October 1, 2025

Via email: leg.unit@gov.ca.gov

The Honorable Gavin Newsom
Governor of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Dear Governor Newsom:

Today marks the beginning of the 2026 water year. Your tenure as Governor has been instrumental in highlighting the importance of managing water and making key investments in water infrastructure to carry our State through its next 100 years, especially in the face of climate change. However, several ongoing legislative and administrative actions have the potential to undermine those efforts. We seek your and the legislature's leadership in 2026 to address the issues outlined in this letter to ensure water supply reliability and affordability for the vast majority of the State.

The State Water Project (SWP) was built to be a foundational water supply, flood control, and green energy generating system, and also now provides significant environmental and water quality management benefits, the costs of which are almost entirely borne by the members of the State Water Contractors (SWC) organization and their ratepayers. The members of the SWC deliver drinking water to 27 million Californians throughout the State and serve 750,000 acres of productive farmland. Constructed in the 1960s, the SWP played a vital role in the State's growth into the 4th largest economy in the world. Every year, the SWP protects millions of people and billions of dollars in property from flooding; provides rare recreational opportunities in rural areas throughout the State; supports the State's ability to meet affordable housing goals; and provides food security to the State and nation. The SWP is the fourth largest generator of clean hydropower in California and is called upon nearly every year by the California Independent System Operator to keep the lights on and prevent rolling blackouts. This clean energy is generated at places like the SWP's Oroville Dam, the maintenance of which is $200 million annually and is paid for by the members of the SWC and their ratepayers.

Despite these enormous benefits that accrue to the entire State, legislative and administrative actions continue to drive up costs, and reduce SWP water supply reliability and affordable clean energy, ultimately hurting every Californian. The SWP exemplifies a modern case of 'death by a thousand cuts,' gradually undermined by countless seemingly small challenges over time. The good news is that we can fix the challenges facing the SWP using sound government decision making based on science and through prudent leadership. The SWC's need this sound decision making and prudent leadership to resolve the following issues.

STATE WATER CONTRACTORS
SWC
Served by the State Water Project
FOUNDED IN 1982

DIRECTORS

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Water Supply Reliability and Mitigation Costs

Your Executive Order N-16-25 (CA EO) signed on January 31, 2025, retained states of emergency throughout many California counties due to drought conditions and sought to maximize opportunities for drought relief. The findings state that compliance with various statutes and regulations would prevent, hinder, and delay mitigation of the drought state of emergency. The EO at paragraph 4 directs the Department of Water Resources (DWR), the State Water Resources Control Board (SWRCB), the Natural Resources Agency, and the Environmental Protection Agency:

…to identify obstacles that would hinder efforts to maximize diversions to storage of excess flows that become available as a result of the anticipated winter storms, to remove or minimize such obstacles wherever possible, and to promptly report to my office any additional statutory or regulatory barriers that should be considered for suspension.

There are many opportunities to more robustly apply emerging scientific information to decisions being made about permits, species listing, and adaptive management over the course of a season to maximize water supply when it is available while minimizing the impacts to the environment. The issues and potential opportunities are as follows:

1. **Assembly Bill 1319 (Schultz)**

AB 1319, which is currently on your desk for consideration, would give nearly carte blanche authority for CDFW to list species as "provisional candidates" under the California Endangered Species Act with no opportunity for public comment and no requirement that the determination be based on science. This legislation would make the provisional candidate listing like that which currently exists for white sturgeon (described below) even easier because the current modest prerequisite of some scientific support for the listing would be removed. Such listings will undoubtedly include Central Valley steelhead and green sturgeon, which will require DWR to immediately seek incidental take coverage, giving CDFW another opportunity to demand more money and more water from the SWP, and ultimately the public. **We strongly urge you to veto AB 1319.**

2. **California Fish and Wildlife Commission Pending White Sturgeon Endangered Species Act Listing Decision**

The white sturgeon petition submitted to the Fish and Game Commission (Commission) in November 2023 is an attempt to limit the benefits of key water supply projects, including the ongoing operation of the SWP and any further water rights development, such as storage and conveyance projects throughout the watershed. The best available science supports the conclusion that white sturgeon should not be listed. Moreover, the Commission and the regional water quality control board have already taken the most effective protective actions, which are more sustainable fishing limits and new restrictions on nutrient discharges to the Bay to limit the potential for future "red tide" events. Nevertheless, just the Commission's threshold determination that the petition to list was complete and could be moved forward for consideration cost the SWP over $10 million. Even though the SWP's potential impact on white sturgeon is minimal, CDFW required that DWR fund the majority of the monitoring and science for the species, in addition to funding

new habitat restoration and imposing new limits on SWP operations. See also letter from the Coalition for a Sustainable Delta to you dated September 18, 2025, attached.

We urge CDFW and the Commission to provide a fair and science-based decision regarding the final decision as to whether to list white sturgeon and we ask that CDFW only require permit conditions that are proportionate to the effect of the SWP on the species.

3. **Department of Fish and Wildlife's Application of the California Endangered Species Act to the State Water Project**

Despite years of dedicated scientific studies and agreements on processes to better coordinate and include transparency in decision-making, the SWP continues to be regulated inconsistent with the plain language of CESA. We continue to be concerned that the nexus between SWP operations and required mitigation is not apparent nor described and best available science is inconsistently applied. These inconsistencies can have significant water supply costs and can be the difference between a manageable drought year and a drought emergency. Even with your Executive Order, and as the State looks to make major investments in water infrastructure, we are mismanaging the existing infrastructure through unjustified water operations rules and requirements. In addition to the misapplication of CESA, SWC and its members are also concerned about the lack of transparency in CDFW decision making. In the past, we often have had little to no information about CDFW's biological justification for its minimization and mitigation requirements. While there were improvements in the 2024 ITP for the SWP, we are concerned that the pending permit amendment terms CDFW now demands indicates movement back towards less transparency and lack of scientific rigor.

Our ability to be climate resilient depends on our ability to move and store water when it is plentiful and environmentally safe to do so. We request that CDFW be clear about the scientific basis for its curtailments and costly mitigation measures, some of which are likely infeasible and/or impossible to implement. **CDFW should adhere to the letter of the law and mitigation should be proportional to the magnitude and nature of the effect of the SWP.**

4. **State Water Board's Delay in Adopting the Water Quality Control Plan (Bay-Delta Plan)**

The Administration's decision to further delay the implementation of the Water Quality Control Plan only exacerbates concerns about water supply reliability. The State Water Board began the update process in 2009. The water agencies subject to regulation have worked tirelessly over the course of your entire Administration to develop a workable and legally enforceable Healthy Rivers and Landscapes Program. The water agencies have answered every question posed by the State Water Board and its staff. There is significantly more detail incorporated into the Healthy Rivers and Landscapes Program than the Program adopted by the State Water Board in December 2018 update to the Bay-Delta Plan; the Healthy Rivers and Landscapes Program is ready for approval.

We ask that the State Water Board expeditiously adopt the update to the Bay-Delta Plan with the inclusion of the Healthy Rivers and Landscapes Program.

5. **State Water Board's Water Rights Permit Time Extension Process for the SWP**

The SWC are incredibly appreciative of your inclusion of language to establish the SWP's water rights as perpetual in your May revise budget trailer bill proposal. Unfortunately, with the failure to pass that part of the bill, the problem that the SWP has had since 2009 continues to be unresolved, and this unresolved permitting issue threatens the capability of the SWP to fulfill future demands with climate change.

The issue is that the SWP requires more time to obtain permits to continue to build out its beneficial use of water to continue to serve 2/3 of the State. Since DWR only asks that the State Water Board grant it more time, this is purely an administrative obstacle that should be easily addressed. Yet, it has not been addressed for more than 16 years because of the administrative process that has been established by the State Water Board, a process that includes a complex multi-party adversarial process that will take years to complete, a process where the appropriate evidence and technical information to be presented is hotly contested, including between the State Water Board and the SWP. For 16 years, DWR has not been able to progress past the point where the State Water Board deems DWR's petition complete, let alone start the complex administrative process. The process to obtain an extension of time should not be so unclear, uncertain, expensive, and time-consuming that the process itself has been a formidable barrier to DWR even getting its petition processed. The last 16 years have been a failure of government. **Legislation or State Water Board leadership could solve this problem by articulating a common-sense approach to the administrative hearing process, addressing this unnecessary obstacle.**

<u>Subsidence Repair Funding</u>

Over the course of your governorship, DWR has increasingly raised the alarm about the urgent need to make critical repairs to the California Aqueduct, the backbone of the State water system. The most direct and compelling warning came in the May 2025 report which made clear that without repairs, deliveries from the SWP would be significantly reduced by up to 87%. In fact, the first region to be impacted will be the Central Coast, where the SWP supplies account for 50% of the region's water supply.

Despite this clear and data-driven warning, and after informing the legislature that the costs of repairs would be in the billions of dollars (nearly $4 billion just for SWP and not including the Central Valley Project's aqueducts), Proposition 4 included a mere $75 million for the whole State's conveyance infrastructure needs. While we appreciate the previous $200 million allocated in 2022, which was spread across both the CVP and SWP facilities, it is clear that significantly larger and sustained commitments of funds are necessary to prevent major consequences, including water supply delivery interruption or stoppage, significant water rate increases and highly disruptive and costly statewide litigation.

The SWC strongly urge the 2026 State budget to explicitly recognize this urgent need and allocate an ongoing dedicated funding stream for necessary repairs to the California Aqueduct that can be matched with federal funds and ratepayer funds to make the costs of repairs affordable and timely. A modest, sustained commitment from the Greenhouse Gas Reduction Fund would ensure that DWR can seamlessly move forward with the necessary repairs, minimize ratepayer impacts, and maximize the ability to leverage federal funds. At the same time,

since the cause of the damage to the California Aqueduct infrastructure is significant land subsidence due to groundwater overdraft, the SWC is committed to working with the State to ensure full Sustainable Groundwater Management Act (SGMA) implementation as well as support other measures to stem ongoing damage.

Renewable Energy Costs

1. **California Independent Systems Operator (CAISO) reliance on SWP without fair compensation**

California's aggressive climate policies around grid electrification could not occur without the reoperation of the SWP to absorb solar generation during the day and displace natural gas during the evening ramp. Annually, CAISO asks DWR to report on the potential for the SWP to curtail demand and increase hydropower generation during grid stressing events without any additional compensation from the market. Since 2022, DWR, at the request of CAISO has responded over a dozen times ramping up generation and shifting load up to 800 MW's during critical hours. Any other utility, generator or demand response aggregator in CAISO would receive compensation for costs incurred as a result of these actions, which ultimately fall on its customers- the water ratepayers. SWC and DWR have been meeting with CAISO to explore market initiatives that recognize the importance and irreplaceable role the SWP plays in grid support. Despite these conversations, to date, the CAISO has yet to adopt or advance several DWR proposed initiatives that recognize the value the SWP provides and the costs water ratepayers incur in supporting California's grid. **We urge CAISO to work with DWR to advance initiatives that allow for the full recovery of costs borne by SWP and its customers for operations in support of California's grid.**

2. **SB 1020 (Laird) revisions to address inequitable costs to SWP**

In 2022, you signed SB 1020 (Laird) into law, which requires the SWP to purchase 100% zero carbon or renewable resources to meet its load by 2035, 10 years ahead of the rest of the State. The SWC did not object and has been working collaboratively with DWR to find affordable ways to meet this goal. However, components of that bill are already outdated, and will lead to inequities between how the SWP can procure resources and function in the wholesale market, especially as California moves towards participation in a regional market. We requested minor revisions to the SB 1020 statutes to address these inconsistencies and reduce costs for SWP ratepayers, but even those marginal affordability amendments were not included in any trailer bill language in 2025. **We ask that the legislature recognize the need to minimize costs to the SWP through sensible adjustments to the legislation governing SWP electric power procurement consistent with all other utilities in the State, and provides a pathway for ongoing adjustments as they are ultimately provided to the broader market.** We also want to express appreciation for the inclusion of funding for Oroville pumped storage in several of your proposed budgets, which will help the State's grid by reestablishing Oroville as a giant battery while also helping the SWP meet the State's goals. These types of funding commitments are absolutely imperative to ensure clean, affordable water for the 27 million people ultimately paying for the SWP.

Recreation and the Unfunded State's Cost-Share Obligations

The SWP includes several reservoirs, trails, campsites, boat launches, and other facilities that collectively support over 5 million recreational visitor days annually. These facilities are primarily located in rural areas which your Administration has repeatedly prioritized for outdoor recreational access. However, the State's cost share mandated under the Davis-Dolwig Act for a multi-purpose SWP system, including public recreation, and fish and wildlife enhancements has not been consistently funded as was the intent of the State under this act. This has resulted in the water ratepayers left to fund the State's obligation (costs), creating a current deficit of approximately $50 million annually. This deficit continues to grow each year that the State does not meet its obligation and includes its share of recreational costs in the State budget. **Proposition 4 includes significant funds targeting rural areas, parks, and outdoor recreation and access. A portion of these funds could be directed toward addressing this shortfall.** Looking ahead, additional policy discussions are required to address this ongoing deficit in the long-term, as SWP contracts do not allow for DWR to collect funds from water supply ratepayers to fund the State's recreational, and fish and wildlife enhancement obligations, making a sustainable funding solution even more critical.

Conclusion

The State Water Project is a cornerstone of California's water infrastructure and economy. While its primary mission is to deliver water supply, it provides widespread benefits to all Californians directly as described above and indirectly given the amplification of economic benefits wherever water from the SWP is delivered, including in some of the most disadvantaged areas of the State. While you have been a leader on many major water issues during your tenure as Governor, there are many key challenges that remain unresolved, creating continued uncertainty around costs, ratepayer affordability, and long-term reliability of the SWP.

It doesn't need to be this way. We have the opportunity to shape a better future for California. We look forward to working with you and the legislature in 2026 to address these critical issues.

Sincerely,

Jennifer Pierre
General Manager

Ccs:
President pro Tempore Mike McGuire
President pro Tempore-Designate Monique Limon
Assembly Speaker Robert Rivas
Senate Minority Leader Brian Jones
Assembly Minority Leader Heath Flora
Christine Aurre, Office of the Governor
Brady Borcherding, Office of the Governor