

SACRAMENTO, California, September 13, 2006

An historic agreement to restore water flows for salmon in the San Joaquin River below Friant Dam near Fresno while undertaking one of the West's largest river restoration efforts was announced today by the Natural Resources Defense Council (NRDC), Friant Water Users Authority (FWUA) and U.S. Departments of the Interior and Commerce.

The settlement, filed this morning in U.S. District Court in Sacramento, ends an 18-year legal dispute over the operation of Friant Dam and resolves longstanding legal claims brought by a coalition of conservation and fishing groups led by NRDC. It provides for substantial river channel improvements and sufficient water flow to sustain a salmon fishery upstream from the confluence of the Merced River tributary while providing water supply certainty to Friant Division water contractors.

Historically, Central California's San Joaquin River supported large salmon populations, including the southernmost Chinook salmon population in North America. Since Friant Dam became fully operational in the late 1940s, approximately 60 miles of the river have been dried up in most years, eliminating salmon above the river's confluence with the Merced River.

The Settlement Agreement is based on two goals and objectives:

A restored river with continuous flows to the Sacramento-San Joaquin River Delta and naturally reproducing populations of Chinook salmon.

A water management program to minimize water supply impacts to San Joaquin River water users.

The Settling Parties will work together on a series of projects to improve the river channel in order to restore and maintain healthy salmon populations. Flow restoration is to be coordinated with these channel improvements, with spring and fall run Chinook salmon populations reintroduced in approximately six years. At the same time, the Settlement limits water supply impacts to Friant Division long-term water contractors by providing for new water management measures that are to be undertaken by the U.S. Bureau of Reclamation, the Interior Department agency that administers the Central Valley Project. The Settling Parties believe that commitments under the agreement and the cooperative approach toward restoration provide an historic opportunity to restore the San Joaquin River in a manner broadly acceptable to water contractors who have been operating under a cloud of uncertainty regarding their water supply due to pending litigation for the past 18 years.

The agreement provides that long-term Friant Division water service contracts be amended to conform the contracts to the terms of the settlement. It also includes draft federal legislation authorizing the Departments of the Interior and

Commerce to implement the settlement. NRDC and FWUA will ask Congress to consider and act upon the draft legislation in the days ahead.

“This is the beginning of a historic restoration that will reintroduce salmon to the San Joaquin River as well as address water supply issues and provide certainty for thousands of Central Valley farmers and residents,” said Ronald D. Jacobsma, Consulting General Manager of the Friant Water Users Authority. “We’re eager to get started putting the pieces in place to take this from a plan to reality.”

“Today, environmental and fishing groups are joining with Friant farmers and federal agencies to bring a beleaguered river back to life,” said Hal Candee, senior attorney for NRDC. “Restoring flows and salmon to the San Joaquin River will provide broad benefits to the environment and to millions of Californians. We expect history will record this as one of the greatest environmental comeback stories ever.”

“This monumental agreement provides certainty to San Joaquin Valley farmers who rely on Central Valley Project water deliveries for their crops while returning flows and salmon runs back to the San Joaquin River. The Department of the Interior stands ready to meet its commitments in this historical agreement and let a truly collaborative process begin towards a restored river for all,” said Mark Limbaugh, assistant secretary for water and science, Department of the Interior.

Restoration Goal

At the heart of the settlement is a commitment to provide continuous flows in the San Joaquin River to sustain naturally reproducing Chinook salmon and other fish populations in the 153-mile stretch of the river between Friant Dam and the Merced River. Accomplishing this goal will require funding and constructing extensive channel and structural improvements in many areas of the river, including some that have been without flows (except for occasional flood releases) for decades.

Water Management Goal

Recognizing that the settlement's restoration flows will reduce the amount of water available for diversion at Friant Dam, The settlement also includes provisions to protect water availability for the 15,000 small farms that currently rely on these supplies. One million acres of the most productive farmland in the country as well as many towns and cities along the southern San Joaquin Valley's East Side receive all or a major portion of their water supplies from Friant Dam. The settlement recognizes the importance of this water to those farms and calls for development of water management solutions to provide these users water supply certainty for the long term. Such a program would include a flexible combination of recirculation, recapture, reuse, exchange and/or transfer programs. Additional storage such as groundwater banking will also be explored.

Phased Approach

Restoring continuous flows to the approximately 60 miles of dry river will take place in a phased manner. Planning, design work, and environmental reviews will begin immediately, and interim flows for experimental purposes will start in 2009. The flows will be increased gradually over the next several years, with salmon being re-introduced by December 31, 2012. The settlement continues in effect until 2026, with the U.S. District Court retaining jurisdiction to resolve disputes and enforce the settlement. After 2026, the court, in conjunction with the California State Water Resources Control Board, would consider any requests by the parties for changes to the restoration program.

Federal Court Approval and Authorizing Legislation

The parties are filing a joint motion seeking U.S. District Court approval of the settlement. Concurrently, the parties are seeking congressional approval of legislation authorizing the Secretaries of Interior and Commerce to implement the settlement. A draft of this authorizing legislation was negotiated by the parties and incorporated into the settlement.

Restoration Funding

The settling parties have carefully studied San Joaquin River restoration for many years, and as part of the settlement have identified the actions and highest priority projects necessary to achieve the restoration goal. These include expanding channel capacity, improving levees, and making modifications necessary to provide fish passage through or around certain structures in the river channel. The settlement identifies a number of funding sources to support implementation of these projects, including current environmental contributions from farmers and cities served by Friant Dam, state bond initiatives and authorization for federal contributions.

More specifically, the settlement dedicates the "Friant Surcharge", a Central Valley Project Improvement Act (CVPIA) environmental fee of \$7 per acre foot of water delivered to Friant Contractors that is expected to average about \$8 million per year, and up to \$2 million of other Restoration Fund Payments annually made by water users under the CVPIA for use by the program.

It also dedicates the capital component of water rates paid by Friant Division water users to the program for nine years and permits settlement monies to be used for the Water Management and Restoration goals. Ongoing Friant program contributions are committed and capped at current Restoration Fund and Surcharge Payment levels. Enactment of the authorizing legislation in conjunction with the settlement could make an additional \$250 million in federal contributions available. The settlement provides for bonding, guaranteed loans or other financing using annual payments for debt service. It anticipates fiscal

participation by the State of California, as well.

The settlement negotiations were convened a year ago by U.S. Senator Dianne Feinstein and House Water and Power Subcommittee Chairman George Radanovich, who urged the parties to put aside their differences and develop a framework to restore the river in a manner that would provide water supply certainty to the Friant farmers who depend on San Joaquin River water.

Senator Dianne Feinstein stated: "I am hopeful that today's settlement will help ensure that the San Joaquin will once again become a living river and the hard-working men and women in the Friant service area who grow much of our nation's fruits and vegetables will continue to have a stable water supply. I believe the parties involved in these negotiations came up with a workable solution. Water is one of the most precious of California's resources and the only way we can continue to prosper as a State is to work for solutions that improve our water supply, restore our environment and our water quality, and protect us from floods."

"Today is a momentous step given the contentious 18-year history of the lawsuit. I commend the parties for all of their hard work and for the commitment of Senator Feinstein to help drive this process," said Congressman George Radanovich. "I look forward to conducting an oversight hearing with my colleagues in the House on the settlement and draft legislation. The hearing will give Members, the parties to the settlement and third-parties an opportunity to provide input as we lay the foundation for movement of a bill."