

Something's not right about this California water deal

Michael Hiltzik, Los Angeles Times, 8-18-10

Students of California's history of gold and oil rushes know it's filled with examples of profiteering, conspiracy, influence-peddling and other chicanery.

So there's no reason the story should be any different with that liquid gold of the 21st century, water.

That's the theme of a lawsuit filed a few weeks ago alleging there's something smelly about how a group of private interests — notably a huge agribusiness owned by the wealthy Southern California couple Stewart and Lynda Resnick — got control of an underground water storage project the state had already spent \$75 million to develop.

The lawsuit was filed by a group of water agencies and environmental groups contending that the transaction was essentially a gift of public property to private interests and therefore violates the state constitution.

They're asking a judge to reverse the deal. That way, they contend, the storage facility can be integrated into the state's water management plan, so a precious and dwindling natural resource can serve everyone in the state, not just a few powerful farm companies and real estate developers.

"By giving this resource away, not only have we lost money on the deal, but we've lost a mechanism to use this water for the most beneficial purposes," Adam Keats of the Tucson-based Center for Biological Diversity, the lead attorney on the lawsuit, told me recently.

The storage facility is the Kern Water Bank, a complex of wells, pumps and pipelines on a 20,000-acre parcel of abandoned farmland southwest of Bakersfield. The water bank was initially part of the \$1.75-billion bond-funded State Water Project, which provides water for 25 million Californians and irrigates 750,000 acres.

For reasons that still seem murky, in 1995 the state gave up on the bank and turned it over to Kern County water authorities. They promptly ceded it to a local consortium of public and private entities, the largest of which was Westside Mutual Water Co.

The lawsuit observes that Westside is a subsidiary of the Resnick-owned Paramount Farms, the largest grower and processor of pistachios and almonds in the world.

Paramount and the other users pay for the water put into the bank, but the storage capacity assures a steady irrigation supply even in dry years. Paramount acknowledges that without the water bank, it probably wouldn't have planted the nut trees, which can't survive without regular watering.

The second-biggest player in the water bank is Tejon Ranch Co., which is planning a 26,000-acre resort community in the nearby Tehachapi Mountains.

What did the state get for the bank in 1995? The buyers gave up the right to 45,000 acre-feet of water annually from the State Water Project, an entitlement some value at \$30 million.

But the lawsuit says that in real terms, the state got almost nothing. The water, it contends, was "paper water," a phantom allocation from a portion of the State Water Project that will never be built and therefore has no value.

In fact, the lawsuit says, because the annual fees paid to the State Water Project by the bank's owners had been partially based on the allocation, they actually saved money by giving up the rights. (One acre-foot of water is about 326,000 gallons, or a year's supply for two families of four.)

Officers of the Kern Water Bank say the lawsuit is simply a case of sour grapes, and note that the new owners have invested more than \$30 million to turn the state's pipe dream into reality.

"This wasn't perceived to be a gift at the time," says William D. Phillimore, chairman of the Kern Water Bank Authority, chairman of Westside Mutual Water Co., and executive vice president of Paramount Farms. "It was considered a fairly risky proposition."

Westside and the other new owners overcame bureaucratic roadblocks that had flummoxed the state, he says. They completed the design, installed all the necessary equipment and maintain the facility today.

"This is something that people paid for 15 years ago, and because of the money they've invested it's perceived at the moment to be a relative success. I don't think any of the participants would look kindly at someone saying it should not have happened."

Now we come to the direct beneficiaries of the deal. The owner of Paramount and the Westside water company is Roll International Corp., one of America's largest private companies. It's owned by the multimillionaire Resnicks.

You may know Roll better as the former owner of the collectibles firm Franklin Mint and as the purveyor today of Fiji Water. That's the paragon of conspicuous consumption marketed on the theme that it's socially responsible to import your bottled drinking water from an idyllic Pacific island where only about half the population has access to protected water sources, and where the government is a military junta whose disdain for civil liberties wouldn't raise eyebrows at a conference of Mideast oil sheikdoms. The Resnicks hang with green activists such as Barbra Streisand and Laurie David, so no one examines their marketing too closely.

Roll International hasn't played an entirely positive role on water issues in the Central Valley. Back in September, Stewart Resnick insinuated himself into the question of whether the severe drought in the region should be blamed on environmental restrictions designed to help revive fisheries and river habitats.

This fatuous fish-vs.-people controversy had been ginned up with the help of experts like TV commentator Sean Hannity and Rep. Tom McClintock (R- Thousand Oaks), whose goal was to pin the drought not on Mother Nature but on the "environmental left."

In a letter to Sen. Dianne Feinstein (D-Calif.), Resnick accused federal agencies of "sloppy science" in imposing those restrictions. He demanded a new scientific study.

Feinstein, possibly aware that Resnick and his wife had made political donations of nearly \$500,000 over the previous four years, mostly to Democrats, calculated how high she needed to jump. She pushed the government to fund a study by the National Academy of Sciences, which as it turned out reported in March that the restrictions were, indeed, "scientifically justified."

Phillimore, the Paramount executive, says that "the water bank enabled us to plant permanent crops," because Paramount knew it could water its trees even in droughts. That sounds like an acknowledgement that the water bank has encouraged business decisions that wouldn't otherwise be smart for a semiarid region.

As water becomes even more precious, it will soon be obvious that such usage isn't smart under any circumstances.

If one is forced to choose between devoting water to sustaining nut trees permanently in a near-desert, or finding the most efficient use for it among all possible options, what would be the right way to go — that is, if the choice weren't already made via an ill-considered decision now 15 years old?