Flexibility - might consist of one-year, five-year, or permanent out-of-production status
- Almost guarantee demand reduction

Cons

- Potential economic impacts come sooner
- Temporary rentals don't guarantee water savings that build over time
- Could be less cost-effective
- Need to monitor 'total groundwater use' to make sure net reduction occurs

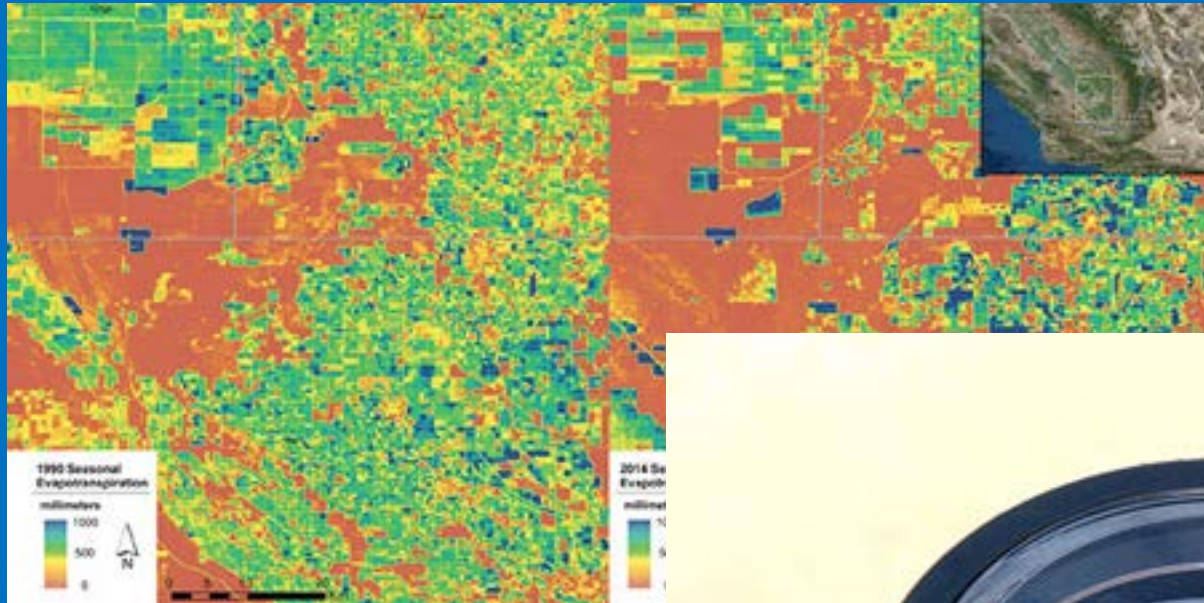
OTHER IDEAS?

- Contests: highest yield with least water consumption
- Support studies of lower water use crops (production as well as marketing)
- Land use restrictions to limit irrigation
- Well moratorium

THINGS TO CONSIDER

- Administrative/regulatory burden for grower
- Administrative burden for County GSA
- Individual economics
- County GSA economics
- County economics
- Flexibility and adaptability of approach to modify to assure GSA reduction targets are met

RATES FOR DEMAND REDUCTION?



OUR CURRENT RATE STRATEGY

1. 218 Proceeding for Flood Control and Water Conservation District
2. Fee (exempt under Prop 26) for County GSAs Administration
3. 218 Proceeding for Large Scale Infrastructure for Recharge

SAN JUAN CAPISTRANO

- Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano
 - Water rates must reflect the cost of service attributable to a given parcel
 - Tiers must correspond to the actual cost of providing service at a given level of use
 - A water agency cannot allocate costs among tiers based on “predetermined usage budget”
 - Does not prohibit tiers; makes it much more difficult

UNITED WATER CONSERVATION

- City of San Buenaventura v. United Water Conservation District
 - California Supreme Court held that a water conservation district's pumping charges were not property-related (and not subject to Proposition 218)
 - Pumping charges were mandated by statute to be at a ratio of 3:1 for non-ag users, but were not tiered rates.
 - Case remanded to court of appeal to determine whether the charges bore a fair or reasonable relationship to the City's burdens on, or benefits received from, the district's activity, so as to be exempt from the definition of a "tax" under Proposition 26.

LEGAL TAKEAWAYS

- Tiered rates are assumed to need a Proposition 218 proceeding, which requires notice and a majority protest
- Tiered rates cannot explicitly be utilized to change behavior around water use
- Tiered rates must be tied (tier by tier) to associated increasing costs
- Rate studies need to be on legal solid ground