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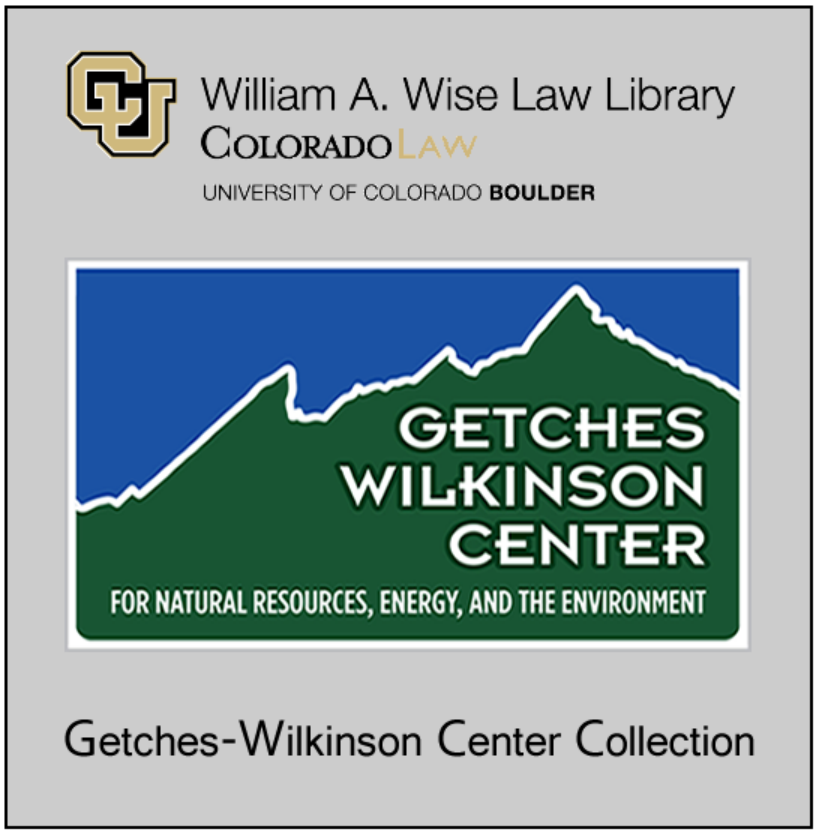

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STRATEGIES FOR ACQUIRING NEW URBAN WATER SUPPLIES

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Water Organizations in a Changing West

Natural Resources Law Center
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I. INTRODUCTION

A. Overview - Major urban areas of the West share many similarities -- high population and economic growth rates, economic development based on services, increased public concerns about environmental protection and outdoor recreation and, in recent years, shared experiences with drought. These Western urban realities drive dramatically increased water demands, and affect urban supply strategies. Those urban strategies, in turn, increasingly accept that the problem is not a lack of water, but rather the need for better planning, and more efficient use and reallocation of existing supplies.

These rapidly evolving Western realities -- demographic, economic, social, and political -- also affect the organizations which influence Western water management -- changing old organizations and creating new ones. Representative of the old is the Bureau of Reclamation, and of the new, the Western Urban Water Coalition. This introductory presentation, including three members of the Western Urban Water Coalition (Denver, Las Vegas and Southern California), will describe specific urban water utility strategies for acquiring new supplies, and will characterize the manner in which the Coalition, and the Bureau of Reclamation, will be shaping and responding to those strategies.

B. References

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Reisner, Mark and Bates, Sarah, "Overtapped Oasis: Reform Or Revolution For Western Water" Island Press (1990)

Public Law _____ 1992, and associated legislative history

Announcements and Related Documents of Western Urban Water Coalition (1992), On file, University of Colorado Natural Resources Law Center

II. THE MODERN WEST AND WATER

A. It is by now well accepted that the West is among the most urbanized areas of the United States, meaning that the region's population is increasingly concentrated in only a few urban areas, with the remainder of each Western state increasingly rural, less densely settled and, in many cases, less economically productive. Water use in Western states is adversely proportional to population. Even though urban M&I demand is growing rapidly, predominant water use (80-90 percent typically) occurs in rural/agricultural areas. So-called "third party interests," including environmental, recreation, and Indian interests, are increasingly recognized, but have only begun to have their ultimate impact on water allocations.

The politics of Western water have lagged considerably behind the rapidly changing demographic, economic, and social realities of the West. Western state and federal elected officials continue to support traditional water allocation and management, even as the demographics of their districts indicate otherwise. Similarly, government organizations and water organizations have lagged, moving slowly from water development and management ideas consistent with the needs of the past fifty toward those of the next twenty years.

III. URBAN WATER SUPPLY STRATEGIES

A. Traditional Western water supply strategies, both urban and rural, began with augmentation -- the development of

new supplies. For reasons which are well known, the development of new water supplies has been significantly reduced, and in many cases eliminated, as workable strategies to meet future demands. Increasingly, Western urban water utilities recognize that ample water exists to meet increased demands, and can only be obtained through a variety of new policies, initiatives, and management strategies. Some of these strategies are summarized below.

B. Growth Limitation and Management - While growth limitations and management are obvious strategies to limit water demand, they are often beyond the reach of urban water utilities, even if politically acceptable.

C. Water Conservation - Although Western urban utilities vary in the effectiveness and reach of their water conservation programs, most have made a commitment to water conservation as the most significant strategy within the direct control of the water utility to meet future demands. At best, however, conservation can achieve only part of the savings, and at some point conservation measures become cost ineffective even in the context of high urban water rates.

D. Reallocation Strategies - Urban strategies to reallocate existing water supplies, primarily from agricultural to M&I uses, abound, but are severely constrained by existing water laws and allocation processes, and by water politics. The strategy of urban water utilities centers on removing these institutional obstacles to reallocation. Virtually all of these strategies involve simply "opening up" the process, allowing existing water supplies to be reallocated to uses which are more economically efficient or better serve changing public values. Depending on the specific strategy, the reallocations can be achieved through

private transactions, local, state, or federal reallocations, or other means. Such strategies include:

1. Water transfer facilitation -- changes in law or institutional mechanisms to allow and facilitate the transfer of water from one use to another.

2. Market pricing of water -- a variety of strategies intended to bring the forces of the market to the allocation of water, removing subsidies and allowing the sale of water at market prices.

3. Reconsideration/review of existing allocation agreements -- encouraging, cooperating, and advocating the review and, if possible, amendment, of old arrangements (contracts, compacts, etc.) which were entered into to serve needs and priorities which no longer exist.

4. Water exchanges -- various strategies intended to allow water use to be displaced from one location to another, often by developing new water supplies in a distant but environmentally acceptable location.

E. New Technology - In some cases, new technology provides augmentation alternatives which are superior to traditional physical solutions. These include water reuse and recycling projects, water efficiency improvements, desalination and other techniques.

IV. POLITICAL STRATEGIES

A. The strategies of Western urban water utilities will continue to be guided by good relations within the entire

water supply community, but important changes will unquestionably occur over time.

B. The major source of reallocated water must be agriculture, because it is the dominant user of water throughout the West. Most vulnerable is agricultural water sold at artificially low prices due to subsidization or long-term contracts, water applied inefficiently, water applied to crops which are economically marginal or in surplus, and uses which do environmental damage. Conflicts regarding such reallocations, despite the merits, will unquestionably create stress within the traditional Western water supply community.

C. A major factor, new in some respects, is the importance of environmental values and laws, and the influence of environmental interest groups. Indeed, such environmental interests are in most respects more indelibly established than those of the cities. Environmental interests demand, and successfully, that in the course of reallocations from agricultural/rural uses of water to urban ones, environmental purposes be served, both through the use of water and the provision of money.

D. Western urban utilities, more than the traditional water supply community, recognize and accept (to varying degrees) the importance of this environmental component. This is so not only because political pragmatism obviously demands it, but because much of the impetus for environmental quality emerges from urban areas themselves. The success of the Miller-Bradley Omnibus Western Water authorization (1992) was a highly significant example of this urban-environmental axis.

E. Western water politics, in general, lag substantially behind the realities of changing Western needs

and values, but the trend is clear. Increasingly, legislative and executive branch policy (both state and federal) reflects an urban/environmental perspective, supporting many of the urban water supply strategies, including reallocation, as reflected above.

So pronounced is this trend that it should ease concerns that the water demands of urban areas pose threats, in various locations, to rural lifestyles and environment. The growing relationship between urban water utilities and policy makers and environmental interests is important as a check on overly aggressive urban water supply strategies. Ultimately, a new coalition also including some rural/agricultural interests in a cooperative atmosphere may evolve.

V. EFFECTS ON WATER ORGANIZATIONS -- PROMINENT EXAMPLES

A. The Western Urban Water Coalition - The Western Urban Water Coalition (founded in 1992) is a direct reflection of changing Western demographics, economics, and values. The WUWC represents the interests of Western urban water utilities which have previously not enjoyed, a distinct, focused national voice.

1. In brief, the Coalition consists of 17 members in 7 states representing a total population of over 25 million water consumers. Membership represents both the Upper and Lower Basins of the Colorado River, the State of California, and the Pacific Northwest.

2. The Coalition intends to function primarily at the policy level, command the participation of urban utility general managers, and address the major

issues affecting the ability of Western urban utilities to secure dependable future supplies of water. The Coalition will collaborate and cooperate with any interests supporting progressive water policies for the West, including environmental interests, Indian tribes, and others.

B. The Bureau of Reclamation - The Bureau is a federal agency, representative of traditional Western water development, which stands at the end of its mission. Either the Bureau will begin increasingly to reflect the current demographic, economic, and social realities of the West, or it will quickly become an irrelevant agency. The Bureau will almost certainly change, and dramatically.

1. The Bureau must transform itself -- curtailing its design and construction functions, focusing on its O&M functions, and evolving as a progressive part of Western water planning and management, working increasingly on a regional/watershed basis.

2. In the course of this transition, the Bureau will be significantly down-sized, arriving at some point in the future at no more than 50-60 percent of its present size. Done correctly, the Bureau will be, at that point, significantly more effective and useful agency than through any other course of action.