

TOUGH WATER QUESTIONS

Last month I participated in a webinar put on by the Public Policy Institute of California (PPIC) regarding water markets. The PPIC is a nonprofit, nonpartisan think tank. They are dedicated to informing and improving public policy in California through independent, objective, nonpartisan research.

The PPIC has long been an advocate for the use of water markets as a way of moving water resources from areas of abundant supplies to areas of less abundance. To broaden viewpoints on that avenue of resource management, they asked a host of Ag interests to assemble and discuss the issue. I found the discussion topics valuable and informative and thought I'd weave some of our discussions into this Newsletter to hopefully broaden others perspectives on water and resources management in an era of diminishing supplies.

HOW DOES THE STATE VIEW WATER RESOURCES IN CALIFORNIA?

One need only go to the Article X, §2 of the State's Constitution to find the fundamental expression of water policy in this State. The Constitution requires that the beneficial use of water be maximized, that water be conserved, and that water be diverted and used under the rule of reasonableness. This Constitutional mandate applies to all uses of water, regardless of the legal basis of the water right.

Over 1.5 million acre feet of water is traded, sold or leased each year in the State of California.

WHAT'S THE LEGAL BASIS OF OID'S WATER RIGHT?

Early in their formation OID and SSJID requested that the State Water Commission adjudicate the pre-1914 water rights on the Stanislaus River. It was necessary because at the turn of the century there were more water right filings than there was water in the basin. Not a good thing if you're an irrigation district looking for certainty.

After years of court process and requiring all basin water right filers to come to court to prove up their water use, in 1926 it was over. The San Joaquin County Superior Court adjudicated all the pre-1914 water in the basin to 61 water right holders, inclusive of mining, hydroelectric and agricultural users. OID and SSJID secured the right to divert up to 1,816.6 cubic feet per second (cfs) from the river between March 1 and October 31st.

As of note, OID and SSJID have no water rights to divert or use water for any purpose prior to March 1 or after October 31st.

Of additional note, all pre-1914 water right holders in the Stanislaus basin divert upstream of Goodwin Dam. That's convenient and important because no one can claim injury downstream of Goodwin from any water use upstream of that point.

WHO OWNS THE WATER IN OID?

Within the defined service areas of OID and SSJID the water is held in trust for the lands within the irrigation district. Simply put, no individual "owns" any water in OID. OID acts as a "trust manager" of the "land's water" and with that comes all the administrative provisions and responsibilities discussed earlier and outlined in Article 10, §2 of the State Constitution.

Spelled out more clearly in a recent Appellate Court decision in Abatti vs IID, "...farmers within a district possess an appurtenant beneficial interest in a right to water service, but not to the underlying water right itself."

HOW MUCH IS WATER WORTH IN A WATER MARKET?

Water's value in a spot water market environment is dependent on water year type and availability. In dry years and low availability water value is high. In wet years with lots of availability, its value is low and even zero in some circumstances.

WestWater Research, LLC with offices in Sacramento, tracks water sales and pricing in the western U.S. The chart below tracks spot market pricing in California from 2008 to 2019. As you can see (sorry for the small print) pricing during the last drought (gray shaded area) climbed above \$500 per acre foot. OID's experience is that \$150-\$250 per acre foot is typical in a spot market in dry and below normal water years.



As a comparison, groundwater pumping costs, including energy, O&M, replacement, etc. can vary from \$50 to \$75 per acre foot, assuming a 100-120 foot pumping depth to water. It's that price differential that has kept

farmers pumping groundwater as opposed to securing surface water for their use. SGMA will shortly change that paradigm of thought.

HOW LONG HAS OID BEEN MARKETING WATER?

OID adopted a water transfer/trading policy back in 1992 when the State was advocating for irrigation districts to assist urban users during the 1986-1992 drought.

OID did some early water sales back then but not until 1998 did OID/SSJID strike a long term water sale with Stockton East Water District for treatment by SEWD and sale to the City of Stockton. Near the same time, the two districts entered into a long term contract with the US Bureau of Reclamation for fish flow water. OID also sold water to the federal government for water quality and other environmental purposes. All these contracts, with extensions, lasted 12 years.

WHY DOES OID SELL ITS WATER?

First off, OID only sells water that is surplus to its needs. OID has a policy to meet historic user needs first, local out-of-district needs second and then, if surplus water is still available, for sale elsewhere in the State.

Surplus water is generated from efficiency improvements, both on-farm by farmers and by OID's improvements in its water delivery system. These improvements allow farmers and OID to do more with less water.

Surplus water is the benefit of conservation projects. OID sells the surplus water to produce a revenue stream that helps pay for these capital improvements. In fact, eighty percent (80%) of all water sale revenues must go to infrastructure improvements, per OID policy.

DO WATER SALES PUT OID'S WATER RIGHTS AT RISK?

The answer to this question is an emphatic NO! Let's go back to what the State Constitution says, "...the beneficial use of water be maximized, that water be conserved, and that water be diverted and used under the rule of reasonableness." OID is doing all of that and more.

In a world of dwindling water supplies it behooves all of us to step up to the plate and do the best we can to conserve resources and make them stretch as far as possible.

As a resource manager of both water and power assets, selling our power around the State to produce revenues is no different than selling water around the State for the same purpose. It's all done in a way that protects and secures our future here at OID for years to come.



Oakdale Irrigation District
1205 East F Street
Oakdale, CA 95361
(209) 847-0341
www.oakdaleirrigation.com