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DEPARTMENT OF WATER RESOURCES
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June 16, 2025

The Honorable John Harabedian
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

RE: Response to the Delta Conveyance Project Audit Request

Dear Chair Harabedian and Honorable Members of the Joint Legislative Audit Committee:

Thank you for an opportunity to address the request made by Assemblymember Ransom and Senator Jerry McNerney to audit the Department of Water Resources (DWR) and specifically the Delta Conveyance Project (DCP).

The audit request asks questions with well-known answers and the information requested is publicly available.

- DWR is audited financially and operationally on a regular basis.
- The previous Delta conveyance proposal (California Water Fix) was audited by the State Auditor in 2017, who found and affirmed that no state General Funds had been spent on the program.
- The Delta Conveyance Design and Construction Authority (DCA) is a Joint Powers Authority with a board of directors that operates under the Brown Act for public transparency, as do all participating Public Water Agencies (PWA) who are funding project planning, design and permitting.
- DWR provides extensive and detailed public information, including financial information, as do all PWAs as well as the DCA.
- DWR has provided numerous detailed responses to financial and other questions to legislative committees and directly to state legislators over many years, including former senators Susan Eggman, Bill Dodd, and Lois Wolk.

An audit would be an unnecessary use of resources that could impede efforts of the Auditor on more meaningful work and would create a costly delay.

In response to the audit request, please allow me to briefly provide you with important information.

1. Total expenditure for DCP planning, permitting, public engagement, and conceptual engineering has been less than $300 million, not $700 million as asserted.

2. The State Water Project (SWP) has top notch bond ratings from Moody's Ratings ("Aa1") and S&P Global Ratings ("AAA")—an indication of the strength of the collaboration between DWR and SWP contractors, and the SWP's robust finances.

3. Neither the Urban Water Management Planning Act nor the Delta Reform Act require individual water agencies to reduce Delta imports. Rather, the agencies must and do show the pursuit of long-term projects that demonstrate improved regional self-reliance. It is certainly possible and desirable to continue to support and advance this regional self-reliance AND to protect the long-term stability and reliability of the SWP.

4. DWR did provide all supplemental data regarding historical water use to the State Water Resources Control Board's (SWB) Administrative Hearing Officer as requested by the May 27, 2025, deadline.

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5. There are no unspent DCP funds to be returned. Resolution to disagreement about allocation of SWP costs is an entirely separate matter, is based on standard SWP procedures agreed to and utilized by DWR and its 29 contractor agencies.

6. Water rights never expire. Rather, there is a time set for the purpose of "perfecting the water right." In a process unrelated to the DCP, DWR is engaged with the SWB to extend this time frame for the SWP.

7. The PWAs participating in the DCP each have their own unique water supply needs and financial considerations. Each board of directors has evaluated the need and value of participation when funding DCP planning. They each will evaluate and determine in a public setting the cost and benefit of participation in the project, once all the necessary permits are in place and more detailed financial information is available. This will include rate analyses as deemed necessary by each agency.

8. DWR completed a rigorous environmental analysis of the DCP, certified in December 2023, including extensive public outreach, public information and public participation. DWR will submit a certification of consistency with the Delta Plan for the DCP in late 2025.

9. Lastly, as requested, funding received and expended for DCP is as follows:

    a. Committed: $382,668,374 from participating public water agencies. No money has been received from the state General Fund.

    b. Spent from May 2, 2019, through June 9, 2025: $285,501,614

The SWP provides enormous public benefit, including economic prosperity and stability, to the people of California, funded entirely by the State Water Contractors and their ratepayers. The boards of directors of the agencies participating in the DCP, and the ratepayers they represent, deserve swift action.

DWR and the Administration share the committee's commitment to transparency. My hope is that this letter illustrates the volume of information made publicly available on this important project.

Sincerely,

Karla A. Nemeth

Karla A. Nemeth
Director

CC: Assemblymember Rhodesia Ransom
Senator Jerry McNerney

Senator John Laird, Vice-Chair
Senator Angelique Ashby
Senator John Becker
Senator Sabrina Cervantes
Senator Dave Cortese
Senator Megan Dahle
Senator Suzette Valladardes
Assemblymember Carl DeMaio
Assemblymember Gregg Hart
Assemblymember Josh Hoover
Assemblymember Sharon Quirk-Silva