

21 East Carrillo Street  
Santa Barbara, CA 93101  
Telephone: (805) 963-7000  
Fax: (805) 965-4333



Stephanie Osler Hastings

Direct Dial: (805) 882-1415  
SHastings@HatchParent.com

EM

**MEMORANDUM**

**TO:** Debbie Irvin  
State Water Resources Control Board  
1001 "I" Street  
Sacramento, CA 95814

**FROM:** Stephanie Osler Hastings

**DATE:** September 29, 2005

**SUBJECT:** IID Workshop

STATE WATER RESOURCES  
CONTROL BOARD  
2005 OCT - 7 PM 3:56  
DIV. OF WATER RIGHTS  
SACRAMENTO

---

Enclosed please find the original and one copy of the "Supplemental Comments of San Diego County Water Authority for August 30, 2005 Workshop," and its exhibits.



SCO:gml  
Enclosures

HATCH AND PARENT  
21 East Carrillo Street  
Santa Barbara, CA 93101

1 SCOTT S. SLATER (State Bar No. 117317)  
STEVEN L. HOCH (State Bar No. 59505)  
2 STEPHANIE OSLER HASTINGS (State Bar No. 186716)  
Hatch & Parent, A Law Corporation  
3 21 East Carrillo Street  
Santa Barbara, CA 93101  
4 Telephone: (805) 963-7000  
Facsimile: (805) 965-4333

5 DANIEL S. HENTSCHKE (State Bar No. 76749)  
6 JAMES J. TAYLOR (State Bar No. 62980)  
San Diego County Water Authority  
7 4677 Overland Ave.  
San Diego, CA 92123  
8 Telephone: (858) 522-6600  
Facsimile: (858) 522-6566

9 Attorneys for Petitioner,  
10 SAN DIEGO COUNTY WATER AUTHORITY

11  
12 **BEFORE THE**  
13 **STATE WATER RESOURCES CONTROL BOARD**  
14 **STATE OF CALIFORNIA**

15 In the Matter of Imperial Irrigation District's ) **SUPPLEMENTAL**  
16 and San Diego County Water Authority's ) **COMMENTS OF SAN DIEGO COUNTY**  
17 Amended Joint Petition for Approval of a ) **WATER AUTHORITY FOR**  
18 Long-Term Transfer of Conserved Water ) **AUGUST 30, 2005 WORKSHOP**  
19 ) **FOLLOWING WRO 2002-0013, AS**  
20 ) **REVISED IN ACCORDANCE WITH WRO**  
21 ) **2002-0016**

22 On August 29, 2005, the San Diego County Water Authority (Authority) filed comments  
23 with the State Water Resources Control Board (SWRCB) in anticipation of the SWRCB's August  
24 30, 2005 workshop on the above-captioned action. The Authority hereby supplements those  
25 comments.  
26  
27  
28

1 **I. Economist Panel Reports**

2 At the August 30, 2005 workshop, the Imperial Irrigation District (IID) expressed concern  
3 with the accuracy of the data utilized by the Economist Panel in their First and Second Annual  
4 Reports.<sup>1</sup> ID's comments appeared to criticize both the absence of data and the inclusion of  
5 inaccurate data, predominantly with respect to the Second Annual Report.

6 The Authority and IID are engaged in dispute resolution (as provided by the Revised Fourth  
7 Amendment to the IID/SDCWA Transfer Agreement) with respect to IID's criticism of the  
8 preparation and findings of the Economist Panel reports, and the Authority hopes to obtain a  
9 mutually agreeable resolution to that dispute. (Decl. of Ms. Stapleton, ¶ 6.) Nevertheless, the  
10 Authority believes that it is important to respond to IID's criticism of the Economist Panel reports in  
11 this forum as well for purposes of making the SWRCB's workshop record complete.

12 **A. Response to Criticism Regarding Absence of Data**

13 Both reports are frank in their disclosure of any limitations associated with the data, analysis  
14 and conclusions reached. (*See, e.g.*, First Annual Report, at Section 6.0 ("Limitations to Analysis  
15 and Outstanding Issues").) Importantly, with respect to the Second Annual Report, the Economist  
16 Panel's analysis of the socioeconomic impacts associated with the fallowing program in year two  
17 was limited by the fact that IID failed to provide information requested from it. (*See generally*,  
18 Decl. of Ms. Stapleton, at ¶¶ 11-18; *see* Exhibits 1-4.)<sup>2</sup>

19 In April, 2005, the Economist Panel notified the Authority and the Local Entity that:

20 "IID had failed to respond to panel requests for data on participation in  
21 the fallowing program, expenditures of fallowing proceeds and other  
22 factors relating to the fallowing program. Thus, the panel report will  
23 only consider the first six months of 2005 – the last period for which  
24 information on fallowing program participants is publicly available.  
Other aspects of the fallowing program are modeled based on publicly  
available information as detailed in this letter."

25 <sup>1</sup> Copies of the First and Second Annual Reports, dated November 2004, and June 2005,  
26 respectively, were submitted together with the Authority's initial comments.

27 <sup>2</sup> Copies of the Authority's and the Economist Panel's several written requests for data are  
28 attached as exhibits to the Declaration of Ms. Stapleton, which is filed together with these  
supplemental comments.

1 (Decl. of Ms. Stapleton, at ¶ 13, Exhibit 3, at 2.) Further, this limitation on the Economist Panel's  
2 analysis is expressly called out in the Second Annual Report itself.

3 "Regrettably, the Local Entity has instructed its economist not to  
4 participate in the writing of this report. Thus, this report reflects the  
5 conclusions of the remaining economists, Dr. David Sunding,  
6 appointed by SDCWA, and the neutral economist, David Mitchell,  
7 appointed by mutual consent of Dr. Sunding and Dr. Gordon Kubota,  
8 the Local Entity's appointed economist. Also regrettable is the fact  
9 that IID has chosen not to cooperate with the economist panel. The  
10 District has not responded to numerous data requests, and has even  
11 failed to respond to routine administrative requests pertaining to  
12 processing of contracts and budgeting."

13 (Second Annual Report, at 1-2 (emphasis added).)

14 During the months of March, April and May, 2005, the Economist Panel and the Authority,  
15 on behalf of the Economist Panel, made several written requests to IID for data and information  
16 necessary for the Economist Panel to perform its work. (Decl. of Ms. Stapleton, at ¶¶ 11-18; see  
17 Exhibits 1-4.) For example, on March 31, 2005, the Authority's General Manager, Maureen  
18 Stapleton, wrote to IID's General Manager, Jesse Silva, urging IID to provide the data requested by  
19 an earlier request made by Economist Panel member Dr. Sunding (Exhibit 1) so that the panel would  
20 have access to the best information possible for performance of its duties. (Decl. of Ms. Stapleton,  
21 at ¶ 12, Exhibit 2.) Then again, on May 3, 2005, Ms. Stapleton wrote to IID and said:

22 "to date, I have received no response from you regarding IID's intent  
23 to facilitate the economists' work, as specified in the water transfer  
24 agreement. As you know, the water transfer agreement requires the  
25 Economist Panel to complete annual reports of estimated  
26 socioeconomic impacts. I am growing increasingly concerned about  
27 IID's lack of response, both to my inquiries regarding IID's  
28 administration of Economic Panel consultant contracts, and the  
29 Economist Panel's requests for information that is required under the  
30 terms of the agreement."

31 (Decl. of Ms. Stapleton, ¶ 14, Exhibit 4.)

32 On May 4, 2005, over a month after receiving the Authority's March 31, 2005 request, IID  
33 responded, for the first and only time, to the numerous requests that it had received. (Decl. of Ms.  
34 Stapleton, ¶¶ 15, 16.) Mr. Silva stated that IID had notified the Local Entity, on March 24<sup>th</sup>, of

1 certain reporting and administrative protocols that IID had established, separate and apart from the  
2 guidelines provided by the Revised Fourth Amendment, that IID had deferred all data requests to the  
3 Local Entity, and that IID had notified the Local Entity that it wished to receive a copy of a certain  
4 preliminary report identifying the Economist Panel's proposed methodologies for evaluating the  
5 nature and extent of any socioeconomic impacts before processing any data requests.<sup>3</sup> (Decl. of Ms.  
6 Stapleton, ¶ 15, Exhibit 5.) To date, neither IID, nor the Local Entity has provided the requested  
7 data. (Decl. of Ms. Stapleton, ¶ 17, 18.)

8 The Fourth Amendment provides detailed guidelines and timelines with respect to the  
9 Economist Panel's work, but does not specify any procedures or protocols prescribing the manner or  
10 method by which the Economist Panel must make its requests for data from IID, the Local Entity or  
11 any other source. (Decl. of Ms. Stapleton, ¶ 24.) Moreover, IID's May 4<sup>th</sup> response and notification  
12 of its decision to require that data requests be made through the Local Entity was made less than 30  
13 days in advance of the deadline for publication of the annual report. (Decl. of Ms. Stapleton, ¶ 20.)

14 The Revised Fourth Amendment does not make receipt of data needed to conduct the  
15 Economist Panel's work contingent upon the provision of a preliminary report outlining the  
16 Economist Panel's proposed methodologies, or any other event. (Decl. of Ms. Stapleton, ¶ 23.) IID  
17 apparently decided on its own to make that a condition. Also, the Economist Panel had in fact  
18 already provided the information that IID stated it was missing. (See Decl. of Ms. Stapleton, ¶¶ 21,  
19 22; Exhibit 3 (detailing the Economist Panel's efforts to be as transparent as possible about the  
20 methods used to calculate impacts and providing additional information with respect to the  
21 Economist Panel's methodology and assumptions); see also ¶ 19, Exhibit 6 (providing the same  
22 information with respect to the first annual report).)

23 As such, any limitations associated with the Economist Panel's ability to obtain the data it  
24 needed to complete its analysis would appear to be largely attributable to IID's election not to  
25 provide information.

26 <sup>3</sup> The Revised Fourth Amendment (Exhibit 2, "Timelines for Implementation of Defined  
27 Task") requires the Economist Panel to provide a report to the Local Entity and the Authority  
28 summarizing the design and identification of necessary information for the method required for the  
estimation of socioeconomic impacts of land fallowing. (Decl. of Ms. Stapleton, ¶ 21.)

1           **B.     Response to Criticism Regarding Accuracy of Data Used**

2           The data used in the Economist Panel’s analysis and in preparation of both reports are well  
3 documented. Each source of data is identified in footnotes or in other notations following  
4 tabulations of data. (Decl. of Ms. Stapleton, at ¶ 8; *see generally* First Annual and Second Annual  
5 Reports.) All sources of information are reputable (*e.g.*, the State of California) and publicly  
6 available. (Decl. of Ms. Stapleton, at ¶ 8; *see also* Exhibit 3.)

7           Additionally, the Economist Panel was successful in obtaining sufficient information on  
8 which to make its evaluation, subject to the stated limitations, and publish the Second Annual Report  
9 as required by the Revised Fourth Amendment. The Second Annual Report states:

10                   “[d]espite IID’s lack of cooperation, the panel has obtained a  
11 significant amount of data on the operation of the following program. Included in this data are various reports filed by IID with the  
12 government that describe in detail its policies governing expenditure of following proceeds, and how it intends to meet its obligations  
13 relating to the San Diego transfer. Additional information was obtained from sources including SDCWA, Metropolitan Water  
14 District, the Bureau of Reclamation, the California Employment Development Department, California Department of Food and  
15 Agriculture, the Imperial County Agricultural Commissioner and other sources detailed in the report.”

16                   (Second Annual Report, at 2; *see also* Decl. of Ms. Stapleton, at ¶ 13, Exhibit 3, at 2.)

17           Notwithstanding the Economist Panel’s acknowledged and noted lack of some data (that  
18 which it requested from IID), neither the Authority nor the Economist Panel members have received  
19 information that would suggest that the data the Economist Panel did in fact rely upon in preparing  
20 the Second Annual Report is false, inaccurate or otherwise invalid. (Decl. of Ms. Stapleton, at ¶¶ 9,  
21 10.)

22           Nevertheless, in the event that IID has data that call into question the accuracy of the data  
23 obtained and used by the Economist Panel in the Second Annual Report, and IID’s makes that data  
24 available to the Economist Panel either through the dispute resolution process referenced above, or  
25 otherwise, the Authority anticipates that any necessary corrections will be made and incorporated  
26 into the Economist Panel’s preparation of the Third Annual Report.  
27  
28

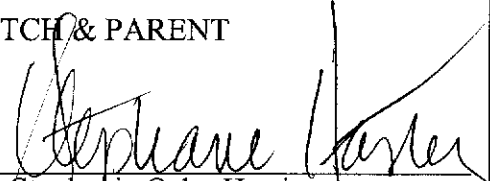
HATCH AND PARENT  
21 East Carrillo Street  
Santa Barbara, CA 93101

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

DATED: September 29, 2005

Respectfully submitted,

HATCH & PARENT

By   
Stephanie Osler Hastings  
Attorney for Petitioner, San Diego  
County Water Authority

**DECLARATION OF MAUREEN STAPLETON**

I, Maureen Stapleton, make this declaration upon my oath and under penalty of perjury in support of the "Supplemental Comments of the San Diego County Water Authority."

- (1) I am the General Manager of the San Diego County Water Authority (Authority).
- (2) The Authority is a signatory to the Revised Fourth Amendment Between Imperial Irrigation District (IID) and the Authority for Transfer of Conserved Water, dated October 10, 2003 (Revised Fourth Amendment).
- (3) I assisted in the negotiation and drafting of the Revised Fourth Amendment and am readily familiar with its provisions.
- (4) In accordance with the terms of the Revised Fourth Amendment, the Authority appointed an economist to the Economist Panel – Dr. David Sunding.
- (5) On behalf of the Authority, I attended the State Water Resources Control Board's August 30, 2005 Workshop and listened to the comments provided by all parties to that workshop, including IID.
- (6) In accordance with the provisions of the Revised Fourth Amendment, the Authority and IID are meeting and conferring in an attempt to resolve a dispute that has arisen with respect to the evaluation of the nature and extent of socioeconomic impacts attributable to the land following program conducted to conserve water for transfer from IID to the Authority.
- (7) I have reviewed the first and second annual reports prepared by the Economist Panel, dated November, 2004 and June, 2005, respectively.
- (8) The Economist Panel reports contain numerous footnotes and other citations identifying the data and information used to evaluate the nature and extent of any socioeconomic impacts associated with land following in Imperial Valley as a result of the IID/SDCWA transfer. The sources of the data and information cited are also identified and all appear to be publicly



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

available.

- (9) Notwithstanding the comments by IID at the August 30, 2005 Workshop, to date, neither I, nor the Authority, have received any information that would suggest that the primary data upon which the Economist Panel relied in preparing the Second Annual Report is false, inaccurate or otherwise invalid.
- (10) Further, I am informed, and on that basis believe, that the Economist Panel has not received any information that would suggest that the primary data upon which the Economist Panel relied in preparing the Second Annual Report is false, inaccurate or otherwise invalid.
- (11) By letter dated March 8, 2005, Dr. Sunding wrote to Mr. Jesse Silva, IID, with carbon copy to me, the Local Entity, and the other members of the Economist Panel, requesting data needed to measure the economic impacts of land fallowing in the Imperial Valley. A true and correct copy of the March 8, 2005 letter is attached as Exhibit 1 to this declaration and incorporated herein.
- (12) By letter dated March 31, 2005, I wrote to Mr. Silva, with carbon copy to the chair of the Local Entity and the members of the Economist Panel, urging Mr. Silva to provide the data requested by Dr. Sunding's March 8, 2005 letter (Exhibit 1) so that the Panel would have access to the best information possible for performance of its duties. A true and correct copy of the March 31, 2005 letter is attached as Exhibit 2 to this declaration and incorporated herein.
- (13) By letter dated April 28, 2005, Dr. Mitchell and Dr. Sunding wrote to the Local Entity and to me informing us that IID had failed to respond to panel requests for data on participation in the fallowing program, expenditures of fallowing proceeds and other factors relating to the fallowing program. The letter also provides a detailed description of the methodology and assumptions employed by the Economist Panel in their work. A true and correct copy of the

1 April 28, 2005 letter is attached as Exhibit 3 to this declaration and incorporated herein. An  
2 excerpt from that letter follows:

3 “IID had failed to respond to panel requests for data on  
4 participation in the following program, expenditures of following  
5 proceeds and other factors relating to the following program. Thus,  
6 the panel report will only consider the first six months of 2005 – the  
7 last period for which information on following program participants is  
8 publicly available. Other aspects of the following program are  
9 modeled based on publicly available information as detailed in this  
10 letter.

11 The first panel report attempted to be as transparent as possible  
12 about the data and methods used to calculate impacts. Indeed,  
13 following completion of the report the panel responded to a series of  
14 questions posed by the Local Entity, and transmitted an electronic  
15 copy of the actual model used to calculate impacts.

16 The panel followed the prescriptions of the Revised Fourth  
17 Amendment and standard economic practice to calculate change in  
18 third party incomes resulting from the following program. In addition,  
19 both Dr. Kubota and Dr. Sunding made presentations to the Local  
20 Entity and SDCWA, respectively, on assumptions and methods soon  
21 after the panel commenced work, and well in advance of the  
22 publication of the first annual report.”

23 (Exhibit 3, at 2.)

24 (14) By letter dated May 3, 2005, I again wrote to Mr. Silva, with carbon copy to the chair of the  
25 Local Entity and the members of the Economist Panel, stating that “to date, I have received  
26 no response from you regarding IID’s intent to facilitate the economists’ work, as specified  
27 in the water transfer agreement. As you know, the water transfer agreement requires the  
28 Economist Panel to complete annual reports of estimated socioeconomic impacts. I am  
growing increasingly concerned about IID’s lack of response, both to my inquiries regarding  
IID’s administration of Economic Panel consultant contracts, and the Economist Panel’s  
requests for information that is required under the terms of the agreement.” A true and  
correct copy of the May 3, 2005 letter is attached as Exhibit 4 to this declaration and  
incorporated herein.

(15) By letter dated May 4, 2005, Mr. Silva responded to my March 31<sup>st</sup> letter (Exhibit 2) with  
carbon copy to the Local Entity, members of the Economist Panel, and others at IID. Mr.

1 Silva stated that IID had notified the Local Entity, on March 24<sup>th</sup>, of certain reporting and  
2 administrative protocols that IID had established separate and apart from the guidelines  
3 provided by the Revised Fourth Amendment, that “to this point IID transfer implementation  
4 staff has deferred initiating any direct communication with the Economist Panel to the Local  
5 Entity ...,” and that IID had notified the Local Entity that it wished to receive a copy of a  
6 certain preliminary report identifying the Economist Panel’s proposed methodologies for  
7 evaluating the nature and extent of any socioeconomic impacts before processing any data  
8 requests. A true and correct copy of the May 4, 2005 letter is attached as Exhibit 5 to this  
9 declaration and incorporated herein. A copy of IID’s March 24, 2005 letter to the Local  
10 Entity is attached thereto.

11 (16) I am informed, and on that basis believe, that IID’s May 4, 2005 letter to me is the only  
12 response that IID has made to any of the Economist Panel’s or my requests for data.

13 (17) I am informed, and on that basis believe, that the Local Entity has not requested from IID the  
14 data and information requested by the Economist Panel in Exhibits 1 and 3 to this  
15 declaration, as suggested in IID’s March 24 letter to the Local Entity.

16 (18) I am informed, and on that basis I believe, that, neither IID nor the Local Entity have  
17 provided the Economist Panel with the data requested by the Economist Panel or me.

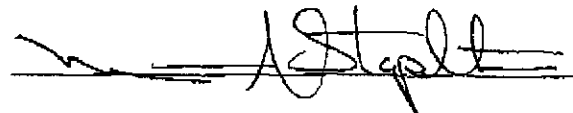
18 (19) In February, 2005, my office received a copy of a memorandum from the Economist Panel to  
19 Patrick Pace, a true and correct copy of which is attached as Exhibit 6 to this declaration and  
20 incorporated herein. The memorandum responds to specific questions posed by the Local  
21 Entity to the Economist Panel regarding the methodology of the Economist Panel’s work and  
22 provides the Local Entity with a detailed description of the methodology and assumptions  
23 employed by the Economist Panel in their work.

24 (20) The Revised Fourth Amendment (Section 14.5(c)(ix)) requires the Economist Panel to  
25 publish its annual report on or before June 1 of each Year.

26 (21) The Revised Fourth Amendment (Exhibit 2, “Timelines for Implementation of Defined  
27 Task”) requires the Economist Panel to provide a report to the Local Entity and the Authority  
28 summarizing the design and identification of necessary information for the method required

- 1 for the estimation of socioeconomic impacts of land following.
- 2 (22) Exhibit 3 to this declaration is responsive to the requirement described in paragraph 21 of
- 3 this declaration.
- 4 (23) The Revised Fourth Amendment does not make receipt of data needed to conduct the
- 5 Economist Panel's work contingent upon the provision of the requirement described in
- 6 paragraph 21 of this declaration.
- 7 (24) The Revised Fourth Amendment (Section 14.5 *et seq.*) does not specify any procedures or
- 8 protocols prescribing the manner or method by which the Economist Panel must make its
- 9 requests for data from IID, the Local Entity or any other source.

11 DATED: September 29, 2005



Maureen Stapleton

HATCH AND PARENT  
21 Bas Comillo Street  
Santa Barbara, CA 93101

10  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 **PROOF OF SERVICE**

2 I am a resident of the State of California, over the age of eighteen years, and not a party to  
3 the within action. My business address is 21 East Carrillo Street, Santa Barbara, California 93101-  
2782. On September 29, 2005, I served the within document:

4 **SUPPLEMENTAL COMMENTS OF SAN DIEGO COUNTY**  
5 **WATER AUTHORITY FOR AUGUST 30, 2005 WORKSHOP**  
6 **FOLLOWING WRO 2002-0013, REVISED IN ACCORDANCE**  
7 **WITH WRO 2002-0016**

8 by placing said document in a sealed envelope with postage thereon fully prepaid, in the Federal  
9 Express facility at Santa Barbara, California as set forth below on the attached list, or by mailing the  
document electronically, to the parties that are indicated on the attached list.

10 **SEE ATTACHED SERVICE LIST**

11 I am readily familiar with the firm's practice of collection and processing correspondence for  
12 mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day  
with postage thereon fully prepaid in the ordinary course of business. I am aware that on motion of  
the party served, service is presumed invalid if postal cancellation date or postage meter date is more  
than one day after date of deposit for mailing in affidavit.

13 I declare under penalty of perjury under the laws of the State of California that the above is true and  
14 correct. Executed this September 29, 2005, at Santa Barbara, California.

15  
16   
17 \_\_\_\_\_  
18 GINA M. LANE  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

HATCH AND PARENT  
21 East Carrillo Street  
Santa Barbara, CA 93101

**SERVICE LIST**

**Imperial Irrigation District/San Diego County Water Authority  
Long-Term Transfer**

- 1  
2  
3  
4 Mark J. Hattam, Esq. (by e-mail at [dosias@allenmatkins.com](mailto:dosias@allenmatkins.com) and [mhattam@allenmatkins.com](mailto:mhattam@allenmatkins.com))  
5 Allen, Matkin, Leck, Gamble & Mallory  
6 501 W. Broadway, Ninth Floor  
7 San Diego, CA 92101-3547  
8 Telephone: (619) 233-1155  
9 Facsimile: (619) 233-1158  
10 cAttorneys for Imperial Irrigation District  
11  
12 Eric Shepard, Esq. (by Overnight Mail)  
13 Colorado River Indian Tribes  
14 Office of the Attorney General  
15 Route 1, Box 23-B  
16 Parker, AZ 85344  
17 Telephone: (928) 669-1271  
18 Facsimile: (928) 669-5675  
19  
20 Antonio Rossman, Esq. (by e-mail at [ar@landwater.com](mailto:ar@landwater.com))  
21 380 Hayes Street, Suite 1  
22 San Francisco, CA 94102  
23 Telephone: (415) 861-1401  
24 Facsimile: (415) 861-1822  
25 Attorney for County of Imperial  
26  
27 Henry Rodegerdts (by e-mail at [hrodegerdts@cfbf.com](mailto:hrodegerdts@cfbf.com))  
28 California Farm Bureau Federation  
29 2300 River Plaza Drive  
30 Sacramento, CA 95833  
31 Telephone: (916) 561-5656  
32 Facsimile: (916) 561-5691  
33  
34 Mr. Tom Kirk, Executive Director (by email at [tkirk@saltonseaca.gov](mailto:tkirk@saltonseaca.gov))  
35 Salton Sea Authority  
36 78-401 Highway 111, Suite T  
37 La Quinta, CA 92253  
38 Telephone: (760) 564-4888  
39 Facsimile: (760) 564-5288  
40  
41 Mr. Bill Allayaud (by email at [allayaud@sierraclub-sac.org](mailto:allayaud@sierraclub-sac.org))  
42 Sierra Club California  
43 1414 K Street, Suite 500  
44 Sacramento, CA 95814  
45 Telephone: (916) 557-1100  
46 Facsimile: (916) 557-9669

1  
2 Brendan Fletcher (by e-mail at [bfletcher@defenders.org](mailto:bfletcher@defenders.org) and [kdelfino@defenders.org](mailto:kdelfino@defenders.org))  
3 Defenders of Wildlife  
4 926 J Street, Suite 522  
5 Sacramento, CA 95816  
6 Telephone: (916) 313-5810  
7 Facsimile: (916) 313-5812

8  
9 William Yeates, Esq. (by e-mail at [byeates@enviroqualitylaw.com](mailto:byeates@enviroqualitylaw.com))  
10 Law Offices of J. William Yeates  
11 8002 California Ave.  
12 Fair Oaks, CA 95628  
13 Telephone: (916) 860-2000  
14 Facsimile: (916) 860-2014  
15 Attorney for National Audubon Society

16  
17 Michael Cohen (by e-mail at [mcohen@pacinst.org](mailto:mcohen@pacinst.org))  
18 Pacific Institute  
19 948 North Street, Suite 7  
20 Boulder, CO 80304  
21 Telephone: (720) 564-0651  
22 Facsimile: (720) 564-0653

23  
24 Ms. Karen Douglas (by email at [kdouglas@pcl.org](mailto:kdouglas@pcl.org))  
25 Planning and Conservation League  
26 926 J Street, Suite 612  
27 Sacramento, CA 95814  
28 Telephone: (916) 444-8726  
Facsimile: (916) 445-1789

Mr. Phil Gruenberg (by Overnight Mail)  
Colorado River Basin Regional Water Quality Control Board  
73-720 Fred Waring Drive, Suite 100  
Palm Desert, CA 92260  
Telephone: (760) 346-7491  
Facsimile: (760) 341-6820

William I. DuBois (by Overnight Mail)  
1791 Nichols Road  
El Centro, CA 92243

Mr. Larry A. Gilbert (by Overnight Mail)  
945 E. Worthington Road  
Imperial, CA 92251-9764  
Telephone: (760) 355-2278  
Facsimile: (760) 355-2278

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Courtesy copy to:**

Robert Maddow, Esq. (by e-mail at [maddow@prodigy.net](mailto:maddow@prodigy.net))  
Bold, Polsner, Maddow, Nelson & Judson  
500 Ygnacio Valley Road, Suite 325  
Walnut Creek, CA 94596-3840  
Telephone: (925) 933-7777  
Facsimile: (925) 933-7804  
Attorneys for Coachella Valley Water District

Anne Schneider, Esq. (by e-mail at [ajs@eslawfirm.com](mailto:ajs@eslawfirm.com))  
Ellis, Schneider & Harris  
2015 H Street  
Sacramento, CA 95814-3009  
Telephone: (916) 447-2166  
Facsimile: (916) 447-3512  
Attorneys for Metropolitan Water District of Southern California



# **Exhibit 1**

**CHARLES RIVER ASSOCIATES**

---

5335 College Avenue, Suite 26  
Oakland, CA 94618-2804

**Via Facsimile and U.S. Mail**

March 8, 2005

Jesse Silva  
General Manager  
Imperial Irrigation District  
333 E. Barioni Blvd  
Imperial, CA 92251

Re: Data Request from Economist Panel

Dear Jesse:

The Economist Panel is beginning work on the next annual review of socioeconomic impacts of the SDCWA-IID water transfer due in June 2005. I am writing on behalf of the panel to request information that is needed to measure the economic impacts of land fallowing in the Imperial Valley.

As you know, one of the main drivers of economic impacts of the water transfer is the identity of crops fallowed for water conservation. Reflecting this fact, Section 2(b) of Exhibit 2 of the Revised Fourth Amendment clearly spells out the Panel's charge to develop data and methods to determine crop acreage fallowed under the IID program. In our first report, the panel relied on information provided by program applicants to determine the acreages of various crops fallowed. The panel has determined that, while this information *may* be reliable, it is important to corroborate growers' stated responses with other data. To this end, the panel is endeavoring to create a statistical model of crop choice and acreage cultivated in IID. The results of this model can be compared to verifiable acreage totals to develop statistical estimates of crops fallowed and associated acreages.

It is our understanding that IID collects information on crops grown and amounts of water delivered at various locations throughout the district, and has done so for some time. Such current and historical information is needed by the panel to estimate the statistical model just described. In addition, if IID collects information regarding crop yields or irrigation technology choices, this data would also be most helpful in measuring socioeconomic impacts.

**CHARLES  
RIVER  
ASSOCIATES**

Page 2

---

Given the short time until the next report is due, we would greatly appreciate a prompt response to this request for information. Administrative issues prevented the panel from meeting the report deadline outlined in the QSA, but we are making every effort to meet the deadline this year. IID's assistance in this regard would be greatly appreciated.

Please do not hesitate to call if you have any questions regarding this request for information, or if your staff have technical questions about data formatting or modes of transmittal. I can be reached at 510-642-8229, or by e-mail at [sunding@are.berkeley.edu](mailto:sunding@are.berkeley.edu). As the panel moves forward with its work, we will have additional data needs that we will submit to you in writing per your request.

Thanks in advance for your assistance in this matter.

Best,

Dave Sunding

Cc:

Joe Marucca, Local Entity  
Maureen Stapleton, SDCWA  
David Mitchell, Economist Panel  
Gordon Kubota, Economist Panel

**CRA**

# **Exhibit 2**



**San Diego County Water Authority**

4677 Overland Avenue • San Diego, California 92123-1233  
 (858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

March 31, 2005

**MEMBER AGENCIES**

- Carlsbad Municipal Water District
  - City of Del Mar
  - City of Escondido
  - City of National City
  - City of Oceanside
  - City of Poway
  - City of San Diego
  - Fallbrook Public Utility District
  - Helix Water District
  - Olivewood Municipal Water District
  - Otay Water District
  - Padre Dam Municipal Water District
  - Camp Pendleton Marine Corps Base
  - Rainbow Municipal Water District
  - San Marcos Municipal Water District
  - Rincon del Diablo Municipal Water District
  - San Diego Water District
  - San Felipe Irrigation District
  - South Bay Irrigation District
  - Vallecitos Water District
  - Village Center Municipal Water District
  - Vista Irrigation District
  - Yuma Municipal Water District
- OTHER REPRESENTATIVE**
- County of San Diego

Mr. Jesse Silva, General Manager  
 Imperial Irrigation District  
 P.O. Box 937  
 Imperial, CA 92251

Re: Economists Panel Work

Dear Jesse:

As we are both aware, under our water transfer agreement, the Economists Panel is responsible for a number of tasks resulting in an initial assessment of the estimated annual and cumulative socioeconomic impacts of land following, and annual updated assessments due by June 1 of each year. The Panel's work is adaptive, and requires periodic adjustments to the economic model, based in no small part on methods and tests developed to corroborate findings. In order for the Panel to publish its annual updated assessment, considerable preparation is needed.

On behalf of the Local Entity, IID contracts the services of the Local Entity representative on the Panel, Dr. Kubota, and through agreement with the San Diego County Water Authority (SDCWA), contracts the services of the third Panel member, Mr. Mitchell. We were recently informed that both Dr. Kubota and Mr. Mitchell have been told by IID not to submit budget proposals for their work or perform any further work under their contracts unless notified otherwise by IID. If that report is true, IID's action would compromise the ability of the Economists Panel to perform its functions mandated under our water transfer agreement.

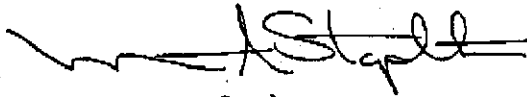
It is vital that the Economists Panel resume its work immediately so that it can meet the June 1 deadline for its updated assessment. Please let me know if IID has suspended the work of Dr. Kubota and Mr. Mitchell, and if so, whether you intend to instruct them to resume their work. I would appreciate a reply as soon as possible.

Additionally, I have received a copy of a letter dated March 8, 2005, sent to you by Dave Sunding, a member of the Economists Panel, requesting data from IID for use in preparing the Panel's next annual review due in June. I urge you to provide the

Jesse Silva, General Manager  
Imperial Irrigation District  
Economists Panel Work  
March 31, 2005  
Page 2

data requested so that the Panel will have access to the best information possible for performance of its duties.

Sincerely,



Maureen A. Stapleton  
General Manager

cc: Joe Maruca, Chair, Local Entity  
David Sunding, Economists Panel  
Gordon Kubota, Economists Panel  
David Mitchell, Economist Panel

# **Exhibit 3**

David Mitchell  
M.Cubed  
5358 Miles Avenue  
Oakland, CA 94618

**RECEIVED**

MAY - 6 2004

GEN MGR

David Sunding  
Charles River Associates  
5335 College Avenue, Suite 26  
Oakland, CA 94618

Via U.S. Mail

April 28, 2005

Joe Maruca  
Chair, Local Entity  
940 West Main Street  
El Centro, CA 92243

Maureen Stapleton  
General Manager, SDCWA  
4677 Overland Avenue  
San Diego, CA 92123

Dear Joe and Maureen:

This letter is to inform you that the Economist Panel has commenced work on the second annual report on the socioeconomic impacts of land fallowing related to the IID-SDCWA water transfer. The letter will also outline the assumptions and methods used to measure these impacts as defined in the Revised Fourth Amendment to the QSA.

Unfortunately, the Local Entity has apparently decided not to appoint a representative to the panel. The Local Entity's previously designated economist, Dr. Gordon Kubota, has not been allocated funds needed to support his participation. Regrettably, the remaining members of the panel, Mr. David Mitchell and Dr. David Sunding, will continue working without the benefit of his input.

Mr. Mitchell also contracts through IID, and he has also failed to receive a response to his own repeated budget requests. He is only able to contribute to this year's report because he has unexpended funds remaining on his existing contract.



IID has failed to respond to panel requests for data on participation in the fallowing program, expenditures of fallowing proceeds and other factors relating to the fallowing program. Thus, the panel report will only consider the first six months of 2005 – the last period for which information on fallowing program participants is publicly available. Other aspects of the fallowing program are modeled based on publicly available information as detailed in this letter.

The first panel report attempted to be as transparent as possible about the data and methods used to calculate impacts. Indeed, following completion of the report the panel responded to a series of questions posed by the Local Entity, and transmitted an electronic copy of the actual model used to calculate impacts.

The panel followed the prescriptions of the Revised Fourth Amendment and standard economic practice to calculate changes in third party incomes resulting from the fallowing program. In addition, both Dr. Kubota and Dr. Sunding made presentations to the Local Entity and SDCWA, respectively, on assumptions and methods soon after the panel commenced work, and well in advance of the publication of the first annual report.

It is also worth pointing out that the panel missed the deadline for publication of the first annual report only because the Local Entity failed to appoint its economist in a timely manner, and because IID took so long to process contracts. To blame the panel for missing deadlines, as IID's negotiators represented to the Imperial Valley community, is disingenuous.

Nonetheless, and in the face of a continued lack of cooperation from IID, the remaining panel members are obligated to produce an annual report as required on June 1, 2005. The methods and assumptions underlying the calculation of impacts are similar to the first report, with appropriate adjustments made for current prices and economic conditions in Imperial County.

Acreages of crops fallowed for transfer of water to San Diego and for required environmental mitigation are determined using IID's reported list of participants in the fallowing program. Participants were asked to specify the crops that would have been grown on fallowed acres. At present, the panel is using these self-reported crop acreages to calculate fallowing impacts. The panel is also using countywide prices and yields to calculate impacts, while remaining aware of the fact that these assumptions will tend to overstate actual costs of fallowing.

As required, the panel is using IMPLAN to estimate the indirect and induced impacts of fallowing, the stimulus resulting from contract payments made for land fallowing, and the stimulus resulting from fallowing-related activities undertaken by IID, growers and others. Two significant modifications to the base model and data were made by the Economic Panel to calibrate the model to local conditions.

- The output of each agricultural sector in IMPLAN was calibrated to the output reported in the 2003 Imperial County Agricultural Commissioner's Report. The

2004 report will not be available until June, according to the commissioner's office. In several cases the output reported by the county agricultural commissioner are higher than the IMPLAN data. Where output adjustments to the model are made, the value added components (employee compensation, proprietary income, other property income and indirect business taxes) are proportionally increased.

- As provided for in Exhibit 2 of the Revised Fourth Amendment, detailed crop production functions are developed specifically for Imperial County using crop budgets provided by cooperative extension staff of the University of California and University of Arizona. Crop budgets developed by the University of Arizona concern production in the Yuma region.

Additional assumptions are required to model the stimulus effects of payments by SDCWA for land fallowing. First, adjustments must be made for payments by IID to landowners participating in the fallowing program. Some landowners do not reside in Imperial County, and payments to these individuals are treated as "leakages" from the local economy. Note that participating landowners are not treated as third parties, and only their spending of transfer proceeds within Imperial County will stimulate third party incomes.

It is also necessary to model the stimulus effect of the revenues received by IID but not passed through to landowners. It is apparent to us that transfer revenues are commingled with other water department revenues. Recent press accounts and IID budget documents indicate that at least some of the transfer proceeds are being used to close the budget deficit in IID's Water Department, thereby helping to avoid or reduce water rate increases. The panel report will treat the stimulus effect of this portion of retained transfer proceeds as an income transfer to IID ratepayers. Appropriate adjustments will then be made to account for out-of-county landowners as described in the preceding paragraph.

Additionally, the panel must model the stimulus effects of fallowing-related activities that would not have been undertaken in the absence of the fallowing program. IID is expending a portion of transfer proceeds on water transfer program administration. Note that the Panel's approach does not double count transfer proceeds. A dollar used to cover transfer-related costs cannot also be used to close a budget gap that would exist regardless of the transfer. We are left with two types of IID stimulus to model: (1) stimulus from water transfer dollars distributed to the rate base through water rates, a pure income transfer, and (2) stimulus from water transfer dollars used to cover transfer-related expenditure. The indirect and induced impacts from the two sources of stimulus will likely differ. Additionally, farmers are attempting to control weed and dust externalities created by land fallowing.

Indirect business tax impacts come directly from the IMPLAN model. IBT is derived using data from Bureau of Economic Analysis and the national benchmark I-O tables. State level estimates of indirect business taxes are controlled so that the sum of state

taxes equal the national totals for each industry in the IMPLAN model. IMPLAN uses the state level ratio of labor income to indirect business taxes to allocate tax revenues to counties. These county estimates are then adjusted so that they sum to the state level indirect business taxes for each industry.

Finally, we will check model results against available public information on the Imperial Valley economy. The Imperial County Agricultural Commissioner's office does not anticipate completing the 2004 crop report before mid-June. If this report is available earlier, we will report its findings and check them against farmer-reported fallowed acres. IMPLAN employment results will also be checked against farm and non-farm jobs data for Imperial County produced by the state Employment Development Department.

We hope this letter is informative. As always, please do not hesitate to call or write if you have any questions about our analysis.

Sincerely,

Dave Mitchell  
David Sunding  
Members, Economist Panel

# Exhibit 4



# San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233  
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

May 3, 2005

Mr. Jesse Silva, General Manager  
Imperial Irrigation District  
P.O. Box 937  
Imperial, CA 92251

RE: Economists Panel Work

Dear Jesse:

On March 31, I wrote you a letter requesting confirmation of whether IID had directed Dr. Kubota and Mr. Mitchell to cease work on the Economist Panel's 2005 report on estimated socioeconomic impacts. In that letter, I also requested that IID provide data needed by the Panel to complete its report. A copy of my letter is enclosed. To date, I have received no response from you regarding IID's intent to facilitate the economists' work, as specified in the water transfer agreement.

As you know, the water transfer agreement requires the Economist Panel to complete annual reports of estimated socioeconomic impacts. I am growing increasingly concerned about IID's lack of response, both to my inquiries regarding IID's administration of Economic Panel consultant contracts, and the Economist Panel's requests for information that is required under terms of the agreement. The Economist Panel work cannot be deferred indefinitely. I look forward to receiving a reply to this and my earlier correspondence. Please contact me as soon as possible to discuss this matter.

Sincerely,

Maureen A. Stapleton  
General Manager

dcf  
Enclosure

cc: Joe Maruca, Chair, Local Entury  
David Sunding, Economists Panel  
Gordon Kubota, Economists Panel  
David Mitchell, Economists Panel

**MEMBER AGENCIES**

Carlsbad  
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook  
Public Utility District

Hills Water District

Olivehain  
Municipal Water District

Oray Water District

Pacific Dam  
Municipal Water District

Camp Pendleton  
Marine Corps Base

Rainbow  
Municipal Water District

Rancho  
Municipal Water District

Lincoln del Diablo  
Municipal Water District

San Diego Water District

San Joaquin District

South Bay Irrigation District

Vallecitos Water District

Valley Center  
Municipal Water District

Vista Irrigation District

Yuma  
Municipal Water District

**OTHER REPRESENTATIVE**

County of San Diego

# **Exhibit 5**



# IMPERIAL IRRIGATION DISTRICT

GENERAL MANAGER'S OFFICE • P. O. BOX 937 • IMPERIAL, CA 92251

May 4, 2005

RECEIVED

MAY 12 2004

GEN MGR

Maureen A. Stapleton  
General Manager  
San Diego County Water District  
4677 Overland Avenue  
San Diego, CA 92123-1233

BC  
JT  
6/10  
6/10  
BC

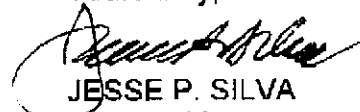
Dear Maureen:

This is in response to your March 31<sup>st</sup> letter regarding the Economist's Panel work.

Based upon my inquiries, no one at IID has told Dr. Kubota and Mr. Mitchell that they should cease work under their contracts, and IID has not suspended the work of Dr. Kubota and Mr. Mitchell.

As to Dave Sunding's March 8<sup>th</sup> data request from the IID, on March 24<sup>th</sup> IID sent a letter to the Local Entity concerning reporting requirements and administrative protocols. This letter (attached) communicated the process for all Local Entity or Economist panel data requests, including the Revised Fourth Amendment requirement that the structure of these requests be specified as part of the "Development of Necessary Methods to Estimate Socioeconomic Impacts" report and requested a copy of this report prior to processing any data requests. Up to this point IID water transfer implementation staff has deferred initiating any direct communication with the Economist Panel to the Local Entity in an effort to avoid interfering with the Local Entity process; however IID has not yet received a copy of the aforementioned report. Thus, IID reiterates this request to the Local Entity and/or the Economist Panel by copy of this letter. As Mr. Sunding's March 8<sup>th</sup> letter was the first formal communication IID has received from the Economist Panel, receipt of the above report will facilitate our ability to respond to data requests in a timely manner.

Yours truly,

  
JESSE P. SILVA  
General Manager

Attach.

cc: Local Entity, Kimberly Collins, Pat Pace, Ron Hull  
Dave Sunding, Gordon Kubota, David Mitchell  
Water Dept.  
Rod Smith  
John P. Carter



# IMPERIAL IRRIGATION DISTRICT

OPERATING HEADQUARTERS • P. O. BOX 937 • IMPERIAL, CALIFORNIA 92251

WD

March 24, 2005

Mr. Joe Maruca, Chairman  
Local Entity  
940 West Main Street  
El Centro, CA 92243

**Subject: Reporting Requirements and Administrative Protocols**

Dear Mr. Maruca:

The Imperial Irrigation District's Water Department recognizes the efforts being made by the Local Entity to accomplish the tasks outlined in Section 14.5 of the *Revised Fourth Amendment to Agreement Between Imperial Irrigation District and San Diego County Water Authority for Transfer of Conserved Water* (Revised Fourth Amendment). In order to facilitate our ability to manage the budgetary and funding provisions of the Local Entity and the State Water Resources Control Board (SWRCB) reporting requirements, IID requests that the following protocols be utilized:

- Upon completion of the Local Entity's annual report of receipts and disbursements [as detailed by §14.5(b)(vii) of the Revised Fourth Amendment] please submit a copy to the Water Department Manager.
- Upon approval by the Local Entity, but not later than June 1<sup>st</sup> of each year, submit your annual budget for the following Agreement Year [as detailed by §14.5(b)(vii) of the Revised Fourth Amendment] to the Water Department Manager. This budget should be separated into two sections based upon the funding source; Local Entity monies or pre-approved IID expenditures. As per the Revised Fourth Amendment, Local Entity monies may only be used for economic mitigation costs and reasonable administrative expenses, which expressly include the cost of studies and measurements undertaken by the Economist Panel. IID has committed to provide the Local Entity with legal counsel so these expenses should be budgeted separately as noted above. Any questions regarding the appropriateness of budgetary expenditures should be directed to your legal counsel.



Mr. Joe Maruca  
March 24, 2005  
Page 2

- All data requests from the Local Entity or its Economists Panel related to the estimation and measurement of the socioeconomic impacts of land fallowing [§14.5(c) of the Revised Fourth Amendment] should be made in writing to the Water Department Manager to ensure an appropriate and timely response. As provided for in the Revised Fourth Amendment, the structure of these written requests should be specified as part of the "Development of Necessary Methods to Estimate Socioeconomic Impacts", a written report prepared by the Economist Panel within 60 Calendar Days of commencement of their work.<sup>1</sup> At your earliest convenience, please forward a copy of this report to the Water Department Manager. IID will respond to written data inquiries in as timely a manner as possible assuming data is available. Given that IID's current Fallowing Program is designed to accommodate agricultural/farm leasing schedules and not the usual calendar year, final program information may not be available until mid-year. Additionally, USBR decree accounting records are generally not finalized until four to six months after the water (calendar) year has ended. Final program numbers and prorations are dependent upon these values and may result in similar delays.

Finally, IID is required to submit a variety of reports summarizing QSA and water transfer implementation and mitigation activities for each Agreement Year. As a part of these reporting efforts, IID would like to include a synopsis of the Local Entity's actions or efforts. We would appreciate a short report or letter summarizing these activities, including milestones and accomplishments, as soon as possible. (IID's primary reporting deadline is March 31<sup>st</sup> of each year, so in future years it would be beneficial to have this annual documentation within 60 days after the end of an Agreement Year).

If you have any questions, please contact me at (760) 339-9287. Thank you for your cooperation.

Sincerely,

  
MICHAEL L. KING  
Manager, Water

TAS/ceb

C: Ms. Kimberly Collins  
Mr. Pat Pace  
Mr. Ron Hull

<sup>1</sup> See Exhibit 2 sub-section titled "Timeline for Implementation of Defined Tasks", Revised Fourth Amendment

# **Exhibit 6**

**MEMORANDUM**

To: Patrick M. Pace

From: Economic Panel

Subject: Responses to Local Entity Questions regarding "Third-Party Impacts of Land Fallowing Associated with IID-SDCWA Water Transfer: 2003 and 2004."

---

Attached please find the Economic Panel responses to questions raised by the Local Entity.

## ANSWERS TO LOCAL ENTITY QUESTIONS

### Development of Regional Economic Model

1. **Which version of Implan Model was used (e.g. national model or national model adapted to Imperial County)?**

The Economic Panel used IMPLAN Professional For Windows 95/98/NT Version 2.0.1024. We used the 2001 data set for Imperial County (file name: CA01-025.odf) to construct the model. This information is set forth on page 14 of the report.

2. **Please list all adjustments made to the Social Accounting Matrix and, for each adjustment, describe the reason for the adjustment (including evidence relied upon), how adjustment was made, and the materiality of the adjustment (e.g., what is the impact of the adjustment on the study's conclusion)?**

One adjustment was made to the model that affected the Social Accounting Matrix. This was calibration of the agricultural sector output values to reflect data compiled by the Imperial County Agricultural Commissioner. The need for and method of adjustment are discussed on pages 14-15 of the report as well as in our responses to some of the questions that follow. The adjustment resulted in a regional economic model that more accurately reflected economic data available to the Economic Panel for Imperial County, especially with regard to the agricultural sector.

3. **In considering adjustments to the coefficients of the agricultural sector, why was it concluded that Arizona data provided credible evidence regarding the economies of crop production in Imperial County?**

Exhibit 2 of the "Revised Fourth Amendment To Agreement Between Imperial Irrigation District And San Diego County Water Authority For Transfer Of Conserved Water" directs the Economic Panel when considering adjustments to the coefficients of the agricultural sector to "consider relevant data available from California and Arizona cooperative extension reports, direct survey evidence, and other credible sources." The Economic Panel first looked to data available from California cooperative extension reports specific to Imperial County. These reports provided summaries of production costs in terms of custom rates. For example, field preparation was represented as the cost per acre to hire a service to prepare a field for planting. These custom rates lumped together costs for labor, materials, and equipment. The Imperial County reports did not provide sufficient detail to determine, for example, how much expenditure for labor versus equipment was required to prepare a field for planting. The Arizona cooperative extension reports provided much more detail about labor, material, and equipment requirements to produce the crops under investigation. The Economic Panel concluded the detail contained in these reports would provide a better basis for making adjustments to the coefficients of the agricultural sector. Wherever possible the Economic Panel used data from Yuma County, Arizona, which is adjacent to Imperial County. While growing conditions and practices in Yuma are not identical to Imperial, the Economic Panel concluded that they were sufficiently similar for adjusting the production

coefficients. The use of California and Arizona cooperative extension reports for making adjustments to the coefficients of the agricultural sector is discussed on page 28 of the report. A summary of the production function for each crop included in the IMPLAN modeling is shown in Appendix B of the report.

- 4. How did the Panel balance any adjustments made to the Social Accounting Matrix? What alternatives were considered? What determined the decision to use the method employed?**

The alternative was to use the unadjusted model for Imperial County. The Economic Panel decided not to use the unadjusted model because it concluded that the crop production functions that came with the IMPLAN model did not accurately represent input requirements and production costs in Imperial County. It also concluded that the production values for the agricultural sector contained in the unadjusted model did not accurately reflect data compiled by the Imperial County Agricultural Commissioner. These issues are discussed on pages 14-15 and 27-28 of the report.

#### **Determination of Socio-Economic Impact of Land Fallowing**

- 1. How did Panel determine the amount of acreage fallowed for the purpose of transferring water to SDCWA and of mitigating the Salton Sea impact ("subject fallowed lands")?**

Based on the "IID 2003 Emergency Fallowing Program Participants" and the "Imperial Irrigation District 2004-2005 Fallowing Program Participants" schedules provided by Ms. Tina Anderholt Shields, P.E., Assistant Water Department Manager, acreages for transfer to SDCWA and Salton Sea mitigation were determined. In 2003, the schedule indicates 31,497 AF would be saved by fallowing 5764 acres. Water savings per acre would be  $31,497 \text{ AF} \div 5764 \text{ acres}$  or 5.4644 AF/acre. In 2003, the Agreement calls for 10,000 AF to be transferred to SDCWA and 5,000 AF transferred for mitigation (see Exhibit 1 of Agreement). However, Ms. Shields indicated that the 5,000 AF mitigation transfer was moved to 2004. Thus, to transfer 10,000 AF to SDCWA in 2003,  $10,000 \text{ AF} \div 5.4644 \text{ AF/Acre}$  or 1830 acres were needed. In 2004 - 2005 the schedule indicates that 67,273 AF would be saved by fallowing 12,126.5 acres. Water savings per acre would be  $67,273 \text{ AF} \div 12,126.5 \text{ acres}$  or 5.5476 AF/Acre. In 2004, the Agreement calls for 20,000 AF to be transfer to SDCWA and 10,000 AF transferred for mitigation. When the 5,000 AF mitigation water from 2003 is included in 2004, 35,000 AF would be transferred. Thus,  $35,000 \text{ AF} \div 5.5476 \text{ AF/Acre}$  or 6309 acres were required in 2004.

- 2. How did the Panel determine the crops that would have otherwise been grown on subject fallowed lands?**

The previously mentioned 2003 and 2004-2005 fallowing program schedules include the crops that were to be fallowed based on answers provided by participating farmers. The Panel used the crops in the schedules to determine what would have been grown on the subject fallowed lands.

- 3. How did the Panel determine the crop yields and crop prices that would have otherwise been realized on the subject fallowed lands?**

The Economic Panel used the average yield and price in Imperial County for each crop under investigation using data compiled by the Imperial County Agricultural Commissioner for 2003. The use of Agricultural Commissioner data is discussed in the report on page 26.

- 4. Given the assumption of gross crop revenues for subject fallowed lands, how did the Panel determine the impact of the subject land fallowing on the local economy?**

The estimated reduction in crop production due to land fallowing was input into the IMPLAN model. The model was then run to calculate the direct, indirect, and induced changes to output, employee compensation, proprietor income, other property income, indirect business tax receipts, and jobs for Imperial County. The methodology is discussed on pages 3-15 of the report.

- 5. Given the estimated impact of the subject land fallowing on the local economy, how did the Panel determine which portion of the estimated impact was third party versus participants in the IID program?**

Table 12 on page 33 of the report shows which impact categories were counted as third party impacts and which were excluded from this accounting. In the case of impacts resulting from the removal of farmland from production, direct impacts to proprietor and property income were not counted as third party impacts because these are impacts to land owner/operators participating in the land fallowing program. As shown in Table 12, all other direct, indirect, and induced impacts stemming from the removal of farmland from production were counted as third-party impacts.

#### **Determination of the Socio-Economic Impact of Contract Payments to Participants in IID Programs for Subject Fallowed Lands**

- 1. How did the Panel determine which portion of IID total payments in fallowing program were received by subject fallowed lands?**

Table 8 of the report shows the acres fallowed to transfer water to SDCWA and the Salton Sea for 2003 and 2004. The acreages shown in Table 8 are less than the total amount of acreage fallowed by IID for 2003 and 2004. Additional fallowing was undertaken by IID to provide makeup water for Colorado River deliveries in prior years. This additional fallowing is unrelated to the water transfer with SDCWA. The QSA Delivery Schedule calls for the delivery of 15,000 AF in 2003 and 30,000 AF in 2004. However, the actual deliveries were 10,000 AF in 2003 and 35,000 AF in 2004, representing 32% and 52% of the total water made available in 2003 and 2004 through land fallowing. These percentages were used to allocate fallowed acres and

transfer payments to the transfer agreement as opposed to repayment of Colorado River water. This is discussed on pages 25-26 of the report.

- 2. How did the Panel determine which participants in IID's program for subject fallowed lands were residents versus non residents?**

The Panel relied on payment address information provided by IID. If a payment was made to an address outside of Imperial County it was treated as going to a non resident. Conversely, if payment was made to an address within Imperial County it was treated as going to a resident. The proportion of payments treated as going to resident versus non resident landowners is discussed on pages 29-30 of the report.

- 3. How did the Panel determine the impact of participation in IID program of subject fallowed lands on participant's after-tax income for residents in Imperial County?**

Payments made to Imperial County residents were treated as increases in proprietor income. This gain in income offset foregone proprietor income resulting from the land fallowing. The Economic Panel used the IMPLAN model to estimate the overall impact of payments made to Imperial County residents on county output, income, tax receipts, and employment. The results of this analysis are presented in Section 5.5 of the report.

- 4. How did the Panel estimate the impact of the estimated change in after-tax income on the local economy?**

Contract payments made to Imperial County residents participating in the land fallowing program were treated as changes in proprietor income. The Economic Panel used the IMPLAN model to calculate the impact this change in proprietor income would have on the economy of Imperial County. This was done using the Personal Consumption Expenditure (PCE) profiles for Imperial County that came with the Imperial County data file. The model uses the PCE profiles to calculate how an increase in household income will alter demand for goods and services in Imperial County. This is discussed on page 12 of the report.

- 5. How did the Panel identify the portion of the estimated impact on the local economy that is a third party impact?**

Table 12 on page 33 of the report shows which impact categories were counted as third party impacts, which were excluded from this accounting, and which were not applicable to the calculation. The direct change in proprietor income was not counted as a third party impact because this was an impact to the land owner/operator participating in the land fallowing program. All induced impacts to income, indirect business tax receipts, and jobs were counted as third-party impacts.

## **Estimated Water Rate Reduction**

- 1. How did the Panel determine that the \$1/AF water rate reduction was attributable to land fallowing?**

The panel reviewed IID Board minutes from October 30, 2003. These minutes note that "Director Kuhn indicated that he would like to see a decrease in the water rate of \$1/acre-foot for the 13-month duration of the emergency fallowing program so that all water users who have paid for the water transfer litigation costs will not be left out of the process. The sunset clause would be December 31, 2004." The panel also relied on IID budget documents associating the rate reduction with the first year of the IID-SDCWA water transfer. A budget page titled "Budget and Statistical Tables - Revenue" (p. H-5) notes "[t]he water rate was reduced for 2004 by \$1 per acre-foot so that all water users can participate in the water transfer for the first year. A water rate of \$16/AF will be reinstated for 2005 and after." Following the release of the report, the panel received additional IID budget documents ("Changes in Cash Balance IID-SDCWA Program Cash," p. G-14) corroborating our view that a portion of transfer proceeds were rebated to IID ratepayers. Treatment of the rate reduction is discussed on page 30 of the report.

- 2. Given the Panel's estimate of the water rate reduction attributable to land fallowing, how did the Panel estimate the impact of the rate reduction on after-tax incomes of residents in Imperial County?**

The rate reduction was treated as an income transfer to IID ratepayers. The affect this income increase had on the economy of Imperial County was handled in the same way as direct payments for land fallowing. The panel calculated the after-tax equivalent of the change in gross income and used the IMPLAN model to calculate the impact this change in after-tax income would have on the economy of Imperial County. This was done using the Personal Consumption Expenditure (PCE) profiles for Imperial County that came with the Imperial County data file. The model uses the PCE profiles to calculate how an increase in household income will alter demand for goods and services in Imperial County. Any induced changes to county income were then converted to their after-tax equivalents. The total change in county after-tax income was the sum of the after-tax value of the rate reduction and changes to after-tax county income resulting from local spending of a portion of the rate reduction, as estimated by IMPLAN regional model.

- 3. Given the Panel's estimate of the impact of the rate reduction on after-tax incomes of residents in Imperial County, how did the Panel estimate the impact on the local economy?**

See the answer to the previous question. Table 12 of the report shows how expenditures by IID, including the rate reduction, were treated when calculating changes to third-party after-tax income of Imperial County residents.