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13 BEFORE THE
14 STATE WATER RESOURCES CONTROL BOARD
15 STATE OF CALIFORNIA

16 In re Petition of Imperial Irrigation District and)
San Diego County Water Authority for)
17 Approval of Long-Term Transfer of Conserved)
Water and Changes in Point of Diversion, Place)
18 of Use and Purpose of Use Under Permit No.)
7643)
19

16 EXPERT WITNESS STATEMENT OF
17 STEVE MACAULAY

20
21 I. INTRODUCTION

22 A. Expert Qualifications

23 My name is Steve Macaulay. I am the Chief Deputy Director of the California Department
24 of Water Resources. I am a registered Civil Engineer and have 30 years of extensive experience in a
25 full range of water resources problems and issues including water transfers, water quality, water
26 resources management, water rights, water supply contracts, groundwater, water conservation and
27 reclamation, and the full range of issues regarding the Sacramento-San Joaquin Delta including the
28 CALFED Bay-Delta Program. Most of my career has been spent in California State Government,

1 with increasing roles over time leading to my current position as Chief Deputy Director of DWR. I
2 left State Government from 1994 to 1999 to be the General Manager of the State Water Contractors,
3 the water user organization for 27 public agencies that are customers of the State Water Project.

4 In addition to the qualifications just provided, I have specific expertise in the area of water
5 transfers, the subject matter of this hearing. I have been at a policy leadership level for the past
6 decade and have extensive experience in water transfers. The attached Curriculum Vitae supports
7 my qualifications in the following areas:

- 8 1. General expertise in California water law and policy.
- 9 2. Experience in Bay-Delta water issues and their impacts on State Water Project
10 supplies.
- 11 3. Experience with facilitating water transfers through the CALFED Bay-Delta Pro-
12 gram, personal involvement in CALFED's Environmental Water Account beginning
13 in 2000, and development of DWR's Drought Water Bank in the 1990s.

14 **B. Role and Responsibilities at DWR**

15 As DWR's Chief Deputy Director, I am responsible for overall coordination and management
16 of the Department's participation in the CALFED Bay-Delta Program, an historic State-federal
17 partnership working toward resolution of conflicting needs and interests associated with the hub of
18 California's developed water supplies.

19 DWR's State Water Project is one of the largest water and power projects in the world. The
20 SWP develops water in the Feather River watershed and exports that water, together with available
21 unstored runoff, from multiple points of diversion within the Sacramento-San Joaquin River Delta to
22 water users in the Bay Area, San Joaquin Valley, and Southern California. The impacts of increas-
23 ingly stringent Delta water quality and fishery protection requirements on the SWP's ability to divert
24 water in the Delta made it critical for DWR to take a leading role in the CALFED program.

25 The CALFED Bay-Delta Program's purpose is to restore the ecological health of, and
26 improve water management for beneficial uses in, the San Francisco Bay/Sacramento-San Joaquin
27 River Delta estuary system through implementation of a long-term, comprehensive plan. Following
28 some five years of initial planning, adoption of a Record of Decision in August 2000 signaled the

1 beginning of program implementation. At that time, State and federal agencies with management or
2 regulatory responsibility in the Bay-Delta signed a memorandum of understanding establishing the
3 decision-making processes and governance structure to be used in managing the program, and
4 describing the agencies' obligations in program implementation.

5 The CALFED agencies have agreed to concurrently and comprehensively address Bay-Delta
6 problems in resource areas such as ecosystem quality, water quality, water supply reliability, and
7 levee system integrity. In coordination with CALFED's ecosystem restoration program, the
8 CALFED agencies identified fisheries protection measures to assist in the recovery of fish species
9 listed under the California and federal Endangered Species Acts. One such measure was creation
10 and development of an Environmental Water Account, a program designed to promote flexible man-
11 agement of SWP and federal Central Valley Project water operations to provide additional fishery
12 protection and recovery, and to better ensure reliable deliveries to SWP and CVP users. Pursuant to
13 the terms of an EWA implementation agreement among State and federal fishery and water manage-
14 ment agencies, USBR and DWR are responsible for acquiring water made available by willing
15 sellers through means such as sales of water stored in reservoirs, temporary fallowing of agricultural
16 lands, or groundwater substitution. In 2002, DWR and USBR are responsible for acquiring at least
17 185,000 acre-feet on behalf of EWA. These are all market-based water transfers, developed consis-
18 tent with State law and policy, and contributing significantly to both ecosystem restoration and water
19 supply reliability.

20 In addition to its involvement in the CALFED EWA program, DWR operated a dry year
21 water purchase program (similar in concept to the Drought Water Banks of the 1990s) in response to
22 drier than normal conditions last year and this year. The program buys water from willing sellers
23 and makes it available to users experiencing shortfalls in their normal supplies. In 2001, the pro-
24 gram transferred 138,000 acre-feet of water acquired through sales of water stored in reservoirs,
25 temporary fallowing of agricultural land, and groundwater substitution.

26 **II. IMPORTANCE OF TRANSFERS IN CALIFORNIA WATER MANAGEMENT**

27 Water transfers are an important and necessary part of California's water picture. State law
28 supports voluntary water transfers, and directs State agencies to encourage and facilitate voluntary

1 transfers in a manner that protects existing water uses. State law and policy further direct State
2 agencies to provide technical assistance to parties to implement water conservation measures that
3 will make additional water available for transfers.

4 Transfers can provide an effective means of moving water between users on a voluntary and
5 compensated basis, as well as a means of providing incentives for water users to implement manage-
6 ment practices that will improve the effectiveness of local water management. Transfers can also,
7 like the CALFED Environmental Water Account, provide water for environmental purposes. The
8 CALFED Bay-Delta program has recognized that water transfers are already an important part of the
9 California water management landscape and are valuable in the effort to improve water supply
10 reliability, water use efficiency, water quality, and aquatic ecosystems. CALFED has also recog-
11 nized that adverse impacts of water transfers must be avoided or mitigated.

12 The goal of CALFED's water transfers program is to encourage development of a more
13 effective water transfer market that facilitates water transfers and streamlines the approval process
14 while protecting water rights, environmental conditions, and local economic interests. The
15 CALFED agencies have developed an on-line water transfer information source to provide current
16 information about ongoing transfer activity. To support CALFED program activities and to high-
17 light the importance of transfers as a water management tool, DWR has established a Water
18 Transfers Office and has developed draft guidance for transfers associated with the CALFED EWA
19 program and DWR's dry year purchasing program. DWR's draft guidance for the programs recog-
20 nizes key principles such as the importance of local leadership in making local resource management
21 decisions, avoidance and mitigation of third-party impacts, and compatibility with ongoing environ-
22 mental protection and restoration programs.

23 **III. SOUTHERN CALIFORNIA'S RELIANCE ON IMPORTED WATER SUPPLIES**

24 As part of its role in statewide water supply planning, DWR is charged by the California
25 Water Code with periodically reviewing the protection, conservation, development, and utilization of
26 the State's water resources. We publish this review in the form of our California Water Plan Update,
27 which we produce every five years. The next update to the California Water Plan will be released in
28 2003. The previous edition of the update, DWR's Bulletin 160-98, incorporated the draft Colorado

1 River Water Use Plan and assumed that planned implementation would be the mechanism for
2 responding to Southern California's reduced supplies from the Colorado River.

3 DWR has long been aware of the need for Southern California to, when the time came,
4 reduce its use of Colorado River water to the State's basic interstate apportionment of 4.4 million
5 acre-feet annually plus half of any Lower Basin surplus waters. That time has come, as demon-
6 strated by the provisions in the Secretary of the Interior's January 2001 Interim Surplus Guidelines
7 for managing the mainstream waters of the Lower Colorado River.

8 Urbanized coastal Southern California has historically relied at least 60 percent on water
9 imported from elsewhere – from the Central Valley by the SWP, from the Mono-Owens River area
10 by the Los Angeles Aqueduct, and from the Colorado River by the Metropolitan Water District's
11 Colorado River Aqueduct. More than half of the region's imported water supply has historically
12 come from the Colorado River. The river has provided valuable water supply diversification for
13 Southern California during dry periods in Northern California watersheds.

14 California's local water agency users of river water, working through the Colorado River
15 Board of California, have developed a draft Colorado River Water Use Plan describing how Cali-
16 fornia would reduce its use to the State's basic apportionment while at the same time preserving a
17 full Colorado River Aqueduct for MWD. MWD's Colorado River Aqueduct would flow only about
18 half full if California were to be limited to its basic 4.4 million acre-feet annual apportionment at this
19 instant, reducing Southern California's water supplies by as much as 600,000 acre-feet and creating
20 severe economic impacts. Proposed measures in the Plan include transfers of conserved agricultural
21 water to urbanized Southern California, lining of the unlined portions of major conveyance facilities,
22 and development of groundwater storage projects. State support for Water Use Plan implementation
23 has been demonstrated by the \$235 million provided in the 1998 State Budget Act for implementa-
24 tion of canal lining and groundwater storage projects specified in the Plan.

25 DWR supports Plan implementation, and supports implementation of the voluntary water
26 transfers described in the Plan. One such transfer has already occurred – the 1988 IID-MWD
27 transfer – and two more have been proposed – the Imperial Irrigation District-San Diego County
28 Water Authority transfer that is the subject of this hearing and the Palo Verde Irrigation District-

1 MWD transfer.

2 If MWD is unable to use tools such as water transfers and groundwater storage projects to
3 keep its Colorado River Aqueduct full, it will be very difficult to make up for this loss in supply (at
4 least for the foreseeable future) by diversion of additional amounts of water from the Delta. In fact,
5 the CALFED Bay-Delta Program implicitly has as a foundation for its water supply reliability pro-
6 gram a core assumption that the Colorado River Aqueduct will remain full. Any change from that
7 assumption could have serious impacts on all aspects of CALFED implementation.

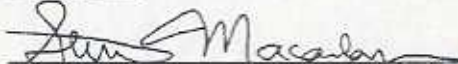
8 Local agencies in Southern California have been making good progress in implementing
9 actions to optimize the use of locally available supplies -- actions such as water conservation, water
10 recycling, and groundwater management. Substantial amounts of State bond monies have been
11 made available to local agencies to assist them in developing such projects. It is equally important
12 that the State facilitate local agencies' efforts to implement voluntary water transfers that meet the
13 basic test set forth in the California Water Code of not injuring other water users or unreasonably
14 affecting fish and wildlife. As the State's population continues to grow, many communities will
15 increasingly need to rely on transfers to make up a component of their water supply portfolios.

16 **IV. CONCLUSION**

17 It is my expert opinion and it is the position of the Department of Water Resources, that the
18 State Water Resources Control Board should approve the pending Petition as such approval will
19 allow for the implementation of the IID/SDCWA Transfer Agreement.

20 I declare under perjury pursuant to the laws of the State of California that the foregoing is
21 true and correct.

22 Executed on March 21, 2002, at Sacramento, California.

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24 Steve Macaulay, Chief Deputy Director
25 California Department of Water Resources
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