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Something's not right about this California water deal

By Michael Hiltzik - Los Angeles Times

A lawsuit by water agencies and environmental groups contends the Kern Water Bank transaction was essentially a gift of public property to private interests and therefore violates the state constitution.

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 owed by the multimillionaire Resnicks.