



March 26, 2007

Chairman Daryl Steinberg
Senate Committee on Natural Resources and Water
State Capitol
Sacramento, CA 95814

Re: **SB 59 (Cogdill) – Oppose**

We are writing on behalf of Environmental Entrepreneurs (E2) to oppose SB 59 (Cogdill). E2 is a national, non-partisan group of business professionals with over 500 members in California. During our March 6 delegate trip to Sacramento, one of our top priority issues was ensuring that bond funds are spent in the most cost-effective manner and in a way that provides the greatest public benefit. We believe that the business case has not been made to justify the proposal, contained in SB 59, to commit \$2 billion in state general obligations bonds and \$2 billion in revenue bonds to the construction of new surface storage projects. Currently, alternative investments appear more likely to provide public benefits and cost-effective results than the investment of state funds in new surface storage. We urge you to oppose SB 59 based on the following four concerns:

- **Lack of Adequate Information:** The State has not yet completed feasibility studies on either of the projects discussed in the bill and therefore lacks adequate information regarding basic issues, such as cost, water yield, and potential environmental impacts. For example, the state cannot yet identify where water from these proposed projects would go. In addition, there is no reliable information to justify claims of public benefits from these projects.
- **Availability of More Cost-Effective Alternatives:** According to a wide range of studies and experienced water managers, alternative water management strategies are far more cost-effective than surface storage projects. For example, during his recent testimony at a joint Delta Vision hearing before four committees, including the Natural Resources and Water Committee, Professor Jay Lund, a civil engineer at the University of California at Davis, stated that surface storage is approximately five times as expensive as alternative tools.
- **Lack of Interest Among Water Users:** Willingness of water users to invest should be a prerequisite for project approval given the high cost of proposed water projects. Since 2000, when CALFED required that any new surface storage projects be paid for by beneficiaries, no water users have expressed a willingness to provide the hundreds of millions or billions required to finance the construction of these projects. Instead water agencies have chosen to invest their funds in alternatives that they believe are less expensive, generate cleaner water, are more reliable in droughts, and produce results more rapidly.
- **An Ineffective Response to Climate Change:** The state has not completed an analysis of the impact of climate change on the proposed projects. As indicated in an upcoming NRDC report on climate and water issues, climate change is likely to reduce the performance of new surface storage projects. Surface storage must be evaluated along side other available tools to determine the most cost-effective approach to help California cope with the water-related changes that will be caused by global warming.

California water agencies are investing billions of dollars to meet future water needs. As a part of this effort, they may invest in storage projects in the future. Over the past decade water managers have increasingly chosen to steer their storage investments into groundwater storage facilities. The state has helped provide funding for these projects which have led to millions of acre-feet of new storage. Where water agencies have invested their funds in surface or groundwater storage, they have done so after careful analysis. We urge the state legislature to be just as vigilant in protecting taxpayer funds and ask the committee to vote “no” on SB 59.

Sincerely,



Bob Epstein
E2 Co-founder



Nicole Lederer
E2 Co-founder

Cc: Committee members

Att: SB 59 fact sheet
In Hot Water executive summary