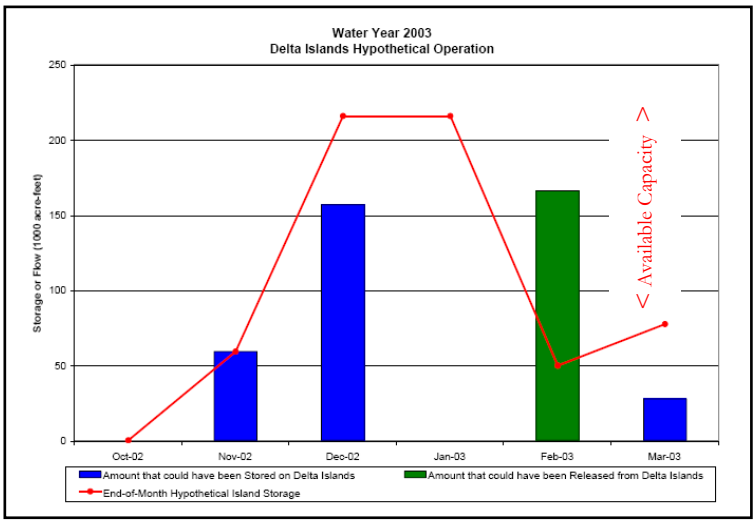
DELTA WETLANDS PROJECT

WATER TRANSFERS

Water transfers are an increasingly important tool for California water agencies. For example, the Metropolitan Water District of Southern California has made a significant investment in local storage so that they can transfer and store water in wet years and minimize the need for Delta exports in dry years. MWD is purchasing water options annually for possible transfer later in the year.

The difficulty with that strategy is that while water is easily available for transfer in wet years, conveyance capacity is limited. If water is only available for transfer when conveyance capacity is not, that water, and the associated option price paid will be wasted.

Exactly that happened in the spring of 2003. Metropolitan purchased over 100,000 acre-feet of water from Sacramento Valley rice farmers for $10 million. They intended to store that water in Lake Oroville, a state owned facility, until pumping capacity was available later in the year. Due to continued wet conditions, however, Lake Oroville continued to fill with the likely result that MWD's water would spill before export capacity became available. Ultimately, after heated exchanges between state and federal officials, MWD was able to arrange temporary storage in Lake Shasta, a federally owned facility. Even so, 30,000 acre-feet were never delivered to MWD.



Subsequent modeling showed that if Delta Wetlands had been operational in 2003, there would have been over 130,000 acre-feet of available capacity in Delta Wetlands reservoir islands that could have been used to "park" MWD's water until pumping capacity was available.

While the specific circumstances of 2003 were unusual, the general need is not. Water is often available when conveyance capacity is not, and a "parking" facility would greatly facilitate wet year water transfers.

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