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February 27, 1995



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Mr. Tom Howard  
 State Water Resources Control Board  
 P. O. Box 2000  
 Sacramento, CA 95812-2000

Dear Mr. Howard:

The purpose of this letter is to respond to a specific question asked by Board Member John Brown following James Easton's presentation on behalf of Delta Wetlands. Mr. Brown asked what the project's yield and cost of water will be. Mr. Easton's answer was that Delta Wetlands cannot make that determination at this time. That answer may have appeared evasive, when in fact it was accurate. I am now taking the opportunity to expand on Mr. Easton's answer.

It is in Delta Wetlands' best interests to sell the water operation portion of the project outright to a buyer who is presently in the water business, rather than to build and operate the project and simply sell the water. Delta Wetlands is involved in preliminary discussions with several potential buyers. In the near future Delta Wetlands hopes to establish the purchase price for the project, which, in turn, would allow a buyer to determine the cost per acre-foot for water produced by the project. Obviously, the cost per acre-foot of water will depend upon several factors, including total capital cost, operating cost and project yield. Until Delta Wetlands has a better understanding from the regulating agencies regarding operating constraints, it is difficult to fix the project price and, therefore, the per-acre-foot water cost.

From the very beginning Delta Wetlands' marketing strategy has been to develop a water project that is functionally similar to and priced to compete with the Los Banos Grandes Project. In the near future Delta Wetlands hopes to have current project modeling results and to have had further regulatory agency discussions, so that Delta Wetlands can model the project cooperatively with potential buyers.

Having explained these considerations, I will attempt to respond as directly as possible to Mr. Brown's question. Delta Wetlands anticipates a project yield in the range of 220,000 acre-feet per year on an average annual basis utilizing the appropriate water rights for which it has applied. Largely because of the remarkable flexibility of the Delta Wetlands project, project yield has not

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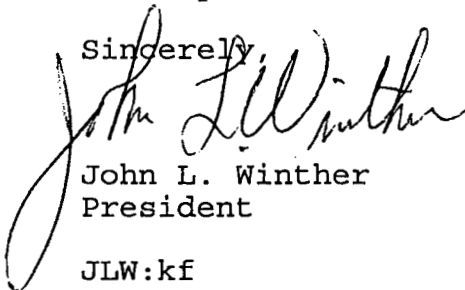


been significantly reduced by imposing the new Water Quality Control Plan requirements and limitations. Together with the other water yield benefits associated with the project, depending upon how a potential buyer may evaluate those benefits, Delta Wetlands anticipates the cost of water will be in the range of \$175-\$300 per acre-foot.

The draft Water Quality Control Plan recognizes that additional offstream storage will be a major component in the solution of the future water supply for California. As stated in Delta Wetlands' testimony before the Board at the February 23 hearing, Delta Wetlands should be included on page X-10 of the Environmental Report as a major offstream storage project under consideration. Delta Wetlands hopes that its project can be moved along quickly and that it can be a logical part of California's future water plan.

Thank you for considering these comments.

Sincerely,



John L. Winther  
President

JLW:kf