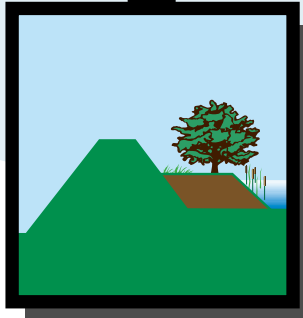
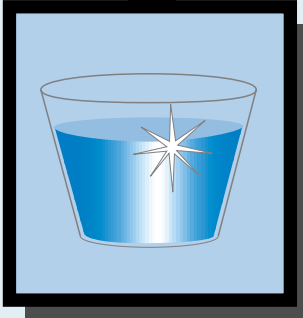
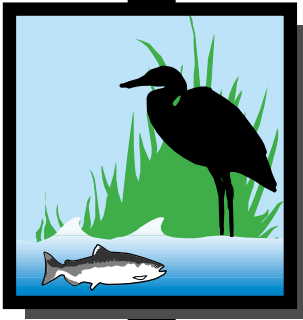


ENVIRONMENTAL WATER ACCOUNT
DRAFT ENVIRONMENTAL IMPACT STATEMENT/
ENVIRONMENTAL IMPACT REPORT

APPENDIX C

**Environmental Water Account
Operating Principles Agreement**



CALFED
BAY-DELTA
PROGRAM

Attachment 2

Environmental Water Account

Operating Principles Agreement

August 28, 2000

ENVIRONMENTAL WATER ACCOUNT

OPERATING PRINCIPLES AGREEMENT

The US Fish and Wildlife Service (USFWS), the National Marine Fisheries Service (NMFS) and the California Department of Fish and Game (DFG) (collectively, the Management Agencies), and the US Bureau of Reclamation (Reclamation) and the California Department of Water Resources (DWR) (collectively, the Project Agencies) enter into this Environmental Water Account Operating Principles Agreement on the tools and operations principles for implementing the Environmental Water Account program (EWA) set forth herein and described in the Record of Decision (ROD) for the CALFED Bay-Delta Program to which this Agreement is attached.

Recitals

This Agreement establishes the Environmental Water Account (EWA) program, sets forth the EWA's general operating principles, and describes the tools which are available for use by the EWA. The EWA is a cooperative management program whose purpose is to provide protection to the fish of the Bay-Delta estuary through environmentally beneficial changes in the operations of the State Water Project (SWP) and federal Central Valley Project (CVP), at no uncompensated water cost to the projects' water users. The EWA is intended to provide sufficient water, combined with the Ecosystem Restoration Program and the regulatory baseline, to address CALFED's fishery protection and restoration/recovery needs. This approach to fish protection requires the acquisition of alternative sources of project water supply, called the "EWA assets," which will be used to augment streamflows, Delta outflows, to modify exports to provide fishery benefits and to replace the regular project water supply interrupted by the changes to project operations. The replacement water will compensate for reductions in deliveries relative to existing facilities, project operations and the regulatory baseline as defined in the CALFED Record of Decision that result from EWA actions.

These principles are intended to apply generally, but may not provide the necessary direction in all circumstances. Issues will be resolved as they arise by mutual agreement among all five signatory agencies.

The five state and federal agencies that execute this agreement will have responsibility for implementing the EWA. The Management Agencies will manage the EWA assets and will exercise their biological judgment to determine what SWP/CVP operational changes are beneficial to the Bay-Delta ecosystem and/or the long-term survival of fish species, including those listed under the State and Federal Endangered Species Acts. The Project Agencies will cooperate with the Management Agencies in administering the EWA, including banking, borrowing, and conveyance of EWA assets and making the operational changes proposed by the Management Agencies. The Project Agencies will also be responsible for acquiring EWA assets for the first year.

This Agreement is consistent with the regulatory responsibilities, statutory authorities, including CVP and SWP project purposes, of the five state and federal agencies. After the first year, acquisitions may be made pursuant to a public process that may employ other agencies or third parties to acquire assets.

Article I.
ESTABLISHMENT OF THE
ENVIRONMENTAL WATER ACCOUNT PROGRAM

1. Establishment

The Management Agencies and Project Agencies hereby establish the Environmental Water Account program (EWA) to be implemented in accordance with the Operations Principles and using the Tools set forth hereunder. Each of the Management Agencies and Project Agencies will appoint an EWA coordinator.

2. Initial and Annual Assets

The Management Agencies and Project Agencies will take the following actions to acquire the initial assets for the EWA, and will take all necessary and appropriate steps to acquire them each year thereafter. Assets acquired under sub-articles a-d, below, will vary from year to year depending on hydrological and regulatory conditions, and are therefore not certain. The tools used to acquire the assets are described in Article III of this Agreement. Other tools may be developed as appropriate to acquire functionally equivalent assets

a. SWP Pumping of (b)(2)/ERP Upstream Releases

As provided in Article III.1.b.i, the current modeling indicates that the average annual value of this asset is approximately 40,000 acre-feet.

b. EWA Use of SWP Excess Capacity

As provided in Article III.1.b.ii, the current modeling indicates the average annual value of this asset is approximately 75,000 acre-feet.

c. Export/Inflow Ratio Flexibility

As provided in Article III.1.b.iv(B), the current modeling indicates the average annual value of this asset is approximately 30,000 acre-feet.

d. 500 cfs SWP Pumping Increase

As provided in Article III.1.b.iv(A), the current modeling indicates that the average annual value of this asset is approximately 50,000 acre-feet.

e. Water Purchases

The Project Agencies shall acquire from willing sellers each year 150,000 acre-feet of water from sources south of the Delta and at least 35,000 acre-feet of water from sources upstream of the Delta or their functional equivalents. The upstream-of-Delta purchases may grow in subsequent years. These purchases shall be arranged so that assets may be kept in storage for the entire water year, until such time as the EWA managers release the assets to compensate for an EWA action, or until they are transferred to other EWA storage facilities.

f. One-time Acquisition of Stored Water Equivalent

In order to launch the EWA and to provide sufficient collateral as defined in Article II.2.c.i of this Agreement for the EWA to function as intended, the Project Agencies shall acquire 200,000 acre-feet of stored water or its functional equivalent from south-of-Delta sources. This water is intended to be used as collateral for borrowing, and will be released only when all other assets have been expended. The related storage is intended to function as long-term storage space, including after the water has been released. Provided the asset's function is not impaired, the acquisition of this asset may take any number of forms, including without limitation such transactions as source shifting, or reductions in contractor deliveries.

g. Source Shifting Agreement

The Project Agencies shall arrange with one or more of their contractors to use water totaling at least 100,000 acre-feet from either an alternative source, or at a subsequent time, to allow for storage of the project water in San Luis Reservoir as an EWA asset or to enable an operational curtailment without causing a summer "low-point problem." The EWA will repay this water during the initial 4-year term of the EWA, unless other arrangements are made. Upon repayment, the opportunity to employ the source-shifting tool will become available again.

3. Definition of Operational EWA

As described in Endangered Species Act biological opinions, Conservation Agreement, Record of Decision , the Project contractors will receive certain commitments if, among other things, there is an operational EWA. The EWA shall be considered operational in any one year when the one-time 200,000 acre-feet of stored water equivalent has been acquired and when: 1) the EWA includes deposits of the 185,000 acre-feet of purchased water as described above; 2) a source-shifting agreement of at least 100,000 acre-feet; and 3) the variable tools (items 2a-d above) are all in place. The Management and Project Agencies shall make all attempts to have all items in place by December 31, 2000, so that ESA commitments may be provided to the water users.

4. Science Review Panel

The CALFED Science Program will convene a scientific panel familiar with the EWA and its operations. The Management Agencies and Project Agencies will keep this panel informed on a monthly basis through the CALFED Ops Group reporting process.

The panel will convene on an annual basis to review the EWA operations.

5. Term

The EWA shall expire on September 30, 2004 and any remaining assets shall revert to the Project Agencies, unless the EWA is extended by written agreement among the Management Agencies and Project Agencies and the assets remain in the EWA. The EWA may be terminated at any time if all five signatory agencies execute a written agreement to do so.

6. Continuation of EWA

Before the EWA expires, the Management Agencies and Project Agencies will assess the success of EWA operations and analyze the potential impacts from new facilities and expanded conveyance capacity. The Agencies will then determine the appropriate size and composition of an EWA, as well as the EWA's sharing in the benefits from new facilities, in the fifth and future years.

Article II General Operational Principles

1. The Management Agencies and Project Agencies Shall Cooperate to Implement the EWA

a. Curtailments and Borrowing

The Project Agencies shall make the operational curtailments and agree to the borrowing transactions proposed by the Management Agencies that are consistent with these principles and this Agreement.

b. Acquisitions and Banking

The Project Agencies shall acquire the EWA assets from willing sellers in the first year. The Project Agencies and Management Agencies will establish EWA water banking and accounting mechanisms consistent with the intended EWA fishery benefits and ESA commitments.

i. Manner of Acquiring and Holding EWA Assets

The Project agencies shall, in consultation with the Management Agencies, acquire, hold, and deal with the EWA assets they acquire in a manner that serves the purposes of the EWA program.

ii. Release of Assets

The acquisition and banking arrangements made for EWA assets shall provide for their unconditional release to the Projects or to the Projects' designees upon approval by the Management Agencies.

c. Use of Project Water Rights

The Project Agencies shall use their respective water rights to acquire EWA assets to the greatest extent permitted by State and federal law, including California water rights law, and by the requirements of their respective water supply and other contracts. If changes to these or other water rights are needed to acquire, transfer, or release EWA assets, the Project Agencies shall take timely steps to secure those changes in accordance with State water law. The Project Agencies shall cooperate in all water rights actions and matters to optimize their flexibility in acquiring, conveying, storing and releasing EWA assets.

d. Use of CALFED Ops Group

The Management Agencies and the Project Agencies shall participate in the CALFED Ops Group to report regularly on the EWA's operations, to help resolve issues that may arise, and to communicate with stakeholders. Whenever issues affecting the interests of non-signatory parties arise, such parties shall be afforded the opportunity to fully participate in the resolution of those issues.

e. Exchange of EWA Assets

If the Management Agencies decide to do so, the Project Agencies may exchange EWA assets for assets of a character, such as location, seasonality or year-type, more suitable to EWA purposes.

f. Sale of EWA Assets

When storage capacity for EWA assets is not available or EWA assets are otherwise subject to loss, the Management Agencies may direct the Project Agencies to sell EWA assets which are not at that time pledged or identified for release under these Principles. No other benefits may be conferred to the EWA as a result of such sales. Any provisions for transfer or conveyance of assets sold or being sold shall not be governed by these principles. The proceeds of sale of EWA assets shall be accounted for and, to the extent provided by law, remain as EWA funds.

g. Coordination

The Management Agencies and the Project Agencies will hold regular meetings to share information and ideas and will coordinate their respective activities to optimize the implementation of the EWA.

h. Coordinated Operations Agreement

The Project Agencies shall continue to adhere to the general sharing principles contained in the 1986 Coordinated Operations Agreement (COA) as modified by interim operating agreements to reflect changes in regulatory standards, facilities, and operating conditions, including the EWA.

Implementation of the EWA shall not establish precedents for future negotiations or modifications of the COA. Future negotiations or modifications of the COA shall not inhibit effective EWA implementation.

2. EWA Shall Cause No Reduction in Project Deliveries

a. Except Where Contractor Agrees

The principles under this Article shall all be subject to the qualification that reductions in deliveries shall be allowed where the affected contractor or contractors agree to them, as in the case of source-shifting agreements.

b. No Harm To Deliveries Principle

The intent of the EWA is to provide substantive fishery protections by taking advantage of project flexibility. The use of EWA assets to compensate for operational curtailments shall not change the timing, location, or amount of water deliveries the projects would have made to its users operating under the Regulatory Baseline in the absence of the EWA. Reference in these Principles to “reductions in deliveries” shall include only uncompensated changes in timing, location, or amount of deliveries. In the operation of the EWA, it is the intent of the Project Agencies and Management Agencies to minimize water quality impacts associated with EWA operations.

i. “Operational Curtailment”

An operational change at the Delta CVP/SWP facilities, pursuant to the Management Agencies’ request, that causes a reduction in Project south-of-Delta water exports beyond the regulatory baseline for existing facilities as established in the Record of Decision, is referred to in these Principles as an “operational curtailment.”

ii. Identification of Asset For Release

At the time of every operational curtailment, the Management Agencies must identify an asset sufficient to provide replacement water for any potential reductions in deliveries to contractors. When necessary to ensure no reductions in deliveries, such EWA assets shall be released to the Projects to allow delivery in the same amount and at the same time and place as the foregone export.

iii. Time of Release of Asset

Except when project water is borrowed, the EWA asset identified for release to the affected project shall be released no later than the time the proposed operational curtailment is implemented. “Released” means that the asset becomes available to and the unconditional property of the affected project or its designee and is no longer held for EWA purposes.

iv. Delta Smelt Export/Flow Ratio

The reduced exports necessary to achieve the annual spring 2:1 Vernalis- flow-to-Project-export ratio required by the 1995 USFWS biological opinion for Delta smelt shall be provided from either EWA assets and/or CVPIA Section 3406(b)(2) yield dedication.

v. Cross Channel Gate Closure

Impacts on project deliveries of any closure of the Delta Cross Channel Gates pursuant to State Water Resources Control Board (SWRCB) Decision D-1641 or any future decision implementing those objectives in the SWRCB's 1995 Water Quality Control Plan allowing for discretionary Gate closure for fishery purposes shall be attributed to the Regulatory Baseline. Recognizing potential conflicts that may arise during dry conditions, the Project Agencies and the Management Agencies will ensure full consideration of all appropriate factors required for a decision based on the then-available best scientific data and evaluation, particularly including water supply, water quality, and endangered species as well as tradeoffs. The EWA shall compensate the Projects pursuant to these principles when the Management Agencies advise Reclamation to close the Gates for a time outside such regulatory baseline conditions and such closure leads to export reductions.

c. Borrowing; No Reduction in Deliveries

The EWA may borrow water from the SWP or CVP to achieve fishery protections upon their approval, provided that such borrowing will not result in any reduction in deliveries. Borrowing against EWA assets shall cause no reduction in deliveries in the year of borrowing or in the subsequent water year.

i. Identification and Pledge of Asset As Collateral

When the Management Agencies borrow project water to implement an EWA fishery action, they shall identify and pledge as a guaranty collateral sufficient to provide replacement water for any potential reductions in deliveries to contractors in the same amount and at the same time as the borrowed water would have been delivered.

ii. Sufficiency

The Project Agencies shall assess sufficiency of the collateral, in part, on the likelihood that the borrowed water will be replaced naturally by virtue of the wetness of the year. Thus, foreseeing favorable hydrology, collateral need not be in existence at the time of borrowing, but may consist of the EWA's ability to provide replacement water with later-acquired assets to assure no reduction in project deliveries should actual circumstances turn out to be different from those foreseen.

iii. Project Allocations and Deliveries

When project water has been borrowed from storage, project allocation and delivery decisions shall be made as if the water had not been borrowed.

iv. Disencumbering of Collateral or Release of Asset

Each borrowing transaction shall explicitly describe the conditions upon which the identified collateral will either be disencumbered or released to project water supply. “Disencumbered” means no longer serving as collateral subject to release under the borrowing transaction.

v. “Year”

Unless otherwise indicated, as used throughout these Principles, “year” means “water year”, beginning on October 1 and ending on September 30.

vi. Project Borrowing From EWA

The projects may borrow from EWA assets on the condition the borrowed water shall be repaid when or before the EWA needs it to cover an operational curtailment.

d. Use of Excess Capacity

The EWA shall be entitled to use excess capacity in SWP or CVP conveyance facilities, on an equal priority with Level 4 acquisitions mandated by the CVPIA.

i. “Excess Capacity”

“Excess capacity” means capacity available after project operational requirements and contract commitments have been met. In the case of the SWP, it also means after any wheeling for SWP contractors and any wheeling of CVP water for delivery to federal contractors for whom the SWP has traditionally wheeled water: San Joaquin National Cemetery, Musco Olive Co. and the users of the Cross Valley Canal.

ii. Exception to the Principle

There is one exception to the general principle that the EWA shall cause no reduction in project deliveries, and to the specific principle that only the excess of the SWP’s current conveyance capacity is available to the EWA: the SWP’s equal sharing with the EWA of b(2) and ERP upstream releases that the SWP could otherwise have pumped and used itself. This sharing is one of the EWA tools.

e. Banking in Project Reservoirs

EWA assets may be stored, or “banked”, in project reservoirs upstream of the Delta and in San Luis Reservoir, provided the Projects do not incur any additional adverse operational impacts.

i. Priority of EWA to Project Storage

Unless the Management Agencies and the Project Agencies make other arrangements, EWA assets will have a lower priority for storage space in project reservoirs than regular project storage and thus will be released first. Regular project storage includes reservoir operations for project purposes, such as flood control, downstream temperature control, minimum downstream flows for fish, regulatory requirements, and contract water supply including contractor carryover water.

SWP Use of Federal Share of San Luis. Pursuant to Supplemental Agreement No. 1 for the Operation of the San Luis Unit, during the term of this Principles Agreement, the CVP shall give precedence to EWA water for storage in the unused share of San Luis Reservoir. The CVP shall agree to allow the SWP to use its share of storage in San Luis Reservoir only to the extent that such use does not impair operation of the EWA.

ii. Protocols or Standards For Storage, Spill, and Loss of EWA Water In Upstream Project Reservoirs

In light of the difficulty and complexity of accounting for the storing of other than regular project water in a multi-purpose reservoir, the Project and Management Agencies shall jointly establish reasonable and practical standards or protocols for determining when an EWA asset may be stored and when it would spill or be lost from upstream project storage.

iii. Consequential EWA Upstream Storage

Where an EWA asset is used to pay for an operational curtailment limiting the export of project stored water, the project water that remains in storage as a consequence shall become an EWA asset. The conversion of project water to EWA water shall occur only to the extent that EWA storage could otherwise have taken place within the regular project operational and regulatory constraints of the reservoir, to be determined in accordance with the protocols and standards developed by the affected Project Agency.

f. Agreement on Further Conditions and Requirements; Water Accounting

The Project Agencies and the Management Agencies shall enter into an agreement that further specifies, to the greatest degree practicable, the conditions and requirements upon which: assets are to be released to the projects to compensate for operational curtailments; borrowing may occur; collateral for borrowing is to be disencumbered or released; and water transfers and exchanges may take place. Provisions for forecasting EWA actions, accounting for EWA assets and for all project water impacted by the EWA, including impacts to coordinated CVP/SWP operations, should be included in this agreement.

3. No Increased Costs

EWA shall impose no net, increased incremental costs upon the projects. The Management Agencies and Project Agencies shall develop a financing plan to cover all costs of the EWA from non-contractor funding sources. The plan may include the establishment of a revolving account with annual deposits to pay for fluctuating EWA costs. The plan shall address increased Project operating costs, both power and ancillary costs, of both the SWP and CVP resulting from implementation of the EWA; crediting the EWA as appropriate for reduced operating costs; crediting the EWA for certain power benefits; and revenues realized from the sale of EWA assets. The Management Agencies and Project Agencies shall develop and recommend this plan, including any necessary legislation, to the CALFED Policy Group within 90 days following the adoption of the ROD.

Considering the importance of acquiring water to the success of the EWA, the Project Agencies and Management Agencies shall meet and confer to develop alternatives for funding power and other incidental EWA costs, if such costs interfere with the successful operation of the EWA.

4. The EWA Shall Be Responsible For Mitigating Its Water Quality, Water Rights, and Environmental Impacts As Required By Law

**Article III
Description of the EWA Tools**

The following are the EWA tools for acquiring and using alternative sources of project water supply to offset the effects of operational curtailments imposed under the EWA program so that project deliveries will not be affected. While the requirements have been described in Article I (Establishment), any additional tools or arrangements that are determined to be beneficial to the EWA may be acquired at the discretion of the Management Agencies and Project Agencies.

1. Acquisition of Water for the EWA

a. Purchases

The Project Agencies (who are initially designated to undertake the purchases of EWA assets) will use EWA funds to purchase EWA assets from willing sellers both upstream and south of the Delta. "South of the Delta" means the export service areas served by the projects' Delta pumping plants, and may include Project contractors. "Upstream of the Delta" includes the legal Delta itself, as well as all tributaries to the Delta. Purchases can include leases, options, long-term agreements, and any other property or contractual transaction that makes alternative project water supplies available south of the Delta or available for conveyance to south of the Delta. In addition to direct diversion and stored water supplies, purchases will include the acquisition of storage space in both surface reservoirs and groundwater basins to bank EWA assets.

Explicit provision will be made in the purchase transaction for calling upon the asset and releasing it to provide water to replace project deliveries as needed to offset the impact of an EWA operational curtailment. The Agencies will coordinate EWA water acquisition with Level 4 refuge water acquisitions to ensure the priority accomplishment of both each year.

b. Delta Operations

There are four tools involving Delta project operations under which EWA water assets are to be acquired.

i. Sharing of b(2) and ERP Water Pumped by the SWP

The SWP and the EWA will share, on a 50-50 basis, water:

- (1) which has been released from storage or is otherwise made available for upstream purposes

under either CVPIA Section 3406(b)(2) or the ERP and arrives in the Delta with no further ERP or b(2) purposes to serve;

(2) which exceeds the export capacity of the CVP Tracy pumping plant;

(3) for which the SWP and EWA both have demand south of the Delta; and

(4) which the SWP has capacity to pump.

Pumping of b(2) or ERP water where either the SWP or the ERP is demand-limited south of the Delta (i.e., there is no place for the water to go) will not count against the 50% share of the one which does have demand for the water.

ii. Joint Point: SWP Wheeling of CVP and EWA water

The SWP will use excess capacity it may have at its Banks pumping plant to pump water for both the CVP and the EWA, to be shared between them on a 50-50 basis. The CVP water could be either from storage or under its Delta water rights to divert unstored water. The EWA water could be either from non-project water acquired north of the Delta, or stored or unstored water pumped under CVP or SWP water rights. If either the CVP or EWA is demand-limited, the other's use of joint point will not count against its 50% share.

"Joint Point" is a term that is used in recent SWRCB Delta proceedings and decisions (e.g., WR 95-6; WR 98-9; D-1641) to refer to the ability of the SWP and CVP to utilize each other's point of diversion in the south Delta, i.e., their points of diversion may be used "jointly". It is used here, however, in a slightly different way, to refer to the use (mainly) of the SWP point of diversion *alone*; and, specifically, to the wheeling of EWA as well as CVP water.

Use of excess capacity for the EWA, CVP, and Level 4 refuge water will take precedence over all other non-project pumping, except, as noted above, for wheeling water to respond to facility outages and wheeling to supply CVP contractors for whom the SWP has traditionally wheeled CVP water, namely, San Joaquin National Cemetery, Musco Olive Co. and the users of the Cross Valley Canal.

iii. SWP Appropriation of Unregulated Flow

The SWP may use its own Delta diversion rights to pump water from the Delta for EWA purposes when the SWP has capacity but no demand. It would be used in cases where Joint Point could also be used but where it would be preferable to create EWA assets south of the Delta to offset SWP rather than CVP losses to operational curtailments. As an adjunct to Joint Point, it would simply utilize SWP rather than CVP water rights to pump excess flows for the EWA's share. It would not affect the CVP's own share of excess SWP capacity.

iv. Project Pumping Made Possible by Regulatory Relaxations

(A) Relaxation of the Section 10 Constraint

The SWP is limited under Section 10 of the Rivers and Harbors Act, pursuant to US Army Corps of Engineers (Corps) Public Notice 5820-A, to a three-day average rate of diversion of water into Clifton Court Forebay of 13,250 acre-feet per day. This is equal to

an average, around-the-clock diversion rate of 6,680 cfs. (That rate may be increased during winter months when the San Joaquin River flow is above 1,000 cfs.)

Permission has been obtained from the Corps to increase the base diversion rate by the equivalent of 500 cfs to 7,125 cfs for the months of July, August, and September, through 2002. This 500 cfs will be dedicated in its entirety to pumping for the EWA.

(B) Relaxation of the Export/Inflow Ratio

Under D-1641, and anticipated under the SWRCB order to be issued upon completion of the Bay-Delta water rights hearing, project exports are limited at different times of the year to a certain percentage of Delta inflow (usually either 35% or 65%). This limitation is called the Export/Inflow, or E/I, ratio. Both D-1641 and the 1995 Water Quality Control Plan, consistent with the 1994 Principles for Agreement (Bay-Delta Accord), allow for these ratios to be relaxed upon the meeting of certain requirements.

Relaxations of the E/I ratio will be sought as appropriate and used to create EWA assets south of the Delta.

2. Banking of EWA Assets

a. Generally

Generically, banking is the storing for later use of water that would otherwise be used or lost in the present. Water can be banked and used within the same water year or carried over for use in a subsequent water year. Even though the acquisition of stored water does not carry the idea of converting a transitory asset into a durable asset, it is included here as an EWA banking transaction as well as a species of EWA asset acquisition. Like the acquisition of assets, banking transactions must provide for access to and the release of the stored EWA assets to the projects.

Priority of EWA assets in storage generally will turn on the provisions of the banking document. Usually, if imported water is physically stored in a groundwater basin, it will have a first and exclusive right to the water stored. If EWA water is stored in a surface reservoir, it usually will be junior to other rights and will spill first.

Banking EWA water south of the Delta should have the highest priority in importance, in that it creates assets which are both durable and which may be released without the ability to move water from the Delta being an issue.

b. Banking in Project Reservoirs

EWA water may be stored in project reservoirs upstream of the Delta as well as in San Luis Reservoir, with a lower priority than regular project water. The EWA will share this storage priority with water acquired for Level 4 refuge needs.

c. Source-Shifting Agreements

The purpose of water banking is to have water available for use at a time other than its original availability. Source-shifting agreements fall under this functional definition of “banking”. Source-shifting (or “demand-shifting”) agreements are agreements with a water agency, like MWD, which are able, at certain times, to call on non-Delta sources of water to temporarily create an asset for use by the EWA. These assets can be used for EWA operational curtailments. Replacement of the source-shifted water occurs at an agreed-upon subsequent time without any incremental impacts to the Projects.

3. Borrowing

Borrowing of project water, specifically water in San Luis Reservoir, is a tool intended to enhance the effectiveness and use of EWA assets. Project water in San Luis Reservoir may be borrowed to support an operational curtailment in lieu of immediately releasing an EWA asset, where the borrowed water is not needed at that time to make project deliveries, to avoid water quality and supply problems associated with the San Luis low point, or to satisfy reasonable carryover storage objectives.

An appropriate EWA asset will be pledged to assure that, if the borrowed water is not otherwise made up, release of the pledged asset will cause project deliveries not to be affected by the borrowing transaction.

4. Transfers and Delta Conveyance

Transfers will be used mainly to create assets south of the Delta out of assets upstream of the Delta. They can also be used to make acquisitions south of the Delta suitable for release to project use, where a change in the legal place or purpose of use or point diversion of the water is needed.

IV. Additional Provisions

1. Contingent on Appropriation or Allotment of Funds

The expenditure or advance of any money or the performance of any obligation of the United States or the State of California under this Agreement shall be contingent upon appropriation or allotment of funds. No liability shall accrue to the United States or the State of California for failure to perform any obligation under this Agreement in the event that funds are not appropriated.

The project schedules described in this document depend upon certain assumptions about state and federal budgets, optimized construction schedules, willing sellers and other contingencies. These assumptions may change as the CALFED Program progresses and appropriate revisions to

the CALFED Program may be necessary. Consistent with federal law, nothing in this document constrains the discretion of the President or his successor from making whatever budgetary or legislative proposals he or his successors deem appropriate or desirable.

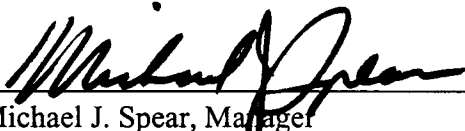
2. Modification Only By Written Agreement

The terms of this EWA Operations Principles Agreement may be modified by written agreement executed by all parties.

Having considered the contents of this document, its attachments and the documents supporting this decision, we hereby adopt these Principles.

Signed and dated:

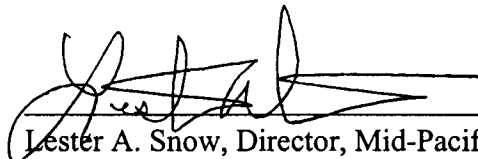
United States of America



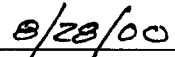
Michael J. Spear, Manager
California-Nevada Operations
U.S. Fish and Wildlife Service



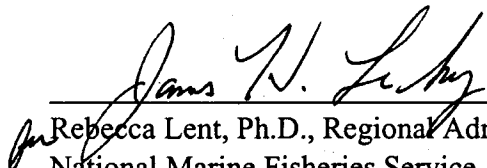
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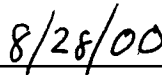
Lester A. Snow, Director, Mid-Pacific Region
U.S. Bureau of Reclamation



Date




Rebecca Lent, Ph.D., Regional Administrator
National Marine Fisheries Service

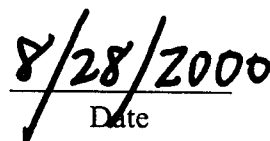


Date


State of California



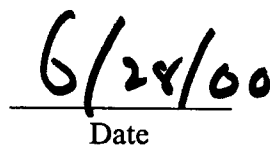
Thomas M. Hannigan, Director
California Department of Water Resources



Date



Robert C. Hight, Director
California Department of Fish and Game



Date