

Water barons will corner market in new 'Chinatown'

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There is more money in selling water in California than there is in farming.

A one-sentence provision inserted in the 2012 budget bill by U.S. Sen. Dianne Feinstein will allow a handful of powerful San Joaquin Valley water oligarchs to sell federally subsidized agricultural water in a private market for as much as 150 times more than what they pay for it.

This relaxation of publicly owned water supplies for private gain strips out protections approved by Congress in 1992.

They call them "water transfers," and for the last 15 years California has been quietly edging into a very lucrative privatized water sales market that seeks to expedite the movement of cheap agricultural water from Northern California to thirsty Southern California and Bay Area cities.

The cast of characters in this new water wars drama reads like a who's who of California corporate agriculture:

- Westlands Water District, west of Fresno, which is the largest irrigation district in the United States and is controlled by a handful of privately owned agribusiness corporations.
- Beverly Hills billionaire Stewart Resnick, who runs the privately controlled Kern Water Bank, a 19,900-acre underground reservoir capable of holding more than a million acre-feet of water. The reservoir was created by the state before being taken private. Resnick, a longtime backer of Feinstein, owns Paramount Farms and Roll International, key players in California's billion-dollar private water market.

Like derivatives, subprime mortgages and deregulated electricity, the privatization of federally owned water rights is a puzzle palace of complexity. Here are some of the pieces:

Winter and spring runoff from Northern California rivers, which flow through the Sacramento-San Joaquin Delta, are crucial to the ecological health of the Delta, San Francisco Bay and the state's fishing industry. The Feinstein legislation allows high water flows in the Sacramento and San Joaquin rivers to be diverted to a private water market rather than replenishing the Delta and the Bay.

The legislation makes it easier to move federally subsidized \$20-an-acre-foot water from growers with federal project water contracts to private interests with water rights. Once in the hands of these buyers, the water can be resold in the open market to the highest bidder.

Westlands Water District and others who will benefit from the legislation will not be required to fully compensate the U.S. taxpayers for the public investments in the storage facilities, conveyance systems, electricity to pump the water or the operation and maintenance costs that make these private windfall transactions possible.

In short, it socializes the costs and capitalizes the profits, leaving U.S. taxpayers to foot the bill. Sound familiar?

The Kern Water Bank was originally owned by the state of California and built to store water in high water years to provide agriculture with water in drought years and to leave more in the Delta. In 1994, Resnick persuaded the state to turn over this invaluable public resource to the Kern County Water Agency. Within a short time the water agency turned over control of the water bank to a handful of local water districts.

When the dust settled, Resnick's Paramount Farming controlled more than 50 percent. The U.S. Bureau of Reclamation recently admitted that Resnick's Kern Water Bank is on the list of beneficiaries of Feinstein's deregulation measure.

In addition, Feinstein's budget rider streamlines environmental review of these privatized water transfers by disguising the environmental impacts of individual transfers. One only needs to remember the "rape of the Owens Valley" and its reincarnation in Roman Polanski's classic movie "Chinatown" to understand the potential environmental impacts of moving water and water rights from one geographical area to another.

In anticipation of this Christmas gift to Westlands, the bond-rating agency FitchRating last year noted the benefit to Westlands from deregulating the federal water to allow Westlands to engage in more private water sales:

"The WWD (Westlands Water District) potentially has the ability to sell and transfer water rights outside the district should agriculture cease to be economic, as the demand for water in Southern California and the San Francisco Bay Area by users with connectivity to the CVP (federal Central Valley Water Project) is very high."

Climate change and global warming studies predict future water shortages for California. Feinstein's deregulation of vital public water paid for by taxpayers will enrich a handful of powerful water oligarchs. The measure will make it possible for a handful of these high rollers to dominate the California water market and squeeze whatever profits they can out of thirsty urban water users, leaving the fish and wildlife at the mercy of so-called free market economics.

The Congress must take a closer look. A privatized water supply paid for by U.S. taxpayers but controlled by one person or a handful of people is just plain wrong.