

California State Archives
State Government Oral History Program

Oral History Interview

with

DAVID NORMAN KENNEDY

Director, California Department of Water Resources
1983-1998

August 28, September 16, October 7, 21, 28,
and November 18, 2002
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INTERVIEW HISTORY

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Tapes and Interview Records

The original tape recordings of the interview are in The Bancroft Library, University of California at Berkeley. Records relating to the interview are at the Regional Oral History Office. Master tapes are deposited in the California State Archives.

BIOGRAPHICAL SUMMARY

David Norman Kennedy was born in eastern Oregon in 1936 and spent his early childhood in the states of Washington and New York. He completed high school in Albany, California, and continued on to the University of California at Berkeley, where he received his B.S. and M.S. in Civil Engineering.

After two years with the U.S. Army Corps of Engineers, David Kennedy served as an engineer in the California Department of Water Resources (DWR) statewide planning office (1962-1968). In 1968, he joined the staff at the Metropolitan Water District of Southern California, as an engineer and then as assistant general manager (1974-1983). Kennedy served as Met's point man in the Peripheral Canal campaign.

Kennedy served as DWR director under Governors George Deukmejian and Pete Wilson from 1983 to 1998, the longest tenure of any director in the Department of Water Resources' history. He was an active manager both in times of flood and drought. He helped negotiate two major agreements in 1994, the Monterey Agreement and the Delta Accord, facilitating longterm solutions to water supply and quality problems. In 1998, Mr. Kennedy was elected to membership in the National Academy of Engineering, one of the highest professional distinctions available to engineers. David Kennedy resides in Sacramento with his wife Barbara.

[Session 1: August 28, 2002]

[Begin Tape 1, Side A]

WOLLENBERG: Let's begin with your personal and family background.

KENNEDY: Well, I was born in eastern Oregon. My parents were both from the Pendleton area. They grew up together in Pilot Rock. My dad was a civil engineer from Oregon State and during most of the thirties, he worked as a surveyor for Bureau of Public Roads and the Bureau of Reclamation in Oregon.

WOLLENBERG: For the feds?

KENNEDY: For the federal government, right. So he and I both started out as surveyors. [laughter] In the late thirties they moved to Olympia, Washington, and he went to work in the transportation department of the state of Washington. We were in Washington then until the late forties. There was one year there, 1945, '46, where he took a year out and went to a graduate program back at Yale, right at the end of the war. So the family was in New Haven for the nine month school year. In 1948 he was asked to start teaching at Syracuse University. We moved back to Syracuse and were there for a couple of years. In 1950 he got a position at the University of California at Berkeley, and so we moved out here. We initially lived in Albany for about five years, and I went to Albany High School, graduated from Albany High School. Then my first year at Cal, we moved to Berkeley, right off of Grizzly Peak Boulevard.

WOLLENBERG: Was there ever any doubt in your mind that you were going to go to Cal? Going to a local high school and your father teaching at UC, was that just a logical progression?

KENNEDY: It was pretty logical. I think most of those who went on to college from Albany High went to Cal. That was kind of the option. I don't remember ever thinking about being anything other than a civil engineer. Although I didn't have some burning--you know, it wasn't something I had to do, it was more something that I was interested in doing. My dad was in transportation engineering and I was initially in structural engineering and then went into water. I never took any classes from him.

WOLLENBERG: I was just going to ask [laughter] what grade he gave you.

KENNEDY: We used to drive down to campus together at times. His office was out at Richmond Field Station for much of the time. He was here about twenty-five years. He actually got a faculty appointment in the mid-fifties as a professor and retired in 1975.

WOLLENBERG: Then your son also went to UC engineering school.

KENNEDY: Right. My son's a mechanical engineer, and he went first to Santa Barbara for two years and then came to Berkeley. He stayed and got a master's in mechanical engineering.

WOLLENBERG: Did your father's career influence you at all? Did he try to influence you, pressure you to be an engineer?

KENNEDY: No, I've kind of wondered about that. He never pitched me about it, and I think it was more a case of I was somewhat interested in it and I kind of drifted into it. Some of my friends were going into engineering from high school. So I just kind of did it because it was the logical thing to do. [laughter]

WOLLENBERG: Do you have any brothers or sisters?

KENNEDY: I had two sisters. One of them passed on almost forty years ago. She was a Cal grad, she started here when she was sixteen, Phi Beta Kappa, very, very bright young gal. She passed on in '66. My other sister went to San Francisco State [University]; she lives out in Walnut Creek.

WOLLENBERG: Was your mother college educated as well?

KENNEDY: My mother was a teacher, but when she went through school, there was the two year "normal school" as they called teachers' college. She taught school for two years, from age 19 to 21, and then when my dad graduated from Oregon State, they got married right after he graduated in 1932.

WOLLENBERG: In your subsequent career, in addition to being an engineer, you got into a lot of public policy issues, is that something that comes out of your childhood at all? Would your family be discussing politics or political issues around the table or something like that?

KENNEDY: You know, I've actually wondered about that. I think to some extent they did, but I read about families that every night at dinner hammered out all the policy issues, and we really didn't do that. But I know that I started reading the newspaper pretty early. When the Korean War broke out, I started reading the newspaper regularly, because I was just interested in it. I've read two or three newspapers all my life since then. Dad was interested in the public policy aspects of transportation, and he worked with the legislature quite a bit in financing. When he was on the faculty here--he spent about five years as what they call a research engineer and lecturer, and in the middle '50s he was appointed as a full professor. I sometimes joke that I think he might be the last full professor with a bachelor's degree. [laughter]

Because his Yale program didn't give him a master's. In any event, a professor named Harmer Davis, who was head of the Institute of Traffic and Transportation Engineering, was the one who recruited Dad and then kind of had him act as an administrator, and he's the one who got him the faculty appointment. Dad was always interested in both teaching and public policy, I think more so than research.

WOLLENBERG: So maybe that did affect you, it was in the air.

KENNEDY: I think it did to some extent. And I know that when I was in Berkeley, I took a year of English, which probably most engineers did not do. I think my parents encouraged me to do it. I took a year of history, which again, most engineers didn't. I think that was probably just because it was sort of family interest.

WOLLENBERG: What about going to the university during those years? You said you lived at home, but still, did you get a sense of university life and did that affect you at all?

KENNEDY: I did two extra-curricular things. I was in my church organization, which is where I met my wife. We're both Christian Scientists and we happened to meet there. I was active in that and then I played water polo. I kind of joke that I played at water polo. [laughter] I had swum in high school, and I didn't swim competitively here, but I did play water polo and so that was one of my social activities and a lot of fun.

WOLLENBERG: So that got you into a bit of university life.

KENNEDY: Right.

WOLLENBERG: Were you involved in other athletics? Did you go to football games and that sort of thing?

KENNEDY: You know, I didn't much actually. In the fifties, I don't recall too many people went to them. [laughter]

WOLLENBERG: No, not many even now.

- KENNEDY: I remember engineering being a pretty full program, and then I had these two other things I did.
- WOLLENBERG: Let's see, you graduated in 1959, is that right?
- KENNEDY: I was in the class of '58, but I took the second half of ROTC, and you didn't get credit for that in engineering, so I didn't graduate until January '59.
- WOLLENBERG: Then you went into the Army Corps of Engineers?
- KENNEDY: Yes. We had kind of a whirlwind period there. My wife and I decided to get married, well, we married three days after my last final, and I worked about six weeks for the Division of Highways before I went in the [United States] Army. Then I got my commission and went in the army.
- WOLLENBERG: So you just worked six weeks for the division, was that in Sacramento?
- KENNEDY: No, I actually worked in San Francisco. I had worked for the Division of Highways in the summer, '56, '57, and '58.
- WOLLENBERG: That's what now would be called Caltrans [California's Department of Transportation]?
- KENNEDY: Yes, Caltrans. And I worked on surveying a couple of summers, out on what's now Highway 80. Then I worked over in San Francisco in the traffic office for the summer of '58. So when I graduated, I went back to work there at the traffic office for about six weeks before I had to go on active duty. It was kind of nice because it meant that the two years I was in the army counted towards my state retirement.
- WOLLENBERG: You met your wife here at Berkeley through the Christian Science student organization.
- KENNEDY: Right.
- WOLLENBERG: So you married just as you got your bachelor's degree.

- KENNEDY: Yes. We were only engaged about a month, and she was finishing her teaching credential. We'd gone out off and on for a couple of years, and then in maybe late November or December, we sat down over at the campanile one day and decided to get married. We had a very tight window because I was going into the service and her folks were taking a long trip, anyway, it was kind of funny. The month of January was kind of intense.
- WOLLENBERG: That sounds very romantic though, deciding under the campanile. [laughter]
- KENNEDY: Well, it seemed to have worked out, we've been married almost forty-four years now.
- WOLLENBERG: What kind of work did you do in the army corps?
- KENNEDY: I first was in training for new lieutenants back at Fort Belvoir, Virginia, for about four months.
- WOLLENBERG: Was that a special training for corps lieutenants?
- KENNEDY: Yes. You were already commissioned, but it's a little bit like a boot camp for second lieutenants. We lived in Alexandria, and I was at Fort Belvoir, which is about ten or twelve miles south of Washington, D.C. In the summer, I came out to Fort Ord, and I was there the balance of the two years. My wife taught school in Pacific Grove, and we lived in Carmel, which is pretty good army service. We rented a little house there for seventy-five dollars a month. We still chuckle about that.
- WOLLENBERG: Now seventy-five hundred dollars probably.
- KENNEDY: Yes. The first half of my time at Fort Ord I was a platoon leader in an engineer battalion, and we constructed things around post, and spent a summer at Camp Hunter-Liggett. Then the second half of that two years, I transferred over to what's called the "post-engineer," which is the department of public works for an army

post. I worked as an engineer in an office that was largely civilian. My boss was a colonel, but the people I worked with most of the time were civil servants.

WOLLENBERG: So you were actually doing the public works for the post, basically?

KENNEDY: Yes, exactly.

WOLLENBERG: It was as if you were at an urban public works department?

KENNEDY: Exactly.

WOLLENBERG: Was that good experience for you for later state work?

KENNEDY: It was actually very interesting because there were a lot of little projects going on, and the colonel took me to lots of meetings that were interesting just because I was the junior guy, listening to various things. I remember we had a labor dispute about something we were going to have troops build, and the unions over in Monterey raised Cain, and so the colonel took me to the meetings with the unions. It was just interesting for a young guy to do that kind of stuff.

WOLLENBERG: When did you get out of active duty?

KENNEDY: I got off active duty in March of '61, and I knew at that point I wanted to go back to graduate school in water resources. The state water project bonds had been approved at the November 1960 election just before I got out of the service, and I was intrigued by all of that, just reading about it. So I decided to go back to graduate school in September. Between March and September, I went back to Highways and worked out on Highway 680 as a surveyor.

WOLLENBERG: When you got your bachelor's, it was just in civil engineering in general, you hadn't concentrated on a particular field like water or transportation?

KENNEDY: Well, I'd taken more structure classes than anything else. As an undergraduate that was what I had thought I was interested in doing. But then the publicity about the election in November of '60 kind of intrigued me. And I'd had a professor at

Berkeley in hydraulics who had been a very fine person, showed an interest in his students, Dave Todd, and I remembered that I enjoyed having him as a professor. So over that two years I was in the service, my thinking changed, and I decided to shift over to water resources.

WOLLENBERG: So when you got out of the service, you applied at the Department of Water Resources in Sacramento?

KENNEDY: When I got out of the service, I had already been accepted to graduate school. Before I graduated I'd actually applied to graduate school and then I deferred entry while I was in the service.

So when I got out of the service, we rented a little house over in the Kensington area, near Colusa Circle with the knowledge that I would be in graduate school that fall. So I decided to just drop out of work for the nine-month period while I was in graduate school. I didn't work at all during that time.

WOLLENBERG: Was your wife still teaching school at that time?

KENNEDY: No, she taught one year, and then our first daughter was born just before we got out of the service. She was born at the army hospital there. We just lived on our savings for nine months, and I squeezed all of the graduate program into that nine-month period.

WOLLENBERG: Yes, that's pretty rapid.

KENNEDY: [Laughter] Yes, I'm not sure it was a good idea. Actually, my son wound up doing that too, and afterwards he said, "If I'd known this was going to take so much work, I might have dragged it out."

WOLLENBERG: When you did water resources, was there a particular concentration in your master's work?

- KENNEDY: I think there were two things that I kind of emphasized. One was hydrology, and the other was planning of projects. I developed an interest in that, which I guess goes to my interest in public policy to some extent. So the courses I took as a graduate student were related to that. I took a couple of classes from Hans Einstein, Albert Einstein's son, who was on the faculty. It was interesting because he was a very fine teacher, he was one of the best teachers I had all the time I was at Berkeley. He had a great sympathy for students and he went to great lengths to make the subject meaningful, and I took one of my advanced hydraulics classes from Professor Einstein.
- WOLLENBERG: Any other professors you remember that made a particular impression?
- KENNEDY: Well, Jerry Orlob was my graduate advisor. Jerry eventually transferred up to Davis and I think he was dean of engineering up there. He's retired now. Jerry did a lot of consulting over the years too, and we became good friends.
- WOLLENBERG: Did you have to do any kind of dissertation or thesis in the master's work?
- KENNEDY: I selected the option where you took a comprehensive exam and wrote a lengthy paper.
- WOLLENBERG: What was your paper on?
- KENNEDY: It was on water rights. It was kind of a review of California water rights, which are a rather complex creature. It was just interesting to read a lot about water rights and find out what kinds there were, then write it all down.
- WOLLENBERG: It's interesting that that would be something that would be done in an engineering school. You would think that would be the kind of thing that would be done in political science or law.
- KENNEDY: Right. I really kind of puzzled over the years where I got that. Actually, thinking back to my undergraduate days, I took a couple of political science courses too,

where I'm sure I was the only engineer in the class. But I'm not sure exactly where that came from. [laughter]

WOLLENBERG: But I think that subsequently it might have developed into the kind of career you had.

KENNEDY: I think that's right.

WOLLENBERG: Those interests were already there.

KENNEDY: I think even after I became an engineer, I found myself gravitating towards the policy questions.

WOLLENBERG: Then after your graduate school, is that when you applied at Department of Water Resources?

KENNEDY: Yes. Actually a couple of months before I graduated, or got my master's, I got acquainted with somebody in graduate school who was on leave from the department. I talked to him about a planning position, and he told me somebody-- a supervisor up there I could go talk to. So in April when I was still in school I went up there and interviewed for a job, and we actually bought a house in Sacramento. [laughter]

WOLLENBERG: Pretty confident.

KENNEDY: Well, I knew I had to get a job, and I thought that's where I wanted to go, and we happened to find a house that we liked on which I could assume the loan. I didn't need a job. Ordinarily you couldn't get a house without having a job. But we had enough money in the bank that we could take over the loan on this little house. So when I got out of graduate school we moved into the house we owned up there, and I went to work. I think I finished graduate school on a Thursday and I went to work on a Monday or something. [laughter]

WOLLENBERG: Not much of a break!

- KENNEDY: You know, the job I was looking for was in planning, and the fellow I interviewed with, Bob Williams said he'd like to hire me but he didn't have a position at that time. So he arranged for me to get a position in aqueduct design, which was design of the California aqueduct, until he had one open up. So when I went to work for the department in June of 1962 in aqueduct design, it was with the understanding that when a position did open up in planning, I would shift over. That actually came about in I think October or November of '62.
- WOLLENBERG: So you were only in the design division for five or six months.
- KENNEDY: Probably more like four or five, right.
- WOLLENBERG: It must have been a pretty heady atmosphere in the Department of Water Resources in 1962. The bond issue had passed a few years earlier, big construction was beginning, it must have been an exciting place to work.
- KENNEDY: It really was. It was a huge staff. I think by '62 or '63, the department probably had 4500 people. When I came back as director, there were about 2500. You can imagine, this was a large department. The fellow that I went to work for, John Silvera, became a life-long friend and in fact, many years later I appointed him as a deputy director at the department. He was a very fine person, a good supervisor and solid engineer.
- WOLLENBERG: Was he the person you worked for in planning?
- KENNEDY: He was the one I worked for in aqueduct design, he was my very first supervisor and he was one of the best supervisors I ever had. He was a farm boy from down in Manteca and he was a few years older than I was. He'd already been in the navy before he went to college. He was just a really level-headed nice person.
- WOLLENBERG: You were twenty-five, I guess, at that time?
- KENNEDY: Yes, I was twenty-five.

WOLLENBERG: The department was a pretty new department, wasn't it? It had only been established a few years earlier.

KENNEDY: The department was established in '56, I didn't know this at the time, but it was a new department. And it had a new director. The director when it was established was Harvey O. Banks and Mr. Banks was a well-known water engineer. He had been called the "state engineer" and then when the department was formed in '56, Harvey became the director of the Department of Water Resources. It's interesting that the author of the bill who created our department was Cap [Caspar] Weinberger. I used to use that as a trivia question. [laughter] When I was in graduate school I used to watch Weinberger on television.

WOLLENBERG: That's right, he had a public television show.

KENNEDY: He had a panel discussion program over there on--

WOLLENBERG: Channel Nine.

KENNEDY: Channel Nine, that's right. Then of course eventually he became director of finance in the [Governor Ronald] Reagan administration. He was out of office--he was an attorney and he had run for attorney general in '58 and lost. So he was practicing law in San Francisco.

WOLLENBERG: I guess the purpose of the department, even when it was formed in the mid fifties was to plan the water project, the major focus of its activities at the time.

KENNEDY: Yes. The concept of building a State Water Project came out of the early fifties and it was clear that something like that had to be done. It became a goal of governors in the fifties to try and put that together. Many years later when I became acquainted with [Governor Edmond G., Sr.] Pat Brown, he actually sat in my office one day and told me a story about how all of this had happened. It was fascinating

to hear him because he had been attorney general and of course he knew [Caspar] Weinberger, he knew Cap real well.

WOLLENBERG: They have actually done an oral history with Pat Brown in ROHO [Regional Oral History Office] and a lot of that is about his story of the water project.

KENNEDY: He was very proud of it. When his daughter was elected treasurer, she sold our bonds each year, I was at the department of course, and so I went over to see her and introduced myself. I told her she'd be selling the bonds for her dad's proudest achievement. She was very gracious, and she and I would talk from time to time when she was treasurer.

WOLLENBERG: I guess by then the aqueduct was called the Pat Brown Aqueduct.

KENNEDY: Yes, it was. It was named when [Ronald] Ron Robie was director. I tried to get Pat Brown to come up and have a picture taken with the signs that we put up. The signs got put up when I was director. I arranged for him to come up, and he wasn't feeling well enough to do it. The day that he was supposed to come up, he actually wasn't able to make the flight. He and I got acquainted when I was working for the Metropolitan Water District and he was very gracious and loved to talk about the project.

WOLLENBERG: I think that was his proudest accomplishment.

KENNEDY: He would say that. I have some really great memories about conversations with Pat Brown. Of course, I didn't know him when I was at the department the first time, but when I was at Metropolitan, I became acquainted with him, and when I became director, he would call from time to time and shoot the breeze or come up.

WOLLENBERG: When you were working in planning, what kind of specific planning were you doing in those first few years?

KENNEDY: The first few years I worked in North Coastal Planning. I was in what was called the Northern Branch. The department had five planning branches, and the Northern Branch dealt with the upper Sacramento Valley and the north coastal streams. Those are the streams that flow directly to the ocean rather than through the Sacramento system. I worked much of that time on what was called Dos Rios Dam, on the middle fork of the Eel River. That was going to be one of the largest dams ever built. We did a lot of the basic hydrology and geology. Of course, I didn't do the geology, but helped arrange for it.

WOLLENBERG: Dos Rios was actually going to be built by the army corps, wasn't it?

KENNEDY: Well, that came later. In the early sixties the department was going to build it. When [William] Bill Warne was director, which was through '66, it was his intention for the department to build it. Mr. Warne, as we called him in those days, was one of the strongest public administrators you would ever find. He was really an outstanding person. He came out of the New Deal where he worked at the Department of Interior, he eventually became assistant secretary of interior. I became really well-acquainted with him much later when I was director; we became good friends. He was then in his eighties, and a wonderful storyteller. He told me one of the most interesting things he did was hear [President] Franklin Roosevelt dedicate Hoover Dam using the speech on radio that Bill had written. [laughter] Bill was a Cal grad in journalism. He had been head of the US AID program in Iran when Mosadeq was overthrown.

WOLLENBERG: And the Shah was put in.

KENNEDY: Right, when the Shah was put in. Bill had wonderful stories about all of that intrigue. He was a very strong administrator, and he was the kind of guy who had, I thought, a good balance between providing strong guidance and showing some

interest in the details. He had enough interest in the details to keep you on your toes, but he also, I thought, was one of the strongest administrators Pat Brown appointed.

WOLLENBERG: So this was all during the Brown years, your first four or five years.

KENNEDY: Yes. Well, from '62 through to '66, that was Pat Brown's administration. Warne was director, he'd become director in '61 and stayed through the Brown administration.

WOLLENBERG: I think maybe we're getting pretty close to the end of this tape, let's stop here.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

WOLLENBERG: David, we were talking about Bill Warne; he was the director when you started back in 1962. As a junior engineer in the planning department, how much direct contact would you have with somebody like Bill Warne?

KENNEDY: I had almost no contact with him at that point. I did, two or three years later, he was still there, I remember being involved in something where I had to go make a presentation to him. He was a very strong person, he was "Mr. Warne" to everybody. My impression was that even the chief engineer called him Mr. Warne [laughter] and he was a no-nonsense kind of guy. I think everybody had a lot of respect for him because he was just obviously a person--well, he had this enormous responsibility to take this statute which had been approved by the voters, a lot of money authorized to spend over a long period of time, twelve years of construction for the project, and he was supposed to hire the people and get this done with the money available. He essentially did it. Years later when I really put it into perspective, I thought it was a remarkable achievement, what Bill had done.

WOLLENBERG: When you were doing planning for the north coast, was the assumption at that time that eventually the water project would expand to include rivers like the Eel and the north coast rivers, that they would be put into the mix?

KENNEDY: Very much so. The project had been authorized and all the planning had been done on the assumption that the population would continue to grow and that more water would be needed, both for irrigation and for people. There was almost no sense of the economic forces that would eventually keep that from happening, let alone the environmental forces. But in the sixties, especially the early sixties, it was assumed that there would be dams built all over the north coast and upper Sacramento Valley.

WOLLENBERG: As far as the Dos Rios, I guess the idea was to build the dam on the middle fork of the Eel River that would flood back into Round Valley and then there would be a tunnel or some conveyance to take that water through the coast range and into the valley?

KENNEDY: Yes. There were actually two basic alternative ways to get the water out, and several alternatives for how to handle Round Valley. One was to flood the valley, others were to build dams that would protect the valley and then pump the drainage of the valley over into the reservoir. Then there was an alignment, a tunnel alignment to go directly from the reservoir, twenty-mile tunnel through to the Sacramento Valley, that was one alternative. Another alternative was to come south through the main Eel River and through Clear Lake. In the late sixties, before the dam was eventually stopped, and after I had gotten out of Eel River planning, there was a lot of activity, discussions, studies, arguing about which was the best routing alignment to get the water out of the middle fork.

WOLLENBERG: Were there other projects that you were working on, other big projects like that?

KENNEDY: That was the biggest, on the Eel, and we all worked on it. There were a lot of reservoirs being planned up there on the Trinity, Klamath, and other streams, but Dos Rios was one of the biggest. Then there was an event, we had a big flood in December of '64.

WOLLENBERG: On the Eel River.

KENNEDY: On the Eel River, and that became a point of departure for getting much more serious about constructing Dos Rios. Up until that point, the thought had been that eventually this will be needed. After the flood, Mr. Warne decided to make a real effort to try and move forward. Even within the department, there was some skepticism as to whether it was really financially feasible to do that at that point. But Mr. Warne actually, in '65, after the flood, authorized Dos Rios Dam as a state facility. He announced to the department staff that he was going to authorize the project. Well, I think most of the department staff didn't know he even had the authority to authorize the project. It turned out that the Burns-Porter Act, which had been approved by the people in 1960--

WOLLENBERG: That was the act that allowed for the bond issue and allowed for the project?

KENNEDY: Yes. That was the basic authority for the project, and it included within it, it incorporated the old Central Valley Project Act from the 1930s, the state Central Valley Project Act which had also been approved by the voters. The Burns-Porter Act in '59, '60, incorporated the state CVP Act by reference, so that all of the authority to sell revenue bonds, which was in the CVP Act, became part of the State Water Project. And Mr. Warne was the kind of guy who understood all of this, while there were very few in the department that had any notion of it. So after the flood in '64, he decided to try and move forward. He told the department staff, he wanted the Dos Rios authorized. I was the one that wound up drafting the

authorization report. [laughter] It eventually got down to the associate engineer level to draft it and I drafted probably a twenty-five page summary of the authority, the problems, the whole situation, which was the basis that he used to sign what was called a project order authorizing Dos Rios Dam as a state facility.

WOLLENBERG: Doing that, again, you wouldn't be doing so much engineering, but already you were getting into policy issues.

KENNEDY: Right. I wasn't making any policy decisions, but I was the guy that drafted the report. I think what was unfolding in that period of time was I didn't mind writing, I found myself starting to draft letters, drafting reports. The basic North Coast Investigation Report, which came out in '64 or '65 if I recall, I was kind of the primary drafter of the report, and so by the time Mr. Warne wanted this authorization report, I was kind of the guy in that little group that drafted things.

WOLLENBERG: Just to clarify, the 1930s state Central Valley Project Authority was the state project authority that was later transferred to the federal government and became the federal Central Valley Project. But that had originally begun in the early thirties as a state project.

KENNEDY: Right. It was proposed as a state project, it even came to a vote of the people, was signed, was authorized by the people. But during the Depression, the state could not sell bonds, so the federal government then authorized it as a federal project under the Bureau of Reclamation Statutes. It was constructed as a federal project. But Mr. Warne, having been at the [United States] Department of Interior in the thirties, knew that there was state authority. It was interesting how he could bring all this together.

WOLLENBERG: So that when the State Water Project was approved in 1960, it in effect incorporated some of the powers that had been in the original bill back in the 1930s.

KENNEDY: Right. All of them.

WOLLENBERG: So Warne was able to use that to move it, I assume, with something like that. Pat Brown the governor must have known about this. I mean, would Warne have gone ahead on something like Dos Rios without getting approval from the governor?

KENNEDY: I'm sure he would have had approval from the governor, but he and the governor were very much on the same page, as most of those political leaders were. There was a general belief that water development was good for California and that it was necessary and it was the way to make sure we had prosperity. It's an interesting thought, in retrospect when there is so much environmental concern. I think when Pat Brown asked Bill Warne to be director, he knew what he was getting, a very strong person. Warne was not a guy to go over and camp in the governor's office a lot, he was a guy who tended to move forward on his own with a minimum of discussion about it. [laughter] But I think that's what Pat Brown wanted, he wanted someone to build that project for him.

WOLLENBERG: You said that you were instrumental in drafting a broader report that came out at that time about the north coast. What other kinds of projects or other kinds of plans did it have in addition to Dos Rios?

KENNEDY: The Dos Rios investigation was actually just a part of what the department called the North Coast Investigation. It was a seven-year program with a lot of planning studies of all kinds of alternative dams and all the streams in the north coast. That report was put together in '63 and '64, and as I say, I was probably one of the

principal drafters of that report. That may have been one of the last of the reports [laughter] that says, here's a whole bunch of dams that need to be built.

WOLLENBERG: So there were dams talked about on the Klamath--

KENNEDY: Klamath and Trinity rivers.

WOLLENBERG: That's a historic document, I would think.

KENNEDY: Right.

WOLLENBERG: Somebody should look back at that. I guess you were in the department in 1966 when Ronald Reagan was elected. So in your last couple of years of your first stay at the department, you were under the Reagan administration from '66 to '68?

KENNEDY: That's right. What happened was that in mid '65, Mr. Warne decided to send the Northern Branch up to the northern Sacramento Valley to be their headquarters. That had been his thought all along and he went forward with that. They relocated that branch up to Red Bluff, I didn't want to go with them up to Red Bluff, we wanted to stay in Sacramento. So I transferred over to another department group which was getting organized, called the Statewide Planning Branch. The branch chief was a long-time department engineer named Wayne MacRostie. Wayne had been told in the mid-'65 era to put together a staff with transferred people, and put out a statewide planning report, which would follow up on the California Water Plan, which had been published in '57. Wayne's purpose, the objective of that group, was to pull together everything that had been done in the five or six or seven years since the California Water Plan had been finished, and there had been a lot of statewide studies. And put it together in a long-range planning document that would be the basis for the legislature and local water agencies to know or to project off fifty years, what could California expect in terms of water demands and water development. So I went over there, I think it was in June of '65, as a staff person to

work on that report. It eventually was called the Bulletin 160 series, and we put out the first of the Bulletin 160 reports.

WOLLENBERG: Periodically they have been coming out ever since.

KENNEDY: Every five years, ever since.

WOLLENBERG: This was actually, as I recall, not just planned specifically for the state project, but it was overall State Water Plan, so that even local agencies would fit their plans into this broad plan.

KENNEDY: That's correct, we divided the state into, I think it was ten hydrologic regions and we summarized each region and then pulled it together how all of those regions fit together in the state as a whole.

WOLLENBERG: Did that come out in 1965?

KENNEDY: It came out in '66. It came out when Mr. Warne was still there, and that is one of the meetings that I remember, one of the very few meetings where I was personally with Mr. Warne. I had drafted much of the report, and I was responsible for these colored maps that we had in there, which in those days were kind of unusual. We went up to brief Mr. Warne, and we had organized a series of I think ten colored maps, one for each hydrologic region, plus a pull-out map for the state as a whole. I had put copies of these on poster board so that we could show him what we were doing. We didn't yet have the report, but we were getting ready to go to the state printing plant.

I remember after showing Mr. Warne these colored maps, and of course I was pretty nervous, I was the lowest-ranking guy in this conference room full of people. Mr. Warne said, how many of these reports are you going to get? And I said, well, we are planning to get 5,000. Which was a lot. We typically got 1,000 copies of reports, this decision had already been made by others, I said, "We're

going to get 5,000, Mr. Warne.” He thought for a moment and he said, “Get 10,000.” [laughter]

WOLLENBERG: I guess that meant that he actually liked it.

KENNEDY: He liked those colored maps! He loved presentations. He really reveled in this kind of thing. I used to joke that I bet that 5,000 of those are still in boxes somewhere. [laughter]

WOLLENBERG: Was there any resentment among the engineers that a guy like Warne, who was basically a PR person, that he was running the show? Was there any sense of an internal rivalry between the engineers and the administrative people?

KENNEDY: That’s an interesting question because yes, in fact there was. I even then thought it was kind of misplaced. What Mr. Warne wanted to do was open it up for non-engineers to head these five planning branches. He didn’t see that it was necessary to have an engineer there. The American Society of Civil Engineers took umbrage about this and tried to oppose him and fuss at him, and of course Mr. Warne wasn’t about to pay any attention to that kind of stuff and he ran right over them. But it did create some resentment. My own feeling was that I thought the planning was such that it didn’t make any difference whether it was an engineer. There were certainly some positions that I felt engineers should be in charge of, but it wasn’t apparent to me that the planning one was.

WOLLENBERG: When you got down to specific projects, obviously you needed an engineer.

KENNEDY: Right, you needed an engineer. But that broad-scale stuff, some of which involved interfacing with other districts and with the public and going to public meetings, I thought it was more a question of not excluding engineers, certainly you should let engineers apply for those positions, but it wasn’t apparent to me that they needed them.

WOLLENBERG: What about when the new administration took over, were there changes?

Obviously there were changes in personnel, but was there a change in direction or change in philosophy when the Reagan administration took over from Brown?

KENNEDY: There very much was. First in the way that there wasn't: both Mr. Warne and [William] Bill Gianelli who became director were supporters of the State Water Project. Bill Gianelli had been at the department from '46 until '60 when he had left. He had been a principal engineer and had testified before the legislature on the project. He was a water rights specialist, but he also had a sense of financing and public policy. So he had been heavily involved with Harvey Banks in the authorization of the state project. He then went out and formed a consulting firm, but he came back with Reagan as director.

WOLLENBERG: Was he an engineer?

KENNEDY: He was a civil engineer, too. In fact, he and I used to joke that he and I were both Cal civil engineers, we were both Sea Scouts when we were kids, he was from Stockton, I was from the Bay Area. We both went in the Corps of Engineers, he was on active duty in the south Pacific during the war building airfields. I was of course not in the war, but I was in the Corps of Engineers as a lieutenant. We both left the department and came back as directors. Bill and I are still good friends. He's down in Pebble Beach now.

So in one sense, Gianelli was a very strong supporter of the state project. In another sense, he was more fiscally conservative than Bill Warne. Bill Warne didn't have much sense of fiscal constraint, he was a great spender. And the water contractors that had to pay the bills had quite a few disagreements with Bill Warne about the way he spent money. He believed in a lot of public outreach in doing

things in a big way, nice visitor centers, actually lots of good ideas, but fiscal restraint wasn't one of the things Bill was focused on.

WOLLENBERG: He was a real New Dealer.

KENNEDY: In a sense he was. He was a self-professed New Dealer. [laughter] When Gianelli came in, one of the things he did was he had a task force formed, I think it was under the auspices of the water commission, of leading citizens who spent a number of months reviewing the finances of the State Water Project, because he was convinced that they didn't have the money to finish building it. One of the things that came out was that more money would be borrowed from the Tideland Oil revenues than had originally been planned. Not a lot, \$25 million a year, I think.

But Bill did a number of other things to cut back on planning--in fact when he came in '67 he announced early on that there were going to be cutbacks in staff, and that they would be dropping back from 4,500 eventually to around 2,500, which was a very significant cut. I don't think Mr. Warne would have been able to come to grips with something like that. But Gianelli started developing bumping lists, seniority lists, and it was pretty clear there weren't going to be any promotions for quite a long time, while we had this sorted out.

One little incident that Bill used, I had an opportunity to joke with him about it many years later, when he started this reduction in force, he used the expression: as much as possible, they would accomplish the reduction through normal attrition. That's an expression widely used in bureaucracy, "normal attrition." I'm a little bit of a word nut, so I looked up the word "attrition," and it's basically a military term, and the first meaning is to wear down by continual harassment. [laughter] When I

found that out, I thought, I'm going to start figuring out how to get out of this place.

Actually, I didn't start trying to figure it out, but years later when I was director and Gianelli would sometimes be on a luncheon speaking situation with me, I would sometimes open up my remarks by joking about that. Bill would always laugh heartily.

WOLLENBERG: At the time though, did that have an effect on morale in the department?

KENNEDY: Actually it did, because people could see that the promotions were over. There were projections that there would be no promotions for at least five years. We had to lay off a lot of professional people. By the time I left about two years after Gianelli came in, many people had left on their own. The department staffed many of the water agencies in the western United States, [laughter] consulting firms, lots of people left, willingly. And in some ways it was a good thing.

WOLLENBERG: As far as the idea of not having enough money to pay the project, I think that turned out to be the case to some degree, didn't it? I think even in Pat Brown's oral history, he admits that he knew back in 1960 that the bond issue wasn't going to be enough.

KENNEDY: You know, I read that and I think that it's true, but I think to put it in perspective, it's in a limited sense true. It was not true in a sense that there was ever a fiscal problem with the project. The project never had to borrow general fund money, it never had to use general funds to pay bonds, the bond rating of the project itself was always at least Double A. The financial community in New York never had anything but a very good feeling about the project. So Gianelli had to work his way through some problems, and in candor, Pat Brown was correct, I mean he didn't have it completely figured out. But for a project that lasted twelve years

under construction, and in the later years there was inflation, I think the more remarkable fact is that they didn't have to go back for general funds and that it's a very self-sustaining project fiscally.

WOLLENBERG: Didn't they actually end up issuing some of the bonds from the 1930s legislation to bring in some more money?

KENNEDY: Oh yes. That's what eventually happened. They used those as basically revenue bonds, which are bonds paid for by the water users. Now there's a distinction here that is mainly worth making for the record, the original general fund obligation bonds for the project, the \$1.75 billion which were approved at the November 1960 election, they were GO [General Obligation] bonds, but they were paid for by the water service contracts, by the public agencies. The taxpayers as a state never paid for those bonds. What they did was under-wrote them and ensured that they would be paid. The financial community in New York knew these bonds were backed up by the full faith and credit of the state. In fact, full faith and credit was never used.

WOLLENBERG: So what you're saying is that bonds were approved as general obligation bonds which meant that the state treasury was ultimately responsible for them, when in fact they were paid off by the users, so you never had to go to the state treasury.

KENNEDY: That's correct. Then when the revenue bond authority under the CVP act was first brought into the project in the early seventies, when one of the power plants that's part of the project, Devil Canyon Power Plant, near San Bernardino, when the department got ready to build it in about '70 or '71, they needed to find a way to finance it. So they got out this Central Valley Project Authority which they'd been kind of talking about, but had never really exercised, and they went through the whole research issue. They worked with the Internal Revenue Service to make sure these bonds would be tax-free, they worked with the financial community, and

they basically got a confirmation that this authority was solid. That's what started to be used for all the power facilities and in fact for the coastal branch. During the time that I was director, we spent about \$1.5 billion on construction and all of it was under the revenue bond authority, where the state general obligations are not even part of it.

WOLLENBERG: During the Reagan/Gianelli years, Dos Rios continued to be an issue.

KENNEDY: Yes, I remember I wound up writing about an eight or ten page, single-spaced letter [laughter], a long letter, I drafted it for Bill Gianelli to give to the East Bay Municipal Utility District [East Bay MUD] outlining the whole issue. The Department's proposal was that East Bay MUD should contract with the State Project to receive water from Dos Rios. Of course, I was about six layers below Gianelli, and I think it might have been the only meeting I had with Gianelli when I was associate engineer. John Teerink was then deputy director, and I did know him from when I was in Northern Branch Planning, and when we got the letter up to John Teerink, he signed off on it and said that I was supposed to come to the briefing. When we got up to the briefing with Mr. Gianelli, I remember Teerink turned to the director and said, I think the simplest way to brief you is to have David Kennedy read this letter to you. [laughter]

So I sat and read a long letter to Gianelli while all these people listened. It was just a funny experience for an associate engineer to have.

WOLLENBERG: I guess nothing ever came of that, because East Bay MUD went ahead with water from the American River instead.

KENNEDY: Yes, East Bay went ahead. Exactly, they went ahead and bought something else that didn't exist.

WOLLENBERG: In fact, I think that was only resolved just this last year finally. East Bay MUD finally got a court decision that allowed them to go ahead and take water, I guess from the Sacramento River south of Sacramento.

KENNEDY: Yes, I think the water they're getting is probably from Folsom Reservoir, rather than from Auburn, but it's been a long, contentious situation. So that was one place where I did get involved with both Gianelli and Dos Rios. Early in the Reagan administration, Bill Gianelli proposed that the U.S. Army Corps of Engineers build Dos Rios as a flood control project and the department contract to use the water supply developed by the reservoir. In writing the letter to East Bay I worked with the Northern Branch guys on the status of what was going on. By that time, Rich [Richard] Wilson from Covelo, a land owner up there who was much opposed to the Dos Rios project, had become very publicly known as an opponent. I never did meet Rich in that time frame. But my friends at Northern Branch talked about him a lot because they were dealing with him. [laughter]

WOLLENBERG: Well actually, we are almost at the same time doing an oral history with him, so his version of that whole Dos Rios fight will be part of ROHO's collection.

KENNEDY: Well, Rich and I became good friends when he was director of Forestry under Pete Wilson and I was still director of Water Resources. When that book was written about him a few years ago, it was interesting to me to reflect on a possibility that fortunately didn't occur. That is, the author of that book did not know that as he was writing the book, the then-director of Water Resources, Dave Kennedy, had been in the back room during the Dos Rios fight doing a lot of work on Dos Rios. [laughter] I thought if he had known that, he'd have figured out a way to make a chapter out of that irony. And I didn't want to be part of it, I thought it was kind of a hit-piece on Gianelli, which I thought was not fair.

WOLLENBERG: You mean the book?

KENNEDY: The book itself, yes.

WOLLENBERG: When you were involved with putting out that first Bulletin 160 in 1966, did that still include the concept that North Coast Water would be incorporated into the state project?

KENNEDY: Yes, it did. That was probably one of the last of the reports that was based on that premise. The population forecasts in those days were still very gray, we were using Year 2020 population which was then, what, more than fifty years out, was going to be 54 million people in California. There came a time in the seventies when people thought that was ludicrous. Of course today, I don't know what there is.

WOLLENBERG: It might actually be close to that figure.

KENNEDY: It might be something close to that. But in the middle sixties, we didn't do the population projections ourselves. The Department of Finance had the demographers that did those and we just took what they gave us and then we worked with the water agencies to figure out how you'd supply the water for those people.

WOLLENBERG: Were there other projects or other proposals that you were involved in during those years that you think are worth talking about?

KENNEDY: Well, there was one incident that happened that's actually how I happened to go down to Metropolitan. The Metropolitan Water District was not totally convinced that the department should get involved in Dos Rios. They were concerned about how much it was going to cost, even with the Corps of Engineers building it. So in 1968 Metropolitan staff decided to do their own investigation of what facts were available. They had a series of meetings with the department staff in which they

brought their general manager and ten or twelve staff people up to meet with department staff and simply delve into what all the facts of this proposal were. Because I was in Sacramento and knew something about the project, I was brought into some of those meetings and got acquainted with a few of the Met people. It was in maybe September of '68 that one of the Metropolitan people called me one day, and said he was going to be coming to Sacramento the next week and he wanted to stop and talk to me about some data he was looking for. I asked him why he was coming up, he said, well, I'm going to interview some people, I'm looking for another person down here. I joked with him and I said, "Well, why don't you interview me, I might be interested." So one thing led to another and that's how I happened to go to Metropolitan.

WOLLENBERG: Didn't the concern over Dos Rios reflect a long interest the Metropolitan Water District had on the Eel River going back to the fifties?

KENNEDY: I'm not sure when it was. I think in the late 1950s they did a report, maybe it was even the early sixties--at Met you had kind of a divided thought about the state project. Mr. Jensen, Joe Jensen who was chairman of the Met board for twenty-five years, was not supportive of the State Water Project. But the management generally was. So you had sort of a divided thought about the best way to proceed. There were lots of issues over the years where Met went in one direction while the state was going in another. One of them was Dos Rios. I think Met, at some time, I'm not personally familiar with it, had done their own Eel River report.

WOLLENBERG: So in terms of your personal career, why, by 1968, did the idea of moving to Met seem like an attractive thing? Was something going on in Sacramento that led you to believe that it was time to move on?

KENNEDY: There were really two things. One was that the department itself was downsizing. While in some ways I enjoyed what I was doing, it was pretty clear there weren't going to be any promotions till the early to mid-seventies, and I was the journeyman level, associate engineer. I was starting to reach a point where in terms of grade, I could have moved up one, but there just weren't any tests being given. Then my wife and I had kind of thought that we might like to move either to the Bay Area or southern California. She was raised on a ranch in Ventura County, and we both liked southern California. It was kind of funny, when we finally got ready to go down south, people up here would say, gosh, why are you going to southern California? And they thought that no one would ever go willingly. I started saying, in response, well, we have family down there. Oh, well, okay. That would satisfy people. [laughter]

WOLLENBERG: That sort of justified it.

KENNEDY: Right. In fact, we--she was very familiar with it, we both liked it. I was raised in the Bay Area, I liked the Bay Area. So I was just starting to think about, maybe I'd look around. I hadn't actually approached anybody, but when Lee Hill from Metropolitan told me he was looking for somebody, I had begun to think, maybe I ought to look around.

WOLLENBERG: Was there some kind of a specific offer, or was it more generally the idea of going to work for Met?

KENNEDY: No, Lee Hill was basically called their hydrographic engineer, which meant he was the liaison to the Colorado River Board, and he had some water quality studies, some hydrology studies. They didn't have much of a planning staff in those days and he needed an assistant. He had retired as chief of the state water rights board, and he was a senior guy, he wanted to bring in a younger guy just to work with

him. My technical knowledge was basically in hydrology. I enjoyed hydrology and I actually knew something about it, and it was a pretty good fit going into his group, that's why I was going in.

WOLLENBERG: You had a specific job in mind, not just to start with Met.

KENNEDY: I was going down there for a very specific job.

WOLLENBERG: Was there any reaction when you announced in Sacramento that you were leaving?

KENNEDY: Actually, it's kind of a funny thing. The chief of our division in those days was a fellow named Wes Steiner. Wes was a long-time department guy who had been deputy director under Bill Warne and then when Gianelli came in, Wes dropped back to chief of the planning division. So he was the chief of the division I was in. Through the Bulletin 160 process, I got acquainted with Wes. On the one hand they were glad to see somebody go, but on the other hand, Wes took me into his office and tried to tell me why I shouldn't leave. By that time, we had made up our minds, and so I thanked him very much but we decided to go ahead and leave. The irony is that two months after I was at Metropolitan, Wes left the department and became state engineer of Arizona. He was hired by the governor of Arizona to build the Central Arizona Project, which he did. Wes was an extremely capable guy, strong sense of policy. He and Gianelli had kind of grown up in the department together, both Cal guys, both out of the same era, but with quite different outlooks. Gianelli was much more conservative in his fiscal outlook, Wes was much more of a Pat Brown/Bill Warne kind of a guy. But he and I developed a good relationship. So anyway, it was pretty funny when I was at Met and I first ran across Wes when he was at Arizona. I joked with him, I said, Wes, did you know you were leaving at the same time that you were trying to talk me into not leaving? [laughter] He said, no, he didn't realize it at that point.

WOLLENBERG: Well, maybe if things had worked out differently, you would have gone to work for the Central Arizona Project.

KENNEDY: Well, you know, we actually had five or six DWR people go over to help staff the new Arizona department. We took them over there, including three fellows I knew very well. And we stayed there about fifteen years, and saw through the construction of the CAP. He was exactly what they needed, he was a guy who knew how to operate in Washington, but also was a practical guy.

WOLLENBERG: I would guess that in your future career at Met you are going to come into contact with him and with Arizona people in many contexts.

KENNEDY: I did.

[End of Tape 1, Side B]

[Session 2: September 16, 2002]

[Begin Tape 2, Side A]

WOLLENBERG: David, last time, we were talking about your leaving the Department of Water Resources in 1968 and going to the Metropolitan Water District. That meant relocating your family to southern California. Did you have children by then?

KENNEDY: Yes, we had kids in first and third grade and a younger daughter, they didn't really have preschool in those days, or not much of one, but we had a couple, we had to get them back into school.

WOLLENBERG: Was it difficult relocating the family and reestablishing schools and friends for the kids?

KENNEDY: It actually went very quickly. We decided that we wanted to go ahead and if possible buy a house down there and make the move all at one time, rather than going down and having me spend the school year in an apartment or something like that. So, I remember we had a tentative date of moving, or of leaving the department at the end of October 1968. I think it was the first week of October my wife and I and the children went to southern California--I took a day off and we left the children with her parents in Fillmore and we went down and started looking for houses.

We had a couple of criteria. One was, I didn't want to have a long commute. The commutes in southern California were legendary, and so we mentally drew a line about ten miles out from downtown Los Angeles where Metropolitan's office was

[laughter] and we looked a little bit in the city itself, the city of Los Angeles and the Silverlake area, which is pretty close. Her sister lived down in Pasadena and we had friends in South Pasadena, so we wound up looking in South Pasadena, which is sort of a middle class area, not very far from Los Angeles, out the Pasadena Freeway. We didn't find anything in South Pasadena over that weekend. The same realtors handled San Marino, which is just to the east of South Pasadena, so we had heard of it, but we really didn't know anything about it. I remember we asked the realtor, "Do you think we could afford to live there?" [laughter] And she said, "Oh yes, there are some parts of San Marino you can afford." We started looking in there the second day, and the last house we looked at was empty and it was one of the very few that we could get a short escrow on. Of course, it was more than we wanted to pay but we did make an offer and they did accept it. That weekend we actually made a commitment to buy a house, and one on which we could close escrow three weeks later. Then on that same weekend when we were at her parents' in Fillmore, we got a call that our house in Sacramento had sold. I remember we moved out, I think it was the last day on October, and closed escrow on that house, and closed escrow on that house down south the day we were actually driving down south. So yes, it went very, very quickly. We had the kids, I think they missed one day of school and then they were back in school again.

WOLLENBERG: Wow. That sounds great. So did you stay in San Marino?

KENNEDY: We were there the whole fifteen years.

WOLLENBERG: Probably that house is worth millions of dollars right now.

KENNEDY: It's worth a lot more now than what we paid for it! [laughter]

WOLLENBERG: You were going from an institution, DWR, that was still fairly new and kind of in its formation to an institution, the Met, that was well established and already playing an important role in southern California life. Maybe you can give a sense of the importance of the Met to southern California and the role that it played in southern California life.

KENNEDY: Basically, Metropolitan's role was to provide the supplemental water that southern California needed. I think that at the time that I went down, there were about 130 cities within Metropolitan in the six counties that Metropolitan serves. It served largely urban supply, but also some agricultural water. Its role as defined by a resolution that its board passed in the early fifties, they called it the Laguna Declaration or something like that, was to assure that the supplemental water needed in Southern California was provided for.

This was the water that the local communities needed. Most of them had their own local supplies of some measure, but they all needed some supplemental water, very similar to the Bay Area. So they had gotten together in the late twenties and had a statute passed that enabled those cities to come together in a regional district for that purpose--at that time it was building the Colorado River Aqueduct. Then they could see fairly quickly that if you looked far enough out on the horizon, there was going to be supplemental water beyond the Colorado. They tended not to get involved in the local water management down there.

WOLLENBERG: So the Met was actually a wholesaler, it would sell to the local agencies, which would in turn provide the water to the individual citizens?

KENNEDY: That is right, it is simply a wholesaler, much like the State Water Project is a wholesaler. Met only had--in one sense they had only twenty-seven customers. Those were what they called their "member agencies." The concept of member

agency is very important to Metropolitan, it is a group of cities and municipal water districts and now one county water authority, the San Diego Water Authority, all of whom got together and defined a common interest. Also, they have rather jealously guarded their local prerogatives, so that whenever Met has taken steps to broaden its water management role in southern California, the member agencies have always been very cautious to make sure Met is not stepping into something that the cities themselves really should be doing.

WOLLENBERG: Initially the water thhat Met was providing was Colorado River water.

KENNEDY: That's right.

WOLLENBERG: But by the time you went down there in 1968 Met had already become the major contractor for the State Water Project to provide an additional source of water for southern California.

KENNEDY: Yes. They had signed the first contract with the state in 1960 and it was for a substantial amount of the water. In one sense, they were underwriting much of the State Water Project, but certainly there were going to have to be other contractors to make it all work. When I got there in '68 the system was well under construction both to bring the water to southern California and to distribute it within southern California once the water got there. Met had its own program of enlarging its distribution system and building more treatment facilities. It had passed a bond measure in 1966. When I got there two years later, it was well under construction, and then the first water arrived, if I recall, in 1972 or 1973.

WOLLENBERG: The first water from the State Water Project.

KENNEDY: From the state project.

WOLLENBERG: So the only two sources of water for Met are Colorado River and State Water Project?

KENNEDY: Yes.

WOLLENBERG: All the local supplies are still under the control of the local agencies?

KENNEDY: Yes, that's an important point. For instance, the city of Los Angeles, which owns the Owens Valley Aqueduct, is a completely separate, independent system that predated Metropolitan and the city has always jealously guarded its ownership and prerogatives.

WOLLENBERG: But at the same time the city of L.A. is part of Met as well?

KENNEDY: Yes, it's the largest--it's not the largest delivery from Metropolitan, but it pays the largest amount of taxes and so historically it's had a substantial role on the Met board.

WOLLENBERG: The governing board seats are allocated to those twenty-seven agencies?

KENNEDY: That's right, by assessed valuation. In fact, they recalculate it every year. The votes and the board members are determined by the assessed valuation. Each of the member agencies appoint their own directors, and that varies as to how they do it. In some cases, the mayors do it with the approval of their city council. With the municipal water districts, it's the boards of those water districts which appoint their own members.

WOLLENBERG: I guess when you arrived there Joe Jensen was still the chairman of the board?

KENNEDY: Yes.

WOLLENBERG: The legendary leader of Met?

KENNEDY: Yes, he had been chairman about twenty years when I got there, and he passed on in 1974 while he was still chairman.

WOLLENBERG: He went out with his water boots on.

KENNEDY: Well, in a sense, though by the time he passed on, he was quite an elderly, frail man, he was in his mid-eighties. I got quite well acquainted with Mr. Jensen through my Colorado River activities.

WOLLENBERG: There was also obviously an administrative staff, with an administrative director that answers to the board.

KENNEDY: Yes, in fact, they had kind of a unique system, patterned a little bit on municipalities because it was formed by municipalities, but it exists under its own statute, called the Metropolitan Water District Act. In theory other Metropolitan water districts could be formed under that act. From time to time in the Bay Area there has been consideration of forming their own Metropolitan Water District. So the act is broader than just the MWD of Southern California, even though it's the only one that's been organized.

WOLLENBERG: What was your specific job when you came to the Met in 1968? Obviously, you weren't dealing up at the top with the board and with the director initially.

KENNEDY: My initial role was as engineer at what the state would probably call their senior engineer level, which is just one step above journeyman. The first activity I got involved in is actually one I remained involved in, and that was the Colorado River. Metropolitan was one of the members of the Colorado River Board. The Colorado River Board is a state agency formed by a statute that is supposed to represent the state's interest with the other Colorado River states, the other six states, and with the Department of Interior. The Department of Interior, or the Secretary of the Interior, is the watermaster for the Colorado River and basically runs the river. The state of California set up the Colorado River Board. When I came down there, the six members of the board were representatives of the six agencies which had contracts with the Secretary of the Interior. They were the

Metropolitan [MWD], the city of Los Angeles, which had power contracts, and the county water authority in San Diego, which originally had had its own contract, but that contract for water had been melded into Met's contract in the mid-forties. So, you had three urban agencies, San Diego, Los Angeles, and MWD, and of course it's obvious that MWD included both Los Angeles and San Diego. But, then you had three agricultural agencies, Imperial Irrigation district, the largest district in California, Coachella Valley Water District, which is both urban and ag, and then the Palo Verde Irrigation District, which is out on the river, and is the oldest district. So, you had three urban and three ag, and they were the six members of the board when I got there.

WOLLENBERG: Then would those six agencies of that board in turn interact with Arizona and the other states as well?

KENNEDY: Yes. Basically, that board had a very small staff, it had about fifteen or twenty people. It had a chief engineer named Myron Holburt, and Myron was arguably the strongest person in the basin in terms of his knowledge and his abilities, a very bright, capable engineer. They had a board meeting once a month, and each of the agencies, the six agencies that belonged to the board, sent staff, and about the second or third month that I was at Met, I got sent there. We usually had one or two engineers and one or two attorneys that would attend all the board meetings. And in those days, Mr. Jensen was MWD's board member and so I'd see him there.

WOLLENBERG: You would, in effect, act as staff to him?

KENNEDY: In one sense, yes, it was all pretty informal. When he asked a question, I might answer, somebody else might answer.

WOLLENBERG: I guess it must have been an interesting interaction, because on the one hand, the state of California as a whole is acting for its interest, vis-a-vis the other states, but

at the same time, was there some tension between the agricultural districts and the urban districts within California?

KENNEDY: There were a series of issues in which the tensions worked in various ways. There is kind of a long-standing difference of opinion among the ag and urban districts, because the ag districts had so much of the water; of the amount allocated to California they had 80 percent of it and Met had 20 percent even though Met was using a lot more than that, their long-term rights are much less than they were using. Also, as you've alluded to, there was some friction between the state administration and the Colorado River Board because the board represented the water and power rights of six specific agencies which is a more narrow interest than the state of California envisioned that it had.

So, it was not uncommon for the governor or the governor's representatives, possibly in some cases, the director of Water Resources, to take a position that was contrary to the position of the six agencies in the Colorado River Board. This actually came to a head in 1976 when the state administration proposed doing away with the Colorado River Board and folding its activities into the Department of Water Resources. This was done under Ron Robie and Jerry [Governor Edmund G., Jr.] Brown's administration. We had a gigantic row that went on for much of one year about that. [laughter]

WOLLENBERG: But I think that didn't happen--

KENNEDY: No, it didn't happen. We eventually found the political strength to persuade the Brown administration to back off. That's probably another story, because that was after I became assistant general manager. It was an interesting--well it was interesting to see the way in which different agencies perceive their interests and sometimes perceive other peoples' interest.

WOLLENBERG: I guess by the time you got to Met in 1968 the Supreme Court in 1963 had already issued a decision that limited California's access to Colorado River water, and that must have already begun to be kind of an axe hanging over the head of the Met. I guess over all of California, but particularly the Met.

KENNEDY: Yes. I got there a few months after the Congress had passed the Central Arizona Project, which was really the culmination of that litigation in some ways. Arizona and California had been in court for ten or twelve years, and in 1963 the special master published his recommendation and then the court adopted it in '64. Then from '64 until 1968, the Congress considered authorization of the project, the Central Arizona Project [CAP], which would enable Arizona to take the water which they had been granted in the court, and which California was using. Mr. Jensen had fought the authorization of CAP vigorously and had led Metropolitan in that opposition. Pat Brown, when he became governor, felt that the court had spoken, and that possibly California needed to work with the Congress and with Arizona, and try and get the whole controversy behind them. There was some tension between Metropolitan on the one hand, and at first the Brown administration, the Pat Brown administration, and then even the Reagan administration did not want to have the row going on with Arizona that Metropolitan had. Some of this I was aware of when I was still back at the department, because I had become friends with Don Maughn who was a principal engineer at the department and who had been a staff member at the Colorado River Board, was a real expert on Colorado River activities. So, Don used to kind of give me--well, we'd have discussions about the Colorado River, and he gave me his perspective and told me what some of the issues were.

So, when I went down there, I had a little bit of background, not in working on it, but just in listening to the issues. There's one little story that to me is kind of interesting about authorization of the Central Arizona Project. Over the several years from 1964 to 1968 the Congress basically got tired of the whole issue. I remember in '68, while I was still up in Sacramento, I think it was Senator Saylor from Pennsylvania who was one of the congressional leaders having to deal with this, basically put out the word to California and southern California that the time had come to make a deal--they should make the best deal they could because everybody wanted to get this thing behind them.

Well, Mr. Jensen really didn't accept that, but the state administration did. So, to some extent, when the Central Arizona Project was authorized, it had some guarantees in it to protect Metropolitan, California and Metropolitan. They were not well accepted by Metropolitan, and in fact some people thought they were not as good as Metropolitan could have gotten if they had made a deal a year or two earlier. In this regard, Mr. Jensen was advised by a very strong lawyer by the name of Northcutt Ely, Mike Ely. Mike had been special counsel to the Colorado River Board, he was a very senior attorney in Washington, D.C. He worked both for Southern California Edison and Los Angeles on their power contracts, and he was special deputy attorney general to the state of California. He had several roles, and there came a time when I wondered whether this was really a wise thing. [laughter] In fact, eventually, a couple of us went to Mr. Jensen and told him it was time to cut Mike Ely loose. Mike Ely had actually, as a young attorney out of Stanford Law School, negotiated the contracts for Secretary Lyman Wilbur at the Department of Interior. He was special assistant to Secretary Wilbur and negotiated the contracts.

WOLLENBERG: The 1927 contracts for Met?

KENNEDY: Yes, they were basically 1930, '31, '32, in that era.

WOLLENBERG: These are the contracts for the Colorado River water?

KENNEDY: For the Colorado River water and power. The contracts that basically made the Hoover Dam project feasible in terms of repayment. It was interesting, fifty years later when we got around to negotiating the new Hoover power contracts around 1981 and '82, Mike Ely was still on the scene, [laughter] representing Los Angeles and Edison. I had some difficult challenges with Mr. Ely. By that time I was basically in charge of Metropolitan's negotiations on this. Mike Ely was still practicing law in his early nineties. He was a very interesting man. He had argued the case before the Supreme Court, was one of the brightest and most articulate attorneys any of us would ever see. The first meeting that I attended at the Colorado River Board, as a young staff person, Mike Ely was there as special counsel to the board, and played a very prominent role in advising the board. He was every bit as much a strong character in this drama as Joe Jensen was.

WOLLENBERG: Would the two of them get along?

KENNEDY: Oh, they were very close. Mr. Jensen basically took anything that Mike said as the truth and the position that Met should take. Los Angeles itself had a very strong regard for Mike Ely as was indicated by the fact that they had him working for them on power contracts. [laughter] In about 1973, I think it was, Myron Holburt and I and a couple of the other guys decided that the time had come to not use Mr. Ely to advise the Colorado River Board anymore. He had a polarizing nature about him, and it was difficult for the other states to--he didn't want to work with the other states. So we finally went to the other board members and convinced them that it was time to terminate his contract with the Colorado River Board. Mr. Jensen was a hold-out.

WOLLENBERG: You were going to the Colorado River Board, not to the Met board?

KENNEDY: Right. The decision was the Colorado River Board, but of course we wanted to make sure that the Met board was okay. Mr. Jensen to some extent, by that point, by '73 I think when this happened, was such an elderly figure that he was somewhat isolated and the rest of the Met board, while they certainly gave him deference and respected his views, they by that point were voting the way that they felt they should vote. So, I still remember quite vividly going to Mr. Jensen's office with a couple of the other staff people and explaining to him that the time had come to terminate Mike's contract. [laughter]

WOLLENBERG: It must have been very difficult.

KENNEDY: Mr. Jensen was very professional in his own way. He made it clear that he didn't agree, but we told him we had the votes with the other board members, and he respected that when you had the votes, the discussion was probably over.

WOLLENBERG: Did Mike Ely fight the decision?

KENNEDY: He tried to fight it through Mr. Jensen, but he didn't realize that it was all over. I don't recall exactly what Los Angeles did. They may have voted with Mr. Jensen on this, but I remember we had the necessary votes, and the attorney general at that point, Evelle Younger, had sent a few signals that he wanted to make a change. He no longer wanted such a strong, independent person as a special deputy under him. He had no relationship to Mike.

WOLLENBERG: This was 1973?

KENNEDY: It was about '73 if I recall.

WOLLENBERG: I guess in a sense, when you came to the Met in 1968 that the fundamental value system was providing the water for growth and development, and what we would

consider today to be environmental issues were pretty far down the list in terms of priorities at that time?

KENNEDY: I think that is fair. There were starting to be considerations of environmental protection laws. If I recall, National Environmental Policy Act came in about 1970 or something like that. The state passed its own version of that in '71 or '72. It's fair to say that peoples' concept of protecting the environment was very different. There were certainly strong considerations, fisheries protection, waterfowl protection.

WOLLENBERG: Public health, probably.

KENNEDY: Public health, but certainly not in the broad sense that the environment's considered today.

WOLLENBERG: Were any of those issues involved in this change of generations? For example, the question of Mr. Ely. Would he be considered of the old school, and as these new ideas and new values came in, was it necessary to have different people who understood the new environment?

KENNEDY: No, I really don't recall anything like that. With Mr. Ely it was basically a difference of view about how you approach controversies with other interests, and he was basically a hard-liner. We used to joke that Mr. Ely could explain to you why California had really won the Arizona case. [laughter]

WOLLENBERG: Oh, even though they lost.

KENNEDY: Even though on paper they seemed to lose.

WOLLENBERG: I guess the big picture of that case was that California was limited to 4.4 million acre feet of Colorado River water in some point in the future, and that as I understand it, that the urban users were at the end of the line. As that cut occurred, the major cut would have to be taken by the people that the Met served.

- KENNEDY: Yes, that's right. Basically, California water law is based on first in time, first in right, and the agricultural districts were there quite a bit before Metropolitan. So, there really wasn't much question that they had the priority rights to Colorado River water. California also was entitled to half the surplus water that was available and much of the legal argument revolved around how you define surplus water. I think to some extent Mr. Jensen's theory, maybe Mike's theory, putting aside the legal technicalities was, we were using the water, therefore we must have a right to it. [laughter]
- WOLLENBERG: California was probably using over five million acre feet, so there was something like 600,000 or 700,000 acre feet of water that was at some point going to have to be made up in some way.
- KENNEDY: That's right. California was using probably 5.2 or 5.3.
- WOLLENBERG: Is that partly the idea of what the State Water Project was for--the State Water Project water to the Met would make up what eventually was going to be diverted from the Colorado?
- KENNEDY: That is true. In fact, when the Arizona case was decided in '64, Metropolitan increased its contract with the state to take up a portion of the water, which had not been contracted for by other entities. The project was slightly increased from 4.0 million acre feet to 4.23 million acre feet, and Metropolitan contracted for an additional 500,000 acre feet. They went from 1.5 to 2.0 basically.
- WOLLENBERG: I guess back in 1968, you were not completely involved in all these things, but it sounds as if from your description at DWR that you already were getting into policy issues as opposed to "pure" engineering issues. Did that continue in your early years in Met? Did you find yourself becoming more and more involved in these kinds of big policy issues?

KENNEDY: Yes, I think gradually I did. When I was at the state, the last three years I was in Sacramento I was in statewide planning, working on the Bulletin 160 series, which was the California Water Plan Update. I think inherent in water planning is consideration of policy issues. I tended to get copies of the statutes that affected the state, like the Colorado River supply, I would read the court decrees, the contracts. I am not sure what caused me to do this, but I realized at some point that I had collected a set of the key statutes and the key court decisions and the key contracts and I would refer to them, which probably was unusual for a young engineer.

WOLLENBERG: Who were you working with at the Met? Who was your boss and your colleagues?

KENNEDY: I initially worked for a man who had been at the state earlier, his name was Lee Hill. Lee had been the executive officer of the state water rights board for about ten years. Prior to that time, he had been a Bureau of Reclamation water rights engineer. Lee had gone down to Metropolitan just about a year before I did and was working at the principal engineer level.

[End Tape 2, Side A.]

[Begin Tape 2, Side B.]

WOLLENBERG: Okay Dave, you were talking about working under Lee Hill and his experience.

KENNEDY: Yes, Lee had gone down to Metropolitan maybe a year, maybe a year and a half before I did. He needed an assistant, and he was acting as liaison to the Colorado River Board. Lee was in his early sixties at that point, and knew he would only stay another two or three years. To some extent he was looking for somebody to fill in after him, but the main thing was to help him out. Lee reported to an engineer by the name of Don Brooks whose title was administrative engineer for

the district. Don reported to the general manager. In one sense, there weren't all that many people between me and the general manager, just through happenstance.

WOLLENBERG: Who was the general manager at that time?

KENNEDY: At that point it was Henry Mills, Hank Mills. Then Hank retired--Hank was I think sixty-seven or eight at that point and in very good health, and planning to stay, but the legislature passed a statute that set a limit of some age as to how long you could stay and so Hank had to retire. I think it was probably about 1971 or '72. By that time, actually, Lee had retired too, if I recall.

WOLLENBERG: When Lee retired, did you become the chief liaison to the Colorado River?

KENNEDY: By that time, we had actually organized things a little bit differently. I think I did pick up his activities. By that time Don Brooks had set up a state water contract branch, which was to administer the contract with the state, and I was the branch chief at that point.

WOLLENBERG: So, you really had gotten into both areas of the key supply that was coming to the Met, both in terms of the Colorado and the State Water Project.

KENNEDY: Right. One of the things that seemed to be true about the Met staff at that point was they did not have people with State Water Project experience--there was nobody there from the Department of Water Resources. Lee was the only one from the state but his particular interest at the state had been fairly narrow, water rights. So, I to some extent filled a void that the Met staff seemed to have.

WOLLENBERG: Were you involved in other activities as well, other projects? Or was it mainly the Colorado and then the state project?

KENNEDY: It was mainly the Colorado River and the state project, right.

WOLLENBERG: Would you actually be designing engineering facilities to facilitate those projects, or were you more involved in coordination?

KENNEDY: No, it was basically contract administration, which involved lots of meetings with the state, and in the case of the Colorado River, lots of meetings with Colorado agencies. I might go back a moment. When I got there at the end of '68 and then in early '69, the states in the Colorado River Basin were taking steps to implement the Central Arizona Project Act with respect to how the reservoirs on the Colorado River would be operated. One of the requirements of that act was that the Secretary of the Interior established criteria for operating Lake Mead and Lake Powell, and that he consult with the seven states in doing that. The seven states and the contractors within the states.

By early '69, there was a very elaborate process set up by the federal government to look at alternative ways the reservoirs could be operated and to consult with all the interests in the process. Well, all the interests--and going back to your earlier question, did not include environmental interest as it certainly would today. It was basically the agencies that had contracts and their state representatives. During much of '69 we had a series of meetings in Denver, Salt Lake City, some in Las Vegas, some in Los Angeles, where there would be thirty or forty or fifty people in the room talking about how Lake Mead and Lake Powell should be operated. There were extensive computer studies. The Colorado River Board staff took the lead for California, but then each of the six agencies in California attended the meetings. We joked over the years that California always had to be represented by a big group because the six agencies all wanted their own representatives there. This was an issue that went on, is still going on.

WOLLENBERG: Were there real differences between the states on even these operational matters, the way in which the reservoirs would operate, would it affect state interests in a way that you actually would have conflicts?

- KENNEDY: Oh yes. The basic questions were, how far down Lake Mead and Lake Powell would be drawn to meet downstream needs during dry periods. There's quite a range of possibilities depending upon how you view priorities. While at one level it was very professional, everybody got along fine, everyone knew one another-- and this was one of the ways that I got acquainted with the other people in the other agencies in the other states is we all had these big work groups that put a lot of time into this. It was all, for the most part, very civil. But nevertheless there were strong differences as to what the answer should be. We all knew that ultimately the Secretary of the Interior had the authority to make the decisions. So, this was basically in the nature of trying to persuade the secretary what he should do.
- WOLLENBERG: I assume that California and the Met in particular would probably advocate lowering the reservoirs quite a bit in order to provide water during those drought periods.
- KENNEDY: That's correct, and Met would view its interests as in a dry period drying down Lake Mead quite a bit. Nevada, on the other hand, one of the three lower-basin states, and who could probably get in trouble quicker than others, would view that as possibly putting their whole supply in jeopardy, particularly if the lake came down below their intake.
- WOLLENBERG: I would assume that the Central Arizona Project could have the effect of meaning there would be less water than would be going to Lake Mead because it would be diverted upstream.
- KENNEDY: That's right.
- WOLLENBERG: And I suppose the other upstream states too as they came on-line with projects which would have that same effect.

KENNEDY: That's right, there were concerns about how fast the upper basin would develop for agriculture. There had been five irrigation projects authorized for the upper basin as part of the Arizona Project statute. There was concern in California that these might go forward rather quickly and then the whole supply would be depleted.

WOLLENBERG: The upper basin, that would be states like Colorado, Wyoming--

KENNEDY: Utah, and New Mexico.

WOLLENBERG: The lower basin then would be California, Arizona and Nevada.

KENNEDY: That's right.

WOLLENBERG: Then within the California group, would there be conflicts too? Would the agricultural users have a different perspective, say, than the urban contractors?

KENNEDY: Yes they did, and even among the ag districts they had different views, because Palo Verde, for example, had a very old right, and all they were really interested in was making sure that nothing happened to that right. They had the priority right. With Imperial, there is always an underlying assumption that they should be more efficient in their use of water, so there would be differences of view about what their water use per acre should be, that sort of thing. But generally speaking, the California entities would develop a position outside the meetings with the other states and then they would go in and let Mr. Holburt make that case, but then they'd be watching him like a hawk [laughter] to make sure he didn't get off the page.

WOLLENBERG: That sounds like it must have been fascinating--

KENNEDY: It was, and I think it gave me kind of an early--well, it was the first place I really got involved in negotiations and much of management and policy is negotiating. This was the first place I really got into that.

WOLLENBERG: It must have been interesting, because you have engineers who were trained essentially in a discipline that says that there are objective decisions to be made and ways to solve problems and now you're finding yourself in this situation where the "objective decisions" are being affected by political issues and interests and all that.

KENNEDY: By political issues, and of course, by statutes, which in themselves, or court decrees, which in themselves are not supposed to be political, but to some extent they are. I guess what I'm saying is beyond the statutes and the decrees, then you also have politics, which I tend to think of in terms of bringing things to a head in an elected body. We had quite a few different things going on all at one time. You had engineering studies, hydrology studies about operations of the reservoirs, and those were to some extent just a very traditional type of hydrologic study. Then the attorneys were very involved, and we worked very closely--engineers and attorneys, trying to figure out the best ways to do these things.

WOLLENBERG: Then at some other level, some political appointee might make decisions that might be different from yours anyway.

KENNEDY: Right. And some of these issues, you came back to the Secretary of the Interior, to some extent that is a political position, although he also knew that he had to make a decision which was supported by enough evidence that it was consistent with the statute he was working on.

WOLLENBERG: In that kind of a context, would California, because it was so much bigger than any of these other states, and had presumably so much more political clout and economic clout, would California have more influence in these negotiations just because of that? Or would it be just the opposite, that everyone else would gang up on California?

- KENNEDY: Oh, it's probably somewhere in between. On the one hand, there was a lot of cordiality among the people from all seven states. On the other hand, there's a lot of talk about the fact that California is bigger than all the other states, and supposedly has all this political muscle, much of which I came to conclude is illusive, it isn't real, because the Congress itself is not particularly influenced by southern California. I, in fact, over the years, would joke that southern California was opposed by forty-nine and a half states. [laughter] The other forty-nine plus northern California, and the much-vaunted southern California political strength in the Congress is really not meaningful at all.
- WOLLENBERG: Was there a similar process going on in terms of your work with the State Water Project in the sense that there would be different interest groups competing for the way in which that project should be operated?
- KENNEDY: Yes, the ag and the urban contractors within the state contracting family to some extent divide into two interest groups. You also have other interest blocs within the state contract family, to some extent regional, although not that much. It's more how the contracts affect different groups.
- WOLLENBERG: I guess in terms of the state contract, particularly at this time, the two major contractors were Met and the Kern County Water Agency.
- KENNEDY: Yes, Kern County Water Agency.
- WOLLENBERG: So that you have these--one primarily urban contractor and one an overwhelmingly rural contractor. Were there pretty good relationships between those two agencies, or would you find yourself in conflict?
- KENNEDY: Again, there were pretty good personal relationships, but there were some very vigorous disagreements about how things should be done. One of the early ones that I got involved in before I was assistant general manager was the question of

how power costs to run the state plants, the pumping plants, how those should be allocated among the contractors. We had a major disagreement and negotiation that went on for two or three years between Met and Kern with the other contractors kind of in the wings watching. [laughter]

WOLLENBERG: Let the two elephants fight it out?

KENNEDY: Well, to some extent. This might be worth telling, at this point, because it's how I became very well acquainted with Met's general counsel, John Lauten. When I first went there John Lauten was general counsel, he was their chief attorney. One of the things that was a little bit different about Met and is common to municipalities is that the general counsel does not report to the general manager, but to the board. The general counsel is a separate office. In fact, at Met they had five different staff officers reporting to the board. At that point, they had the general manager, the general counsel, the controller, the auditor, and the secretary to the board. These were all five independent staff people reporting to the board. I remember many years later telling one of the Met directors kind of laughingly that they ought to change and have the attorneys report to the general manager because I think it doesn't have to be divisive, but it can, and in one case at Met it did become divisive, where the general counsel and the general manager report separately. You're setting up--in essence you set up the general manager to where he does not have his own legal advice. But, it's a model that comes out of the municipal system, so there is certainly a basis to do it.

WOLLENBERG: I would think that might make it difficult for someone in a staff position too, if they see at the top there are these conflicts.

KENNEDY: It can and in some cases it did. What happened when I first got there was you had a general manager, Hank Mills, who was a very outgoing, long-time Metropolitan

engineer, a large, very gracious man who loved design and construction, particularly construction and did not have much feel for policy, frankly. Then you had a general counsel who was very strong as a person and intellectually and was far and away the most knowledgeable staffperson.

WOLLENBERG: Was this John Lauten?

KENNEDY: Yes. John Lauten who had been a city attorney and then had come to Metropolitan as an assistant general counsel and then had taken over as general counsel two or three years before I got there. John Lauten was a very strong person and one who freely shared his opinions about many issues. [laughter] One of those issues that I got very involved with was this allocation of costs and power for the State Water Project. John went on a crusade about how unfair it was for the state to allocate costs the way they were doing it. He felt costs that Kern was causing the state to incur were improperly being charged to Metropolitan and the other urban contractors. It basically revolved around peaking. John felt that the peaking of the pumping plants, peak pumping, was caused by the agricultural deliveries, and so they ought to have to pay for it.

WOLLENBERG: Even though most of the pumps were past Kern County, they were up in the mountains.?

KENNEDY: Right. But the way the state was allocating costs at that point, the state felt like they were doing it right, but they also were willing to do it differently if the contractors could agree how to do it differently.

WOLLENBERG: All the state cared about was getting the money.

KENNEDY: Exactly. They wanted something that they felt was consistent with the contracts and statutes, but they recognized there were different ways you could interpret it, and they had done it one way, and John Lauten wanted it done another way. So

maybe in 1970, '71, extending for two or three years we had a series of difficult meetings and negotiating among Kern and Met with the other contractors. In the process of that I sort of became Metropolitan's spokesman and worked very closely with John Lauten on that.

WOLLENBERG: Was there finally a resolution?

KENNEDY: There was finally a resolution.

WOLLENBERG: I guess at that time too, in the early seventies as the pumps and the delivery system over the Tehachapis were completed, there was this issue of Met having the right to take a very large amount of water but not needing it. So there was water that was so-called "surplus water" that the Kern district could buy at very low prices.

KENNEDY: Right, but that was all built into the system and Met had no problem with that because it recognized that that was a way to enable the Kern farmers to participate and pay their own costs. I think that while people have argued that Met was subsidizing Kern, you could make a strong case they were not subsidizing Kern, except on the power costs, and that the arrangement of the unused water in the early years being sold to Kern at incremental cost was okay with Met as long as Kern was paying its full share of the capital cost, which they were.

WOLLENBERG: In effect, Met was paying the capital costs that were charged to that water, but since it wasn't using the water it could sell the water at something less than those costs to Kern, is that the way it would work?

KENNEDY: It was really a case of any large water project has to go through a build-up period. You can't afford to build it so small and then enlarge it later. You know you've got to build extra capacity relative to the early years. The question is what do you do with that capacity. The way that the state contract was devised, each contractor wound up paying its share of the capital cost without subsidizing one another. I

don't think anybody ever, within the family, ever quarreled about that. Having said that, there was still a build-up period for Kern and Met. In the early years, whenever there was extra water, it was recognized that it was in everybody's interest to put that water to use to reduce the groundwater overdraft in Kern County, and in effect start storing the water. So that particular issue was not much of a problem with Met.

WOLLENBERG: Was that water used as storage? Some have claimed that Kern Water District expanded its agricultural operations tremendously during those years, so the question was when at some point the water was not available, was Kern then in a position to demand more water from somewhere else because it expanded its acreage so much?

KENNEDY: It was sometimes voiced as a concern, but Kern expanded within a defined area that was pretty much agreed to at the beginning. If you recall, in 1960 California agriculture was still expanding about 100,000 acres every year, and had for many years even at that point, and it was considered a good thing. I remember Pat Brown was very proud of the new agriculture. Eventually Kern did stabilize and when I was still at the department in 1994, we negotiated contract amendments that further stabilized the situation in Kern and they actually took some land out of production, sold the water to help pay for things. We actually came to, I think, a pretty good resolution of that concern.

WOLLENBERG: I guess since the early nineties, there hasn't been anymore of this "surplus water," so it hasn't been an issue.

KENNEDY: From time to time there is surplus water which is delivered, it's now called "interruptible water" because you have no right to it. When there's extra water in

the system and all the environmental criteria are being met, then Kern or anybody else can pump some of that water.

WOLLENBERG: But it's no longer this extra water from Met.

KENNEDY: Oh, that's true.

WOLLENBERG: That exchange pretty much ended by the late eighties?

KENNEDY: Right, and in a technical sense, it never was from Met, Met never had anything to do with it. I used to get into debate situations where people would say Met was selling Kern its unused water; well, that was never the arrangement. It was water left in the system and Met never had a relationship with Kern on that water.

WOLLENBERG: So it was just the state selling, distributing the water to Kern and requiring Kern to pay those extra delivery costs.

KENNEDY: Exactly, so that Met didn't have to pay them. Now the only thing I should correct myself, in the 1977 drought, we did sell Colorado River Water to Kern by exchange.

WOLLENBERG: Oh really?

KENNEDY: And they had to pay for it, and we didn't subsidize it. But that's when the state just didn't have any water and Kern had a lot of trees that needed to be irrigated, so Met did leave some of its state water in the system. In effect what they were doing was selling Colorado River water.

WOLLENBERG: So you bought more Colorado River water and didn't take the state water and allow that to stay in Kern.

KENNEDY: That's correct.

WOLLENBERG: Were you involved in other issues or projects during these early years at Met in addition to the Colorado River and the state project?

KENNEDY: There was one Colorado River issue that I haven't mentioned that was very interesting to me, and that was the salinity problem with Mexico. You recall in the late sixties when the Glen Canyon Dam was closed and Lake Powell was being filled that there were minimum flows going down the river and because of that the saline drainage water coming out of Arizona down near the Mohawk district, that was causing a salinity problem within Mexico. It became an international issue between the two presidents. I got quite involved in that through the Colorado River Board. In the early seventies, like '72 maybe, President Nixon appointed Herbert Brownell as a special ambassador on this issue, and John Lauten and I had dinner with Mr. Brownell and it was a very interesting thing for me because Brownell had been--let's see, had he been attorney general?

WOLLENBERG: I think he'd been attorney general under [President Dwight D.] Eisenhower.

KENNEDY: Yes, he had been Eisenhower's campaign manager, and he was a New York attorney, very prominent man, and one of the most impressive people I ever personally met. We had dinner with him at a hotel out near the L.A. airport, and I remember he had a State Department official with him. The purpose of the meeting was for them to ask us what Metropolitan's views were on this issue. The State Department had already cooked up its own plan, which was to try and take water from each of the contractors, each of the states. So Mr. Brownell laid that out and I remember I told him this just wouldn't work, that we would all have to fight it in the Congress and in the courts and that there was no way it could be made acceptable to the states. There was a feeling within the other six states, other than Arizona, that this was a problem made by Arizona and the United States, and that they were going to have to solve it with Arizona's water and they weren't going to solve it with California's water.

There was also a feeling that was not widely expressed publicly, but many of us felt this way, that Mexico actually had a much larger allocation of Colorado River water than it was originally going to get. When the Mexican Treaty was negotiated in 1944 during the war, there were other considerations than the Colorado River that came into play, particularly on the border with Texas. So, going into that negotiation, California thought Mexico was going to get about 750,000 acre feet of Colorado River water, they wound up getting a million and a half, a lot more than they were using. Within the treaty there was a provision that was meant to cover the salinity issue by saying they had to take whatever water came down the river, they couldn't start distinguishing. There was nothing that required them to take the saline water, they could have by-passed it themselves, but by that point they wanted to use it and they made a big fuss and Mr. Brownell was the one who was supposed to straighten this out for the United States. What we told them basically, and Myron Holburt and I had talked a lot about this before we talked to Mr. Brownell--we felt that the only way the United States could get out of this was to put their own money into the kitty and build a desalting plant.

WOLLENBERG: Which I think they finally did.

KENNEDY: Which they did do. While the State Department staff person who was with Mr. Brownell was clearly unhappy with what we were telling him, Ambassador Brownell was very thoughtful. He came across as a very bright, strong, thoughtful person who was there to try and solve the problem, not to argue some particular position.

WOLLENBERG: I remember, I was actually doing graduate work in Mexico at that time.

KENNEDY: Really? [laughter]

WOLLENBERG: There were banner headlines in Mexico City newspapers about this, this was a major crisis as far as Mexico was concerned. I guess some of their cotton fields in Baja California were dying because of the salinity levels of the water.

KENNEDY: Right. In my recollection, some of that cotton was owned by United States interests.

WOLLENBERG: Yes, you're right. [laughter]

KENNEDY: Well, that was interesting to get involved in that.

WOLLENBERG: You even got involved in international relations.

KENNEDY: Oh, a little bit.

WOLLENBERG: During this time you were changing your career status, because in just eight or nine years you went from just a regular engineer up to the assistant director.

KENNEDY: What happened was that, as I say, I got very well acquainted with John Lauten, and John was quite outspoken about things that he felt Metropolitan staff should be doing. He didn't think we had enough staff working on some of these issues; he thought the manager needed to pay more attention to some of these issues. When these things came before the board in the committees, and to a lesser extent, at the board itself, John was usually the one that carried the discussion for the staff, rather than Hank Mills. I often got involved in helping explain something to the board or to the committees.

Then after Hank Mills had retired, forced into retirement by age, the new manager was a man named Frank Clinton who was already quite a senior person. Frank was a retired Bureau of Reclamation regional director from Salt Lake City. The Metropolitan had hired Frank to come down and run the design and construction program for the enlargement of the distribution system. Frank was a very fine, dignified man and rather quiet and he was probably about sixty-five when Hank

Mills was forced into retirement. But Frank was the senior guy, they had one assistant general manager, and Frank was it. So the board--somewhat in a tradition--asked Frank to become general manager. Frank was actually a little reluctant to take it on because of his personal life, and he just really didn't want to put that much effort into it, but he was a very dedicated guy.

WOLLENBERG: I guess he was only a couple of years away from retirement himself.

KENNEDY: Exactly. Frank was asked though to become general manager, and if I recall right that was in '70 or '71 he took over for Hank Mills. Frank and I got involved in some issues that came up too. He knew quite a bit about the Colorado River.

[End Tape 2, Side B]

[Begin Tape 3, Side A]

WOLLENBERG: You were mentioning that you had traveled with Frank Clinton on some of the Colorado River issues?

KENNEDY: Yes, I remember going over to Phoenix with him one time on a power issue. We got acquainted and what happened was when there would be a discussion between the general manager and the general counsel on something that I was involved in, I would often be in meetings with John Lauten and Frank and a few other people. So I got acquainted with Frank. Somewhere early in that period, it was probably about 1973, he decided to promote two of us to principal engineers, two of us who were both about thirty-five. The other fellow was named Dick Balcerzak. Dick was a construction person. He eventually became assistant general manager. Dick and I were the same age. Dick was a very competent construction guy, he was actually out in the field running a lot of construction. He was kind of a rough-hewn guy, but he was exceptionally bright and capable and well liked by everybody. At some point in about 1973 I think it was, Frank Clinton promoted

both Dick and me to principal engineer and we were both, as I say, about thirty-five which was kind of a revolution at Metropolitan. [laughter] I have a picture of the two of us together.

WOLLENBERG: Principal engineer is the highest level engineer?

KENNEDY: Yes, it's kind of the middle management. It's before you get to division, but it's considered a management position.

WOLLENBERG: You were more on sort of a policy side and he was more on the construction side?

KENNEDY: Yes, that's exactly right. We were good friends, and he's a very fine person. I should mention one other guy who was instrumental in Dick and me being promoted and moving forward. The director of public affairs at Metropolitan was a man named Alan J. Williams, Al Williams, and Al was fifteen, sixteen years older than Dick and me. Al had come to the district as public affairs director in about 1960 or '61. He had been a newspaper reporter for the Hearst papers, and he had been deputy mayor under Norris Poulson when Poulson was mayor of Los Angeles. Al had been deputy mayor about six years, and he had done a little stint at public affairs in private industry, but then he had come to Metropolitan as director of public affairs. He was in some ways the strongest policy person from a public affairs standpoint at MWD. Al had kind of an unlimited portfolio to do whatever he wanted to do. He did all the standard--he was in charge of the lobbying operations for both Sacramento and Washington, he had all the publications, the tour programs, all that. But he also attended any meeting he wanted to go to, including meetings in the manager's office. He had a very broad view of public affairs. He was a man with a great sense of right and wrong, as to what public agencies should be doing. Very caustic--many people found him difficult because he was so outspoken, or could be. He was very valuable to

Metropolitan in trying to help them do the right thing on any given issue. This is a theory of mine, public works agencies are usually run by engineering types who do not have a very broad view of the public interest. They tend to be very suspicious of newspaper people, that whole thing. Al had been a newspaper guy, he felt it was very important to have good relations with the press. He might have a row going on with some newspaper person, but he basically fostered good relations with all the media people in Southern California, made a real effort to do it.

Kind of through the Colorado River Board he and I became pretty good friends. He went to all the Colorado River Board meetings. He became, to some extent, a mentor on policy issues. Eventually we became close friends, went to lunch a lot when I was assistant general manager. Al was a very interesting guy. He felt that the district needed to bring up some younger people, so he kind of picked out Dick and me and went to Frank Clinton, and I never, of course, heard the conversation, but I'm sure it was profane. [laughter] But Frank had a very high regard for Al, they were close. Frank recognized that Al was an unusual person to have in a public agency.

Just another couple of things about Al. Al was exceptionally well read, one of these people who read two or three books every week from the time he learned to read. You couldn't talk about anything that he didn't know something about--in interesting ways. Of course, he was an encyclopedia of politics, and so it was a lot of fun to work with him. I was sorry when he retired a little bit early, 1980 he had a little trouble getting along with the then-new board chairman, Earl Blaise, and so I remember Al told me that he was going to retire. He was sixty at the time. In any event, one of the reasons that I got promoted younger than was routine at Met, and

this applied to Dick Balcerzak also, was because Al took us under his wing and looked out for us.

WOLLENBERG: Was there any resentment that these young guys were being pushed up?

KENNEDY: I don't think there was resentment about Dick, because Dick was such a--in his own way, a tough construction guy, and his brother also worked at Met, his older brother worked at Met in construction. He had anglicized his name to Blake. I always felt anybody that didn't like Dick better go see a shrink, because Dick was one of those guys that was at the office, or at the cafeteria at six in the morning, just a wonderful person. Part of my problem was not only that I was young but that I was new. I was one of the new guys on the block, and of course, I think when I left I was still a new guy on the block. [laughter] Fifteen years later. I didn't have any animosity towards anybody.

WOLLENBERG: It didn't get in the way of you doing your job?

KENNEDY: I didn't think it did. When I eventually was named assistant general manager, one day Don Brooks was my boss, and the day I was assistant general manager, he was then working for me. Don was completely professional about it, we always had a good relationship.

WOLLENBERG: Well maybe we can get to that. This would be about 1972 or '73 that you became principal engineer, but what was the final step, what led to the assistant general manager?

KENNEDY: What happened was, when Frank Clinton became general manager, he made it clear he was only going to be there for two or three years. He told the board that, and he was not ambitious, he basically wanted to move on. The board started thinking about who it was going to ask, and a number of people felt that John Lauten would be the logical person to take over. I don't recall that John exactly

asked for it, but he certainly was so assertive in his views about things that there wasn't much doubt he was a very strong candidate. I think there were a few outsiders who were considered, but John was so knowledgeable and hardworking. So John was, I think, designated as the new general manager well before he actually took over.

One of the things he decided to do was to reorganize the management, to reorganize the district itself, and have less people reporting to the board. Now he kept the general counsel reporting to the board, and that's still that way, but the secretary to the board was taken in within the manager's job, as I recall and the auditor was brought within. And the treasurer, if I'm remembering this correctly [laughter] it's been a little while. So John started a reorganization, which of course required the board to change the code of the district. So it was a many months long process. Somewhere in that process he decided to create a second assistant general manager position. There had only been one, and it was usually an engineering type position, or that was the responsibility. John decided to set up a second one and basically divide up the divisions reporting to the manager. There were eight or nine separate divisions like engineering, operations, planning. He decided to have half of them report to one assistant general manager and half report to the other. He came to me some time before he took over and explained what he was doing, and that he was going to recommend that I be named one of the assistant general managers. I had gotten a little bit of a hint from Al Williams, but I really didn't know what was going on. I was never part of that process of the reorganization activity. John used other staff people to do it, so eventually he got it approved and it took effect the first of July 1974, and he had already obtained approval for me to be named assistant general manager. So there was actually a several month

awkward period where I was a principal engineer with one set of responsibilities, but I had been publicly designated to become assistant general manager the first of July. I thought that was the one period that was just a little bit strange. [laughter]

WOLLENBERG: A little uncomfortable.

KENNEDY: Slightly.

WOLLENBERG: I think probably we ought to go on and discuss your career as assistant director of the Met as a whole next session, but were there any other issues, or any other experiences during these first eight or nine years that--whatever it was, '68 to '74 that we haven't covered?

KENNEDY: One thing in that same time frame came from the State Water Resources Control Board that had been established by legislation in '69. It was a five-member board that included both water rights and water quality. It held Delta hearings in 1971. I wound up testifying at those hearings as a so-called "expert" on hydrology, because I reviewed some information that Contra Costa County was putting into the record and realized from my previous experience that it was really not valid data that they were putting in. They were grossly overstating the amount of water that would be diverted. So I became an expert witness as a rebuttal witness, really.

WOLLENBERG: Was this water that would be diverted to Contra Costa County?

KENNEDY: No, it was water that would have flowed out of the Delta.

WOLLENBERG: Into the state and federal system?

KENNEDY: Well, they were basically arguing that the water that the state and feds would be diverting was depleting the water going into the Bay, which is true, but they were overstating the amount of the diversion. They had hired an expert from UC Davis, Ray Krone, who I eventually became good friends with. Ray passed on last year. Ray had put in some testimony for Contra Costa County, which he'd been given

bad data basically, some bad hydrology. I reviewed this hydrology, just based on my work in the sixties when I was at the state. I realized he had the wrong stuff, he had been given obsolete hydrologic data. I wrote a report, and I went to see him to show him what I was doing because I didn't want to get crosswise with him. He was, you know, comfortable. I mean, he was a very honest man, who felt, put the facts in whatever they are.

In any event, I got involved in that hearing, and when the board came out with its decision in 1971 there was a lot of disagreement with it. Ron Robie was the vice chairman of the board. Ron had been the principal staff person writing the legislation that established the board, and then Governor Reagan had appointed Ron to the board. Ron had taken the lead in getting this decision put together. Most of the water contractors were vigorously opposed to it. Here again, I got quite involved in reviewing the decision, and working with John Lauten and then the other contractors and then reacting to the decision.

WOLLENBERG: But even before that decision, agencies like the Met were opposed to the concept of establishing the board itself?

KENNEDY: No, they had no problem with the board itself--

WOLLENBERG: It was the decision?

KENNEDY: Right, and they had no problem with establishing criteria, we all believed there had to be criteria.

WOLLENBERG: It was just the particular decision.

KENNEDY: Exactly.

WOLLENBERG: I guess this will lead us next time into the whole issue of the Peripheral Canal and controversies over taking water out of the Delta. Well, I think that is a logical

stopping place, unless you have other issues that you think go back to this part of your career that you can deal with now.

KENNEDY: That's probably enough for now. [Tape break]

[End Tape 3, Side A]

[Tape 3, Side B is blank.]

[Session 3: October 7, 2002]

[Begin Tape 4, Side A]

WOLLENBERG: David, last time we talked about your appointment as assistant general manager of the Met in the 1970s. Maybe you could outline specifically the duties and responsibilities you had.

KENNEDY: This happened in July of '74 when John Lauten became general manager, he created a second assistant general manager position, and he appointed me to that position. There was a fellow who had been there for quite a while who continued for about another year as an assistant general manager, and I was the second one. What John did for our duties was basically took the eight or nine divisions that the district was organized into and had each one of us oversee four or half of them. My recollection is that for the first few years, I oversaw planning, public affairs, finance, and I'll have to think back because over the nine years I was assistant manager, I think at one time or another I did oversee all the different divisions. It just kind of turned out that way.

WOLLENBERG: But it sounds like at least in this initial cut it was more the policy and planning side of the coin rather than the engineering and structural side.

KENNEDY: It was, right. I know eventually I did oversee both engineering, which is basically design and construction, and the operations group, operations division, which is the largest division. Oh, I think that first go-round I oversaw personnel also, those were the four.

WOLLENBERG: What were your working relationships like with John Lauten?

KENNEDY: Well, John was a very interesting kind of guy to work for, really. He really didn't get in your hair very much. He gave you areas of responsibility and he was happy to talk about anything, you could go in and shoot the breeze about things, and he held quite a few staff meetings, but he basically left people alone to do what they felt needed to be done, other than the particular things in which he was personally involved. He was a good person to work for in that regard, because he cut you a lot of slack.

WOLLENBERG: It's interesting, because I have the impression that he's one of these take-charge kind of guys, and you would think that would be the kind of person who would want to interfere with everything.

KENNEDY: You know, he had very strong opinions. I used to joke that John had a great faith in the value of facts and information--that he was going through life imparting facts and information. He had a hard time realizing that there could be ambiguity and that furthermore people could have the same information and facts and come to different conclusions. [laughter] He had lots of tension with the board because of that. He was a very strong person, he'd been all throughout the War in Europe with the First Infantry Division and was just a tough person. In another way, I never thought of him as having any ego that he had to put out front. He tended to let people do their thing.

There were several other young people that he brought along and gave more responsibility to than young people had had in that organization. I think I mentioned Dick Balcerzak, who was my age. He moved Dick up. Then there was a young fellow named Jim Krieger whose grandfather was on the board, and Jim's dad was Jim Krieger Senior of the law firm of Best, Best and Krieger. Jim Senior

was the most prominent water attorney in southern California. Jim Jr., his son, was on the staff at the MWD and an extremely talented, capable young guy, very resourceful and a good negotiator.

I remember several years, oh, I'd probably been assistant manager four years and Jim was reporting to me at one point, and he had moved up to become like a division chief and somebody complained to me about how fast he was moving up and it was because of his grandfather. I said, "When you can get as much done as Jim can get done, and solve some of these seemingly intractable negotiation issues that Jim would take on, then come see me." But he was just extremely productive, and John put a lot of confidence in Jim, gave him a lot of latitude. Jim was later killed in a tragic accident. In fact, his dad was also killed, both son and father were killed in separate accidents. Then his mother, Lois Krieger, eventually went on the Met board. I think she replaced her father, and she eventually became chairman of the board. In fact, she was chairman when I was director up in Sacramento. We were good friends and eventually served together on the Colorado River Board. She's retired now. So the Krieger family was very prominent. I mention this because John Lauten just kind of tried to give responsibility to people he felt could exercise it and then he stayed out of their hair.

WOLLENBERG: It sounds like he may have shaken things up a little at the staff level by bringing younger people up.

KENNEDY: He did, he did. John could be pretty outspoken when things weren't going well and when somebody did something that was poor judgement, including the board. He had, as I mentioned, a couple of rows, more than a couple--he had some significant rows with the board including with Earl Blais who became the chairman after John retired.

WOLLENBERG: Were these rows on substantive matters, on policy matters, or was it more personality?

KENNEDY: No, it was policy matters. John I don't recall ever really got into personality issues. He was very dedicated, did a lot of research, reading, tended to know as much about a given issue that went to the board as anybody. When something went to the board, he often would rely on staff to make the presentations but there wouldn't be anything said that he didn't already know.

WOLLENBERG: Were these matters regarding--what were the policy matters that were coming up during that time, that would cause conflict between staff and board?

KENNEDY: I remember one of the issues that came up in the early seventies, it actually came up before I was assistant manager and then I wound up handling it, the question of whether the district should get involved in providing cooling water from its aqueduct out in the desert to power plants, which the utilities were proposing to build out in the desert. It came up first I think in '72 or '73 where Southern California Edison and then San Diego Gas and Electric, they couldn't build nuclear power plants on the coast because of earthquake problems.

WOLLENBERG: They had built San Onofre, by then.

KENNEDY: Right, but it was pretty clear that they weren't going to build any more, both because of the coastline issues and because of safety concerns. So they decided to try and go out to the Colorado River area where there were fresh water supplies. A steam power plant, whether it's nuclear or gas or coal, has to have cooling water.

WOLLENBERG: Of course.

KENNEDY: So the question is where do you get the cooling water? They started doing some work out there in the desert where they thought it would be a good place to site a plant, a long ways from anybody. They felt they could probably get good

acceptance in the local community, because of the tax base, out in the community of Blythe in particular. So they came to Metropolitan and said, "Would you provide water for us out in those power plants?" There was a real question of whether we could do it legally under our statute. They kind of pressed us to interpret the statute in a matter that we could. John and I both felt it was a stretch of the statute to do that and that we were better off going to the legislature and getting specific authority to do this.

I remember somewhat over Edison's objections, we did go to the legislature in about '73, ran into more trouble than we expected from the Farm Bureau who basically objected to the use of fresh water for power plant cooling. It was, we felt, kind of an abstract argument, but their lobbyist, a man named Bill DuBois who was a farmer, a farming background in Imperial Valley--Bill showed up at the hearing and we kind of joked to ourselves that this wasn't going to amount to much. Well, my recollection is that he pushed it over into the next year. Bill turned out to be an absolutely tireless worker on things he felt strongly about. He and I became good friends and when I was director I would see quite a bit of Bill.

But the first go-round on that water for the power plant cooling was quite an issue. In having to go to the legislature to amend the act, we had to go to the board and the board was a little apprehensive. In fact, one of the reasons Edison didn't want to go to the legislature, was that they were afraid somebody would start jerking them around on other issues. There's kind of a rule of thumb--don't go to the legislature unless you absolutely have to. [laughter]

WOLLENBERG: Was the reason to go to the legislature to allow you to provide water outside of the boundaries of your normal district, was that part of the issue?

KENNEDY: Yes. Because our authority was to provide water into six counties on the coastal plain. It seemed pretty clear in the statute for the Metropolitan Water District, and we just felt it was--well, you could talk about exchanges and even rationalize lots of things. We just felt that given the significance of this, we wanted to have a pretty clear authority to do what we were doing. Well, this turned out to be a rather long, drawn-out process. Edison, even after we got the authority, Edison eventually dropped out, decided not to go forward, but San Diego Gas and Electric decided to build a nuclear power plant out there called the Sun Desert Nuclear Plant. I got very involved in that. It went on for probably five or six years until it was finally killed by the Jerry Brown administration.

WOLLENBERG: Were you involved in the sense of opposing, or supporting, or just involved in doing the technical process of the water transfer?

KENNEDY: We were basically in support. We told San Diego that if they were going to use our water then they had to allocate 10 percent of the generating capacity of the plant to pumping water into southern California. We basically said the water community needs to get something out of this too. We made that a condition. Once it became a condition then we had an interest in that plant being built and I became somewhat of a spokesman for the plant itself as it went through the Energy Commission process. This was the first big project that the new Energy Commission had to deal with.

WOLLENBERG: This was during the Jerry Brown administration, and he had established an Energy Commission.

KENNEDY: It was actually established by legislation. Senator Al Alquist in Santa Clara County authored the bill. It came out of the energy crisis of the early seventies. So the Energy Commission, which was supposed to simplify everything, of course

made everything more complicated. My recollection was that this was the first significant hearing before the commission and what it really became was an issue of whether there should be a nuclear power plant. I did a lot of personal--you might call it research, I talked to lots of people and read lots of reports on the safety issues about nuclear power because I wanted to understand as best as I could, what this was all about. It dragged on for quite a few years.

WOLLENBERG: This was right in the midst of a whole debate about nuclear power in general in California.

KENNEDY: It was.

WOLLENBERG: If I recall, there was even a measure on the ballot at some time in that period about nuclear power.

KENNEDY: You're right, I'd forgotten that. There was.

WOLLENBERG: So you got caught up right in the middle.

KENNEDY: I got caught up in the whole thing. At the time, I was pro-nuclear, and that was probably as much as anything due to my engineering background. It seemed to me, it made a lot of sense. In subsequent years, long after Sun Desert had been put to rest, I eventually actually voted against keeping the Rancho Seco project in Sacramento open. I still think that there are good theories there, but I became pretty skeptical about whether society can organize itself to do it safely. There have just been too many horror stories of utilities not operating in a completely safe manner. So it's just an irony to me, and a little distressing that I eventually decided that I wasn't going to support any more nuclear power for a while. I tend to think it'll come back at some point, but it'll probably be different kinds of reactors that are inherently safer and probably smaller.

WOLLENBERG: I guess at this time, this was before Three Mile Island and also before Chernoble, so you hadn't had those two major disasters to consider.

KENNEDY: Actually, my recollection was that Three Mile, which occurred in the late seventies I think, that occurred while this was going on. Or maybe just after it. I eventually came to realize that in all kinds of highly technical facilities, like power plants, there's too much difference between the theory and what actually happens.

WOLLENBERG: Human beings get involved.

KENNEDY: Human beings get involved and profit motives get in the way, and pride gets in the way, and bad judgment gets in the way. Just as an aside, I eventually came to reflect on this conclusion that the original mistake was made by the old Atomic Energy Commission probably in the fifties when they encouraged all the utilities throughout the country to build nuclear power plants. They said this is going to be the cheapest, safest way to do power, and so you had all these small utilities--or some small, who really didn't have the resources and the financial backing to do what they needed to do. And this may sound odd, but I thought, you take a publicly-owned utility like SMUD [Sacramento Municipal Utility District] where you have decisions made by a board of directors in heated, open, public meetings. Now, I'm a great believer in open, public meetings. I'm kind of a nut about not having secrecy on public affairs. But you can't make safety decisions and funding decisions for nuclear plants in public meetings where people are mad. You've got to have a more dispassionate process.

So anyway, I came away with the feeling that if we were going to have nuclear power, they probably should have done it with the federal government designating a single design, maybe two, and then designated maybe ten or twelve utilities throughout the nation to build them. Then they'd only oversee those ten or twelve

utilities. They wound up overseeing far too many utilities. Now my theory about bigger might be better, from what I'm currently reading in the paper, is not working out in Japan. [laughter] So there goes that theory.

WOLLENBERG: Well, it sounds as if in your new position as assistant general manager, you were much more in contact with the Met board than you had been in your earlier position. Were there particular board members you were interacting with in those years, even before the Peripheral Canal fight?

KENNEDY: Actually there were. There were several directors that, even though it was a very large board, fifty something members, there were maybe only really ten or twelve who took a week-by-week interest in some of the water policy issues. Directors were not paid, they worked two days a month basically, and so it was a labor of love. Most of them were ex-city council people, local elected officials that had then been appointed to the Met board. It was quite a prestigious appointment to get on the Met board. So while it was a huge board, there were really only ten or twelve who paid attention week-in and week-out, and the others kind of relied on them.

I'd been working with some of those people, like Howard Hawkins. Howard became chairman, I remember, in '75. Howard was a former mayor of Covina. He and I had worked together when I did some engineering for MWD on the San Gabriel groundwater adjudication and Howard had a personal interest in that, coming from that area. He was a very informal, nice guy, and so I got acquainted with Howard. There was another director who I was close to, Hans Doe. Hans was chairman of the water problems committee in those days. Hans was a long-time board member, very active. He was involved in the L.A. area Chamber of Commerce even though he was from northern San Diego County. The L.A.

chamber had a very broad outreach program. He chaired a water task force that met once a month, and I remember he had me go speak to them probably in '72 or '73. Oh, Harry Griffin, who was one of the finance people on the Met board. Harry was a former banker and a very impressive man with a strong financial background from San Diego County. Harry and I got acquainted. The board members I always felt were really very good about working with staff. John was very good about letting you talk to directors, he never resented it.

WOLLENBERG: I was just going to ask that. He allowed staff people to have direct relationships with the board?

KENNEDY: I'll tell you one kind of funny incident that happened. When Howard Hawkins became chairman, as a former mayor, he was used to the city manager calling him every day and talking for forty-five seconds or maybe a minute, just telling him what was going on, and Howard expected that. So he became chairman, and he told John that he wanted to get a call two or three times a week, but John wouldn't call him. [laughter] John himself did not want to talk to individual board members. He would not lobby the board outside of board meetings. The general counsel, Bob Will and I, wound up doing a lot of that outreach, just because we didn't like to go into board meetings without a pretty good idea of what was going on, if people had questions. The interesting thing is that John did not resent that. John never told us, "Don't talk to him." So Howard and I would talk probably twice a week. John didn't think it was subversive, and I certainly never hid anything like that.

WOLLENBERG: He must have been a person who had a lot of self-confidence not to feel threatened by things like this.

KENNEDY: That's a good way to put it. [laughter] John had as much self-confidence as anybody I ever knew. But, at the same time, as I think I indicated, he had great humility. He wasn't somebody who felt he had to dominate things. If he felt he had information, he was going to present that information, and he might get pretty frustrated if you didn't come to the same conclusion he came to. But he didn't resent it very much if you came to a different conclusion, he just felt it was wrong. [laughter]

WOLLENBERG: He didn't resent it, he just felt it was wrong.

KENNEDY: Right, it wasn't a personal thing with him. In that regard he was really rather unique, he was quite a guy.

WOLLENBERG: Was it 1979 that Evan Griffith took over?

KENNEDY: Evan, and he was known as Grif. Grif actually became general manager in '77 when John retired. When Grif became assistant general manager in '75, he had been construction engineer. Grif had a reputation as being a very knowledgeable construction guy, he was very quiet, very large man. If you sent to central casting for your construction manager you'd get Grif. He was a bright person, and I remember when the former assistant general manager retired, John asked me who I thought might be a good fit--he would talk to people about things like that. I suggested Grif, I knew him fairly well, and he basically didn't give people trouble. He seemed to be on top of the construction program and so he seemed like a logical guy to oversee construction--well, engineering, design and construction, operations. I forget, I think maybe he got personnel. So we did a rearrangement when Grif came in as assistant manager.

WOLLENBERG: So you and he were on the same level.

KENNEDY: We were on the same level, right, and we had a good working relationship. Then two years later John made it clear he was going to retire. I can't remember whether John was sixty-three or sixty-four, but he had said when he became manager that he would retire in '77. Then we went through a process which was somewhat challenging personally, because the board developed an elaborate process that went on for about seven or eight months to select a new manager. John recommended me, and was open about it, but the board felt that they needed to interview quite a number of people. I think they might have even gone outside, although I can't recall right now whether they solicited any outside people or not. In any event, they wound up interviewing probably, I think half a dozen people. They eventually selected Grif and so he became general manager. It was an interesting situation because as they got down to the last month or so I remember telling my dad, "Even though John's supporting me, I have a feeling this isn't going to happen." I said, "Don't start thinking this is going to be--I have a feeling they're going to go for seniority."

WOLLENBERG: Was Grif much older than you?

KENNEDY: Oh yes, Grif was probably fifteen years older than I was or something like that. But it was kind of funny what actually happened. I found out later. When I got into the interview they had a personnel committee, and of course I knew all the directors, as did Grif. They interviewed each of us I think for about an hour, and there were probably twenty-five directors in the room. The committee itself was twelve or fifteen maybe, but other directors could go to any committee meeting, so the room was full of directors. There could have been twenty or twenty-five in there.

WOLLENBERG: You had a quorum of them.

KENNEDY: They had a quorum, right. [laughter] I knew there was going to be an issue when one of the directors whom I had had a very cordial relationship with, said his question was, "I understand you have a cavalier attitude about unions." We were just going through having our employees organize a union, and it was put in such a pointed manner that I thought, "That's a very odd question." It wasn't coming--I knew this fellow, a very gracious guy, and I thought, "Wow, where's he getting that stuff?" Then I got a couple of other questions that were really out of left field, but I kind of said to myself, "There's obviously been some pre-meetings." [laughter]

WOLLENBERG: Do you think it was involved within the staff itself?

KENNEDY: Actually, about a month later one of the directors, Hans Doe, came by and saw me and he told me what had happened. The fellow who then became Grif's successor as assistant general manager, Bob Gough--Bob had been personnel director, and it turned out that Bob had helped Grif run a campaign. Hans explained all this to me. You know, I've been around long enough to know these kinds of things happen. So we just--life went on.

WOLLENBERG: You say a campaign, did you run a campaign too? Was it a matter where there was actually campaigning going on?

KENNEDY: No. No, I didn't do a thing. I don't know that Grif did anything personally, it wasn't in Grif's nature to do anything. But Bob Gough was an extremely ambitious person, and I heard a lot of things from Hans that to me all fell into place. In essence, Bob and I became assistant general managers together, and we pretty much had a decent working relationship. We had our moments, but for the most part, he stayed out of my activities. I remember he kept personnel, he kept finance, or he took over finance. I forget how we divided things up completely, but there was a logical division.

WOLLENBERG: Did you and Griffith have a good relationship after all of this, or was there some sort of tension?

KENNEDY: Actually, we had a good relationship. He, with almost no exceptions, did not make an effort to get into the things that I was responsible for. In fact, the board members tried to reassure me that there was nothing personal, that I was just kind of young and they felt that most of my experience had been in these outside areas, is the way they put it, and they wanted me to continue to do that, but to also spend more time on the inside stuff. It was to me kind of an odd way to put things, but I didn't take it as a personal criticism so much as a rationale for doing something that they felt more comfortable about.

[End Tape 4, Side A]

[Begin Tape 4, Side B]

WOLLENBERG: I was asking whether you think maybe part of the issue had been an old-timer/new-timer conflict, the fact that you hadn't been on the staff for very long compared to some of the other people.

KENNEDY: I didn't sense that it was that. I know that some of the directors just felt I was a little too young.

WOLLENBERG: Wet behind the ears.

KENNEDY: Right. Grif was someone who at that point they felt comfortable with. That eventually changed and they did not feel comfortable with Grif. Directors eventually would come to me and suggest they had made a mistake. You almost felt like saying, "I don't even want to discuss this, don't talk to me about things like that." It turned out that Grif was very bright but he didn't work very hard and he didn't make an effort to understand things that he didn't have a background in. There came a time, actually quite soon, when issues would come up in board

meetings, Grif was just not in a position to answer the questions. That was in contrast to John Lauten who could talk about anything. He didn't have to, but he could, and the board had a lot of confidence in his knowledge.

Each board meeting there were usually ten or twelve issues that came to the board that had to be dealt with, not all complex, but there were maybe that many issues that the board had to consider, and might ask some questions about. Grif just wasn't in a position to deal with very much of it. He didn't know Sacramento, he didn't know Washington, he didn't actually know the member agencies. He really didn't know much outside the district and it was kind of an awkward situation.

WOLLENBERG: His expertise was more in construction and running the project as opposed to these subsidiary issues?

KENNEDY: Well, not even running the project. His expertise was in construction. I think maybe he was at a point in his life where he just wasn't going to make the effort to read a lot and learn a lot. John Lauten I think read two or three hours every day at home. Grif just wasn't into that. Now, Bob Gough was very bright. He didn't have background in these issues, but he was ambitious and wanted to learn. I didn't realize it at the time, but after I left the district I found out that Bob's ambition was to become general manager and he made a run at it.

WOLLENBERG: But didn't succeed.

KENNEDY: But did not succeed, no, and was quite bitter about what happened.

WOLLENBERG: I guess one of the roles that you carried on was the political role, or the role of policy in dealing with Sacramento and Washington during those years.

KENNEDY: Well, within the staff, I handled a lot of that. We had a full-time staff person in Washington who reported to me. We had a full-time staff person in Sacramento who ostensibly reported to me. Bill Fairbanks in Sacramento was very strong and

kind of the joke was, Bill thought he reported to the chairman of the board.

[laughter]

One of the fellows who I mentioned last time, who I was very close to, was Al Williams; he was our director of public affairs. I had been close to him since the early seventies and he took the credit for getting me up to assistant general manager and I think actually was a big factor, because he was close to both Frank Clinton and John Lauten. He was very involved in policy issues. And then Bob Will, the general counsel, Bob was also very strongly involved with policy and had a tremendous feel for policy issues. Bob really enjoyed lobbying.

When Bob became general counsel, he had been the district's lobbyist in Washington, and then he became assistant general counsel for about a year, and then moved up to general counsel. Some people thought, "How in the world can Bob, who has been a lobbyist for eight or ten years, how can he be general counsel?" I thought he'd do okay, because I just knew how bright he was. Very hard-working guy, a lot of fun to work with. I came to realize Bob was an outstanding general counsel. He was extremely knowledgeable but he also had a personal feel for public policy issues; he had a political antenna.

His brother was at that time administrative officer of Los Angeles County, Art Will. Their dad had been administrative officer of L.A. County, and Art eventually became the CAO of Contra Costa County. It was in the family. The board members sometimes complained about staff running things, they were really complaining about Bob and Al and me. [laughter]

WOLLENBERG: I guess the big policy issue, certainly by the late seventies, was the issue of the Peripheral Canal, and I think you played a pretty important role in the Met's whole activity in that issue.

KENNEDY: Right. The Peripheral Canal became the dominant issue in the late seventies and early eighties, and culminated in '82 with the Peripheral Canal Election. The Peripheral Canal as a concept goes back to the early sixties when the State Water Project was being put together and the department knew that it would have to do something to move water across the Delta from the Sacramento River to the new pumping plant. In fact, if you put it in a broader historic context, the Bureau of Reclamation wrestled with the same issues in the fifties when they built the Delta Mendota Canal and Tracy pumping plant.

WOLLENBERG: The basic problem is taking water from the Sacramento side of the Delta and transporting it over to the San Joaquin side of the Delta before it gets pumped further south.

KENNEDY: That's exactly right, yes. And the interior channels are not big enough, so you wind up bringing some water all the way around the tip of Sherman Island and the western Delta where the channels are bigger. In the process, you're bringing a little bit of salt with it. So as early as the fifties, it was known that something would have to be done to provide a better pumping system for the Delta. When the Burns-Porter Act was approved in the late fifties and then voted on by the people in 1960, the concept was to build a series of channel control structures, locks, improved channels, basically, to move the water through the Delta.

WOLLENBERG: But within the Delta itself.

KENNEDY: Within the Delta itself. The department had hired a Dutch engineer who was very well known to come up with a plan. But when the department in the early sixties started to take that plan out to the public and started holding public hearings, they ran into a real buzz-saw--first, from the boating interests that were opposed to all those channel structures. Then, eventually the fisheries people began to object to

the impact on striped bass and salmon. The department in the early sixties had taken the lead in forming a federal state study group to come up with a better plan. There's an interesting man who was in charge of that, his name is Langdon Owen, known as Don Owen. Don is still very active. Retired in Orange County but is active on various boards of directors and has a consulting practice. But, when Bill Warne became director of the department, Don Owen was in charge of Delta studies, and they were just running into this buzz-saw of opposition to the original plan. Don is one of the most imaginative public servants you would ever run across, just a tireless worker and full of ideas. I still see Don once in a while. I did not know him in those days. In fact, I remember in about '63 when I was working in the old Jackson building in Sacramento, I would see this fellow go by my office door, the office that I shared with an other engineer, go by frequently, obviously in a big hurry. I asked my roommate, "Who is that fellow?" And he said, "Oh, that's Don Owen." I said, "What's he do?" He said, "He's peddling some damn fool idea called the Peripheral Canal." [laughter]

WOLLENBERG: As far back as '63 it was already a proposal?

KENNEDY: Yes. Don went out and--Don believed in public input and getting everybody's point of view. So he conducted a process and in about '64 or '65 the federal and state agencies were involved, the Bureau of Reclamation, the Department Corps of Engineers, I'm trying to remember who else might have been involved. Anyhow, they all came together and--oh, well, state Fish and Game, Fish Wildlife Service--and basically endorsed the Peripheral Canal as the best physical plan for moving water through the Delta while protecting the various interests. In fact, the whole idea, as the name indicates, is to move the water around the Delta rather than

through the Delta, and the concept was to return the Delta to a more pristine estuary-type habitat.

WOLLENBERG: So it's about a forty mile-long canal along the eastern side of the Delta where the water would be taken out of the Sacramento River and deposited down by the pumps without having to flow through the Delta itself.

KENNEDY: Exactly, and then there would be a series of ten or twelve release points along the periphery, along the route of the canal to put fresh water into the system so that the various sloughs that were kind of dead-end sloughs could be freshened up. All that sounded wonderful to many people at the time. There was actually a lot of support for it. The Water Commission adopted it as the preferred plan in either '65 or '66, in a series of public hearings. It's one of these things--in some ways the concept looked great, but the potential downsides were not really appreciated, both the real and the imagined ones. So when Bill Gianelli came in '67 as director--

WOLLENBERG: Under Reagan.

KENNEDY: Under Reagan, there was actually somewhat of a push to go forward with the canal, and they did buy the right of way. But the state project was in a pretty tight situation with capital funds to keep construction going. Now, I remember that Bill--now I wasn't involved at all, but I paid a little attention to what was going on--I knew some guys who were involved. Bill had an analysis made of what he called the consequences of delaying the canal, instead of going forward immediately. The memo became known as the "consequences memo" and I think the idea was to delay it until 1980, from the late sixties till 1980. The thought was that by that time, the other construction would be behind the department and you didn't need it in those early years because the pumping wasn't going to be that great. Of course, one could argue in retrospect maybe we should have gone ahead. On the other

hand, you can also argue that if they'd started to go ahead there would have been tremendous opposition materialize. They did buy some of the right of way, in fact they excavated those borrow pits for Highway 5, a number of them along the right of way of the Peripheral Canal. It's kind of fun to fly over there in a small plane and you can see it.

WOLLENBERG: Those borrow pits were going to be part of the canal.

KENNEDY: Right.

WOLLENBERG: So they are still sitting there.

KENNEDY: They're still there.

WOLLENBERG: Big ponds just kind of sitting there.

KENNEDY: Now that they're habitat, they probably have some endangered creature in there and they'll probably be there for the next five hundred years.

WOLLENBERG: So that in effect meant that under Gianelli, the Reagan administration passed it on to the Brown administration.

KENNEDY: In a sense. Bill Gianelli I'm sure did it with the best of intentions. But in any event, it was deferred. Then when it really came up next significantly was during the '76-'77 drought. Well, we could go back to when [Governor Edmund G., Jr] Jerry Brown took office. Ron Robie became director.

WOLLENBERG: That was in '75.

KENNEDY: Right, Ron became director in January of '75. Most of the water contractors were very interested in going forward with the Peripheral Canal. There had been some environmental impact work done on it, and there was a feeling that we needed to move sooner than later. They basically lobbied Ron to try and move forward with the canal. Well, Ron was very sensitive politically, and he realized that this was going to be tough.

By that time Jerry Waldie from Contra Costa County, congressman, had been conducting a really effective campaign against the canal; the Sierra Club had pretty much abandoned its support of the canal; there were new environmental groups in the Bay Area; and it had become very controversial. The water contractors felt that it was legally authorized under the Burns-Porter Act, because there's a generic authorization, so they kind of pushed Ron to go forward. Well, what Ron did was start an alternatives review, and he had his staff conduct a very intensive, probably two-year public analysis of the alternatives for dealing with the Delta. He basically said the Peripheral Canal may be the way to do it, but he wasn't convinced, and he wanted to know what all the options were.

WOLLENBERG: He of course was part of Jerry Brown's administration, and Brown had come in on a pretty strong environmentalist platform, and talked about small is beautiful, that sort of thing. That must have had some impact on Robie's decision-making process.

KENNEDY: It did, and yet one of Ron's first deputy appointments was [Gerald] Gerry Meral, who had come out of the Environmental Defense Fund. We knew Gerry very well, and Gerry was a pretty strong supporter of the Peripheral Canal. I'm sure he shared his views with Ron about it. I think Ron just felt the politics were not there for them to go forward. Their resource agency secretary, Huey Johnson, was certainly not convinced. Now, Huey was not initially the agency secretary. I don't remember what year he became the one over Ron, but I know that when he did, he was not ever happy with the Peripheral Canal idea. In any event, Ron conducted this program to look at all the alternatives. We got into the '76-'77 drought and Senator Ruben Ayala from southern California, Ruben was chair of Senate Ag and Water...

WOLLENBERG: From San Bernardino County, was it?

KENNEDY: From San Bernardino County, right. Ruben became very frustrated that the Brown administration was not going forward. He had lots of disagreements with the Brown administration as you might recall. He was a very strong person and [laughs] had lots of opinions about lots of things. Kind of a salt of the earth kind of guy, in a way. Whatever he thought, he was up front about it. He had a strong staff person helping him, Steve McCola who became a major player in all this because he was Ruben's principal advisor. Steve had come out of the department where he'd worked in Delta studies under Don Owen and as this unfolded over the next five or six years, Steve was a major player through his influence on Ruben. But in any event, in '76, I think it was '76, Ruben basically said he was tired of waiting. He put a bill in the hopper, the SB 236 that said to the Brown administration, "You will build the Peripheral Canal. It's authorized and the legislature is directing you to build it." The bill was probably two paragraphs long, covered a third of the page. [laughter] What it did, it did two things. It threw the issue into the legislature. Gianelli was of course not involved anymore; Bill was a consulting engineer, retired, living down in Pebble Beach, but still very active in the water community. Bill thought this was a big mistake to go to the legislature to ask for authority you already had. He understood why they were doing it, he wasn't any supporter of the Brown administration, he just thought--he had spent a lot of time before the legislature and he just thought this was a big mistake and he told people so.

We at Met did not have as much appreciation for that point of view as we eventually did. In retrospect, I can't say that they were wrong to do it, but it's a very legitimate concern that any time you go to the legislature you'd better think

long and hard about what could go wrong. I remember later a funny little incident with [Governor George] Deukmejian about this kind of thing. In any event, Ruben dropped the bill in. Six months later the bill was thirty pages. [laughter] Most of which were either conditions on exercising the authority or authorizations of things that didn't need to be authorized.

WOLLENBERG: In order to get different people's support?

KENNEDY: Exactly. Once Ron realized there was going to be legislation he felt--this was my sense of it at least, he felt that you needed to put the whole program in, which was things like Cottonwood Creek Reservoir, I forget what else. Anyway, you put a lot of things in the program, which in one sense illustrated what might ultimately happen, and in another sense it presented a huge target of capital cost which became a big issue.

WOLLENBERG: Eventually people were estimating several billion dollars.

KENNEDY: Oh, eventually, they would use the number \$23 billion, which was abject nonsense. But the supporters had put themselves in that position.

WOLLENBERG: At what point did Met take a position on this?

KENNEDY: Well, Met participated actively during that SB 236 drill.

WOLLENBERG: As supporters?

KENNEDY: As supporters, right. And we helped negotiate it, and there were lots of different issues, the Farm Bureau was involved, Kern County was very involved. The Salyers and the Boswells started to get involved; they were the big farming families down in Tulare Lake, very big farming companies. I remember, I hope I'm remembering this right, [Assemblyman] Leo McCarthy eventually became a supporter. Which was kind of interesting.

WOLLENBERG: He was Democratic speaker of the assembly at that time.

- KENNEDY: Ultimately, we couldn't get the votes. But what it had done was convinced a lot of policy people, particularly on boards of directors like Met, that we needed legislation. The fat was in the fire so to speak, and the whole question of legislation for the canal took on a life of its own.
- WOLLENBERG: During that first go-around, did Governor Brown take a position on this?
- KENNEDY: He took a position--very lukewarm, tacit support. He basically hung Ron out there.
- WOLLENBERG: Ron Robie.
- KENNEDY: I felt that Ron really did his best, and I thought the administration was very unfair to him. Eventually a year or two later Brown did sign SB 200, that's the only thing he ever did in support.
- WOLLENBERG: Then this first attempt through legislation did not succeed.
- KENNEDY: Did not succeed.
- WOLLENBERG: Did the proponents then organize--it seemed like there was a kind of organized campaign that included agricultural groups, included the Met, and those portions of the water community that were supporting it--did that legislation promote that sort of an organized campaign?
- KENNEDY: Yes, that's what happened, and this is a good time to bring another character into the drama. Earl Blais. Earl became the chairman of Met's board in January of '79 after having been on the board for about twenty-five years. Earl had been chairman of Legal and Claims Committee, was an attorney from the town of Burbank. As a very young councilman in the early fifties he had basically cleaned the Mob out of Burbank and he was one of the toughest people I ever knew.
[laughter] He was six foot five when that was unusual. He was a sole practitioner

as an attorney, and I came to realize it was because nobody could be a partner with him. [laughter] He and I became very close.

WOLLENBERG: You became sort of a partner with him on this issue, didn't you?

KENNEDY: I sort of became a staff to Earl and we developed a very good relationship. I had just great respect for Earl. He was a hard sell for a lot of people; he was difficult in some ways. So strong. But I remember thinking one time, we traveled a lot, and so aside from business, I listened to his stories. I came to realize he was a man of just 100 percent integrity with his law practice. I thought, you know, God forbid, if I ever got in a personal legal problem, I would go to Earl. Because Earl was one of those attorneys, he was completely ethical, but for his client he was 100 percent.

WOLLENBERG: He'd fight for you. [laughter]

KENNEDY: He would fight. He had a very successful small-town practice, although some of it was actually out of town. He was on a couple of boards of directors at hospitals that he'd gotten onto by being their general counsel. He had an interesting background. He'd been in the South Pacific in the war. He'd commanded an all-black company, which was the way things were done in those days. Earl had been, since the time he was young I think, had been taller than the other kids in his class, he'd probably always been tall. Basically what he did that first board meeting is he said, "The Peripheral Canal is going to be our number one priority and we are going to get this done, and I am going to do everything that we need to do to make this happen." For the next four years this was the district's main issue.

WOLLENBERG: Would this be about 1978?

KENNEDY: No, 1979. And he had gotten a little acquainted with Ruben Ayala, but he became a lot more acquainted with him. It was kind of funny initially. While I knew Earl, we hadn't really worked on much together, and Earl could be kind of critical of the

staff in committee meetings. He would ask you kind of pointed questions. So when he became chairman, his first thought was, he's got a general manager and he's not going to be working with the assistant general manager and he's not going to have his general counsel making policy. He and Al Williams did not get along. In fact Al retired early about a year later because he just didn't have any rapport with Earl. One of the first things Earl made clear was that he was going to deal with Grif and he wasn't going to deal with Al, and Al was not invited to a lot of meetings he used to go to. He liked Bob, and Bob had been general counsel when Earl was chairman of Legal and Claims. But he felt it wasn't Bob's position to be making policy or to be so involved in policy in things like this.

WOLLENBERG: Bob Will.

KENNEDY: Bob Will. So anyway, Earl went through about two months where he basically left me out, left Bob out, not quite as much, left Al out. I figured, I don't know what's going to happen but we'll just let this situation unfold. People had talked to me over several years about maybe it's time to leave. I actually enjoyed what I was doing, I didn't particularly want to go anywhere. But on the other hand, I thought, well, maybe this is a signal to start looking around. After about two months Earl kind of made it clear that he was not happy with the information he was getting.

WOLLENBERG: From Grif?

KENNEDY: From Grif, and so he kind of pulled me back into it. So kind of from that point on, Earl and I spent a lot of time together.

WOLLENBERG: Were you specifically authorized by Griffith to take on this role, or did it just sort of evolve?

KENNEDY: See, I had been the Peripheral Canal guy, and Earl went through maybe two months where he wasn't saying I couldn't deal with the Peripheral Canal, it's just

he wasn't going to deal with me, which just wasn't going to work. So, if he wasn't going to deal with me, it was probably best that I leave because he needed to have somebody he could deal with. But then we developed some rapport and that's when he started making very strange comments--he had a very cryptic way of talking at times, and I remember he made this comment to me one time on a plane when we were just killing time. He said, "You know this thing that happened." And I'm thinking to myself, "What's he talking about?" He said, "This thing that happened, it can be undone. It can be undone, I'm going to work on it." I'm quite sure he was talking about undoing the general manager position. [laughter]

WOLLENBERG: But you never asked.

KENNEDY: I never asked. Just the odd way he put it, and I knew he didn't speak directly about things like that. It was just very funny. But to Grif's credit, he didn't care, it didn't bother him a bit. I think that Bob Gough was in there telling him he needed to work on it, and Bob would try and get acquainted with the Peripheral Canal, he'd asked me about it. But in any event, Earl and I started working together a lot. Earl, what he basically did is he put together what we came to call the "consensus group" which was the water community representatives trying to work on legislation--

[End Tape 4, Side B]

[Begin Tape 5, Side A]

WOLLENBERG: Okay, Dave, you were talking about the water consensus group that Earl Blais had put together to fight for the Peripheral Canal.

KENNEDY: Yes, it was basically a group to negotiate, on behalf of water interests, Peripheral Canal legislation. A lot of people would come: the Association of California Water Agencies took a big role; John Frazier, who was executive director of it at the time,

Kern County Water Agency was very involved. A couple of the Kern County directors put a huge amount of time into it. We had in addition to Earl, he had another Met director, Carl Fawcett, who he brought to all the meetings. In any event, it was a group of about thirty to forty people who met frequently during the spring and summer of '79 as the whole effort to get legislation unfolded.

WOLLENBERG: So would that group actually be involved in drafting legislation, or working with legislators to draft legislation?

KENNEDY: It was working with Senator Ayala and his staff to try and draft legislation and working with Ron Robie. It was basically all the people who were potentially supporters from the water community. We tried to keep the environmental interests that we still had good relations with somewhat involved. The meetings were, a lot in Sacramento, a lot at Met, various places.

WOLLENBERG: I guess one of the questions is why this became such an issue because if it's simply a matter of transporting water, why would groups like Met and water contractors be so concerned? Wasn't it true that it also would provide a substantially greater yield for the project with the Peripheral Canal?

KENNEDY: That's true. In one sense it would do two things. It would provide reliability for whatever was being pumped, but in addition the way the Delta hydraulics were calculated in those days with and without a Delta facility, it appeared that you could develop an additional half a million or million acre feet of water in many years by having a new channel.

WOLLENBERG: I guess that would be because you wouldn't be so concerned about bringing salt water into the Delta.

KENNEDY: Exactly. You would still be meeting all of the environmental controls that the state board had in place at that time. But even after having met all those, there were still

times in which water was having to be released over and above those standards in order to keep the salt far enough west. Now, twenty years later the standards are much different, and I think that today, I don't know whether you'd make any water at all with a Delta facility. If somebody was trying to build one today it would be largely for reliability, although I guess it's conceivable that in some flood months you might be able to pump more water if you had a different channel.

WOLLENBERG: I guess the issue of increased yield was becoming more important by the end of the seventies because the Supreme Court decision in the Arizona case had taken away a substantial amount of Colorado River water, and also the Dos Rios decision, and protections for the north coast rivers, meant that there weren't a whole lot of other alternatives where water was coming from.

KENNEDY: Right. It really looked as though this was a very important facility. We thought of it as the lynchpin, or one of Earl's expressions was the missing link. I think we put out various brochures calling it the missing link. The water contractors were absolutely convinced that from a technical water supply standpoint, something like this was very much needed.

WOLLENBERG: At this time, did you begin to get some opposition, even from within the water community? Eventually the Farm Bureau, Boswell and Salyer companies opposed the canal. Was that opposition already present as early as '79?

KENNEDY: It started to surface in the spring of '79. Basically the Salyers and Boswells, the two big family farm interests in Tulare Lake, took the view that Metropolitan and the other water people were giving up too much to get it, we were making too many concessions. Of course, we felt we were doing politically what had to be done. But over the next couple of years, I don't think a day went by that I didn't wonder to myself, "Why are they really opposed?" Because it would seem to be in

their benefit, but eventually they became vigorous opponents. I would even ask them, "Tell me one more time why you're doing this." And they would say, "Because you've given up too much."

WOLLENBERG: What specifically did you give up or did they think you had given up? What were some of the conditions in there that would lead them to oppose it?

KENNEDY: Some of the suggested standards for fisheries protection, things that today most of us can't even remember, but at the time-- Well, I remember the Farm Bureau was opposed to permanently giving up the north coast, which was kind of goofy.

WOLLENBERG: I guess one point in the legislation would be permanent wild river status for those rivers?

KENNEDY: Right, there had been a bill passed in the early seventies that put the north coast in the State Wild and Scenic Rivers Act. There was a provision in the bill to let the issue be reopened a dozen years later. In fact, I had to deal with that two or three years into being director. By that time, it was pretty apparent this was not something to spend any time on. But in 1979 it wasn't always clear where people were coming from, and I'd say by that summer we and the Tulare interests were not together anymore.

WOLLENBERG: Was there something to do with the Jerry Brown administration, that they just didn't trust the Brown administration?

KENNEDY: You know, they would say things like that, but it never really had a ring of validity because Brown wouldn't be there forever. But I remember when I used to debate some of the Tulare guys publicly, particularly in the agricultural community in the San Joaquin Valley. John Penn Lee was one of the Salyer sons in-law and was a very effective person. John would say, "Jerry Brown has brought you the Medfly and he's brought you farm labor problems, and now he's going to bring you the

Peripheral Canal.” [laughter] Then he’d say, “Dave, tell them all about your Peripheral Canal.” Oh, there was quite a cast of characters. The two strong guys in it, for the Tulare interests were John Penn Lee, who married one of the Salyer children, I think he married Fred’s daughter. There were two Salyer brothers, Fred and Everett who basically ran the family farm and John Penn Lee married into the family. He basically did their politics. He was the guy as much as anybody who took the lead in this effort. He’s the one who did the outreach to Sunne McPeake in Contra Costa, the one who wrote the big checks.

Then he brought in Jim Fisher who was executive vice president of J. G. Boswell Company. Jim was another strong person. He was from a farming background, he was in his mid-forties I think at the time. The Boswell Company is a major company, and Jim was executive vice president and was an extremely bright, decisive guy. Friendly person, but just as tough as nails. When he and John Penn Lee decided to go down the road they did, it became a very difficult period for more than two years.

WOLLENBERG: But you were able to get legislation through the legislature.

KENNEDY: We eventually got the legislation through, SB 200, in 1980 over their objections. Jerry Brown signed it, and I think it was the next day that Sunne McPeake held a press conference. It could have even been the same day, but anyway, she held a press conference and said we are going to do a referendum on this thing, we are going to kill it.

WOLLENBERG: Sunne McPeake at that time, she was on the county board of supervisors of Contra Costa County.

KENNEDY: Yes, she was a very active young county supervisor, Contra Costa County. So they developed quite an alliance. Most of us didn’t even know what a referendum was,

there hadn't been a referendum in California in so many years [laughter].

Everybody had to do their little research to find out what this was going to be all about.

WOLLENBERG: So the referendum got put on the ballot for June of 1982.

KENNEDY: That's right.

WOLLENBERG: So you had opposition from environmental groups, Delta water users, Contra Costa County, and then you had the Salyers and the Boswells, these very large agribusiness companies.

KENNEDY: Right. Writing the checks, basically.

WOLLENBERG: You had the Sierra Club and the Salyers and the Boswells in a united campaign against the canal.

KENNEDY: Right. My sense of it was the Sierra Club was not as big a player as some. Then pretty early on, if I recall right, they hired the firm of Russo-Watts to run the campaign on the referendum. Doug Watts and Sal Russo in Sacramento. Doug and Sal had come out of the assembly Republican staff and were a couple of really bright strategists. They developed a coalition where there were two folks writing checks and then there was a big advisory committee. John Penn Lee told me a funny story when it was all over. He said, "We started out with an advisory committee of thirty-five people, I went to one of those meetings and I said, 'I'm not going to any more of these meetings,' so then we kept them in place, but then we got another smaller committee that we called something else of about eighteen, but that was too big. So then we made up a third--" I think he told me eventually they had maybe a fourth group of about six people that made all the decisions.

[laughter]

WOLLENBERG: You think any of these decisions were actually being made by environmental groups, or was it groups like Salyer and Boswell that ultimately ran the campaign?

KENNEDY: Well, I think Doug and Sal ran the campaign, it was the ultimate in pragmatism. They simply decided what is the message, and they developed that message very effectively, and they had the money to put the message out there.

WOLLENBERG: Did your side have money and a professional campaign?

KENNEDY: We did, but it was never as effective. There was a southern Californian business group that got organized. We did two things. I was sort of liaison to them, so while I wasn't part of their decision-making, I followed very closely what was going on, because they basically looked to me for information. The public affairs guy at Newhall Land and Farming, Mike Neal, was the one who kind of took the staff lead in organizing a number of big southern Californian and San Joaquin Valley companies, oil companies, Irvine Company, I forget who they all were, but they were all people that themselves could write pretty big checks, although none of them ever wrote any checks of the magnitude that the Salyers and the Boswells did. [laughter]

One of the things they did was hired [Senator Dennis] Denny Carpenter and Stu Spencer who had just formed a new lobbying firm. Stu Spencer had come out of the Spencer-Roberts firm. But then this was something else. This was Denny Carpenter who had just retired from the state senate from Orange County, he and Stu Spencer who were long-time friends formed their own lobbying firm. Mike Neal and I were talking about it and thought, "Here's a couple of really capable guys, you guys put some money together and hire them."

So that's what they did. They were the overall advisors. Stu didn't get very involved, he was working on other things, and I think I was involved in maybe two

meetings with him. He was a lot of fun to talk to, or listen to, you don't talk to guys like that, you just listen to them. [laughter] But I got really well acquainted with Denny Carpenter and Denny's a guy who probably should have been governor. He is an extremely able guy, bright as could be, a little too irreverent for many people, but had a big sense of public interest, just a lot of fun to work with. Denny was a principal advisor but then they hired a firm, Braun and Associates and started raising money.

One of the things that happened was--my sense of it was they could never get ahead of the curve on raising money. When you hire a PR firm like that, they get a staff of ten or twelve that's on the payroll, well, you can go through a lot of money just paying all the people. So when all was said and done too much of the money was used for paying the staff. It didn't start out that way, it's just the way it happened. There were not that many southern California interests that really wanted to write big checks. One of the interesting things about that campaign, was that there was a substantial amount of opposition in southern California.

KENNEDY: There was opposition but it wasn't all that strong.

WOLLENBERG: Because people who have analyzed that campaign are surprised that even though certainly southern California voted in favor of the Peripheral Canal, there was 40 percent or something like that opposed. There was a sense that there was greater opposition in southern California than you would have expected.

KENNEDY: There was, and yet the issue was clouded. It appeared to be a lot of money that was being authorized, there were just a lot of things about it that got way too complex. I felt that part of our problem went back several years in having combined so much stuff with the canal that we laid ourselves open to this \$23 billion fantasy number.

WOLLENBERG: I guess the argument in southern California was that it would be the Met users that would have to pay a very large part of whatever cost there was going to be for the Peripheral Canal.

KENNEDY: Right. And it's one of the things that we could just never get across, the idea that the Peripheral Canal from a cost standpoint was so cost-effective, just for reliability. I remember in the same timeframe a big building in New York sold for, I think it was \$600 million, and I thought, "This is one building, one commercial building, and they're fussing at us about building something that at that time was \$1.2 billion, that would literally have served two-thirds of the people in the state."

WOLLENBERG: Up here in northern California, particularly in the Bay Area, in that referendum election there were margins of 90 or 95 percent voting against the canal. Did you ever expect that that kind of opposition would surface?

KENNEDY: I don't know if even Doug and Sal expected that. I'll tell you, the two numbers that struck me that came out of that election. Santa Clara County voted 89-11 against it and yet the Santa Clara [Valley] Water District Board of Directors was openly in support. They were directors that had to run for election having said they were openly in support, and yet they had no influence on their own voters. They got reelected, and yet it failed 89-11. The explanation I heard was, "Well, it's just part of the San Francisco media market and there's nothing you can do about it." The other county that I got such a kick out of was Marin County, 97-3. I used to joke after, I said, 97-3, there isn't any issue of any type that 97 percent of the population agree about.

WOLLENBERG: Right. Was that just because with all the money that they'd gotten from Salyer and Boswell they were able to do a good campaign, or was there something more going on?

- KENNEDY: I think it was something where because of the campaign, not just the advertising but the drumbeat of information about it, most of the politicians in the Bay Area were opposed, it became almost part of the accepted knowledge that this is a very bad idea. It's a scam for stealing your water and making you pay for it. I remember they ran billboards in the Bay Area that said, "It simply costs too much." I said to Doug one time, I said, "I doubt that anybody who sees that is going to pay a dime." Because the Bay Area wasn't going to pay for it. But it was very effective. I think it became part of the accepted wisdom--this is a bad idea.
- WOLLENBERG: Do you think that the new ideology or value systems of environmentalism played a role in this too, that this became conceived as an environmental issue, at least here in the Bay Area?
- KENNEDY: I would imagine that was a factor, although I think the environmental movement has strengthened a lot in the twenty years since then. That was certainly an issue.
- WOLLENBERG: Because I don't think that any political scientist would have predicted that you could have a vote of 97 to 3 on anything let alone this.
- KENNEDY: Right. I remember during the '77 drought, we had arranged for Marin County to buy water from the Colorado River through exchange--I helped work this out because you may recall, they were running out of water.
- WOLLENBERG: And they actually built a pipeline across the Richmond-San Rafael Bridge..
- KENNEDY: Well, they didn't build it, the federal government built it. Marin didn't even have to pay for it.
- WOLLENBERG: They were able then to take water from the State Water Project.
- KENNEDY: Right, but there wasn't any water because all the water was allocated.
- WOLLENBERG: And the Met gave up some of that water and took more Colorado River water instead so that they would have water available.

- KENNEDY: Yes. And on paper what they did was they bought Colorado River water by exchange. So of course at the time we put all that together, we thought, "Well, we're buying some good will." [laughter] Who knows, maybe it would have been 98-2 instead of 97. [laughter]
- WOLLENBERG: What was the reaction of Earl Blais and the Met board in general?
- KENNEDY: You know, I think the Met board as a whole was so tired of the subject, they just kind of went on with life. Earl was very disappointed. His whole four-year term had basically been consumed by this and it was just a very difficult thing for him.
- WOLLENBERG: What about the Met staff, were they invested in a kind of personal way?
- KENNEDY: You know, not that much. The public affairs staff was somewhat, answering questions, and we did some community outreach to speakers' clubs and that sort of thing. Most of Met's staff, this was just something like a lot of other board issues.
- WOLLENBERG: What about you personally, was this a setback for your career as you perceived it at that time?
- KENNEDY: I don't know if I even thought about it in those terms. I mean, I thought it was unfortunate, but in some ways maybe I was a little bit like Earl, I'd been at this so long, I was ready to think about something else. So that was pretty much it.
- WOLLENBERG: Did that have any impact on your future decision to leave Met and go back to DWR, the effect of that campaign and the defeat?
- KENNEDY: In kind of an odd way it probably had an effect in that it was through that campaign I got acquainted with Doug Watts, who was the one that asked me to come up quite a few months later, nine months later and talk to Deukmejian about possibly being director. I don't know what would have happened if I hadn't met Doug, and the Salyers and the Boswells. Even though we'd been in very bitter opposition, more so than I should have let it--at the end of it, actually before the election I remember

sitting down with Jim Fisher and John Penn Lee and saying, "You know, when this is all over, we're going to have to work together, and so let's make an effort-- whoever wins has got to buy the other one dinner or something like that." So, I remember in September of '82 they actually invited us up and bought us a multi-course dinner at the Vintage Press and that's a hundred-dollar place.

WOLLENBERG: It's very expensive.

KENNEDY: Then they took us out to Tulare Lake for the day and showed us around, and couldn't have been more gracious about everything.

WOLLENBERG: In retrospect, do you think it still would have been a good idea to build the Peripheral Canal? Would the state be better off right now if that canal had been built?

KENNEDY: From a strictly physical standpoint, it's hard to see that the environment in the Delta wouldn't be better off, you wouldn't have all that water moving into the south Delta. But, it's just hard for me to conceive of the circumstances today under which it could be done. Now people have speculated about if there was an earthquake and ten or twelve islands were lost, which is not an extreme possibility, it might be that a channel around the Delta would be the only way to get out of that problem.

WOLLENBERG: I guess it isn't just the State Water Project, it's the Federal Water Project, and also a lot of the water that the Bay Area uses, the East Bay MUD and Hetch Hetchy that could be affected.

KENNEDY: During droughts East Bay and San Francisco have also taken water out of the Delta. It's something they try and keep very quiet. I would think there might be a broad public acceptance that something had to be done. Now the price you'd have to pay for it, in terms of environmental protections, would probably be quite

significant, but physically it would probably be a better system than you've got today. That's why I think that many fisheries biologists were upset at us in the eighties when we basically walked away from it in the Deukmejian administration. My political judgment and those of the people I was working with in the administration was that it was just impossible. There wasn't any point in continuing to break our picks on that. The fisheries guys in Fish and Game had a very difficult time accepting that.

WOLLENBERG: I think this is the logical place to end, with this epic event in the political history of California water. We can start next time talking about the Deukmejian years.

[End Tape 5, Side A]

[Tape 5, Side B is blank]

[Session 4: October 7, 2002]

[Begin Tape 6, Side A]

WOLLENBERG: We're now where you go back to the Department of Water Resources as director. That resulted from the election of George Deukmejian as governor in 1982.

KENNEDY: Well, what I might say in a personal way, it flowed out of the Peripheral Canal election, in kind of an odd way. In the polls Deukmejian was behind [Los Angeles Mayor Tom] Bradley in the fall, and about a month before the election, Deukmejian's campaign manager made a very unfortunate comment observing Bradley being a black man, and he questioned whether California was ready for a black governor or something like that.

WOLLENBERG: Tom Bradley, the mayor of Los Angeles, who was running against Deukmejian?

KENNEDY: Yes, and Bradley was ahead in the polls, he was a very popular man. I actually knew Bradley a little bit, and he was a fine person. He'd been a city councilman and he'd had an interest in water. So he knew some of the professional guys in southern California. In any event, when Bill Roberts made that comment, Deukmejian was devastated and fired Roberts as his campaign manager. He brought in to run the last month of the campaign Sal Russo and Doug Watts who had run the anti-Peripheral Canal campaign. [laughter] They were former legislative staffers. I had gotten acquainted with Doug Watts during the Peripheral Canal campaign, on the other side. We developed one of those casual friendships which you do in political situations. Deukmejian, as I understand it, was quite

depressed about the whole situation--behind in the polls, he was personally a man who had absolutely not a bone of racial or any other prejudice, he was a minority in his own mind, as an Armenian. He was just devastated.

He brought Sal and Doug in and basically told them, "You guys run this campaign." Another guy who had already been involved was Steve Merksamer who had been at the attorney general's office as an attorney, but had a political background somewhat. When Deukmejian brought in Doug and Sal, Steve, Doug and Sal kind of ran the campaign the last month. In their minds they pulled it out, because Deukmejian won by I think it was 50,000 votes—very, very close. The three staffers all then went into the Deukmejian administration at the beginning of January.

Another little incident that I feel had an influence on me getting involved was, there was a great deal of speculation about who the director would be. The Peripheral Canal debacle was still on everybody's mind, everybody in the water community, that is. There was a lot of speculation. They had probably a dozen people on the public list, people who had expressed an interest or who might be considered. I was not one of those. I think at that time, most people would have thought that no one from Metropolitan could be successfully named as director, Metropolitan was too big a player in this drama we had all been through.

An incident happened in December that actually changed my thought about it a little bit.

WOLLENBERG: This is right after the election?

KENNEDY: Yes, after the election, before the inauguration. We were getting new officers at Metropolitan. We had a new chairman, Thornton Ibbotson, known to everybody as "Ibby." Ibby was a wealthy real estate man, and a long-time board member who

was highly respected. His interests on the board had been personnel issues, not water issues, but he certainly earned a lot of support on the board. He was succeeding Earl Blais as chairman. Well, we thought it would be helpful to take both Earl and Ibby back to Washington and have Ibby meet some of the figures he would be dealing with in Washington, D.C. One of the things we did was have lunch with Bill Gianelli at the Pentagon. Bill, the former director of Water Resources, was at that point the assistant secretary of the army for public works. So he had the Corps of Engineers, the Panama Canal Commission, and the Arlington Cemetery all under his responsibility.

Bob Will, who was then our lobbyist in Washington, and I and Ibby and Earl all went over to the Pentagon for lunch with Gianelli. One of the subjects of gossip discussion was who would be the next director.

WOLLENBERG: Director of the state water resources department.

KENNEDY: Director of Water Resources for the state. We kind of reviewed some of the names that would be bandied about as it were. I think at that point Gordon Van Vleck had actually been named as the secretary for resources. Bill Gianelli and Gordon Van Vleck went back many years because of Bill's water rights experiences and Gordon's Cattlemen's Association experience. Anyway, they were good personal friends, they played cards together with their families, that sort of thing. So Bill was somewhat up-to-date about who the names were, but out of the blue he said to me, at this lunch, he said, "What about either you or Duane Georgeson?" Duane was the manager of the water system for Los Angeles Water and Power, and was a close personal friend of mine. I remember I responded--I was a little startled that Bill had even mentioned it--I was startled and I said to Bill something like this, that

I doubted whether either Duane or I would be acceptable, but further, neither of us could afford to take the pay cut.

Because at that point Jerry Brown had let the executive pay structure in state government really go to pot. I think every local official in California was making more than their counterpart at the state level. It seemed like an obvious thing to say but do you know, his response really stunned me in a sense. He said, "Well, you know there are some of us who have always thought that public service is very important." [laughter] The way that he said it, he meant that--it was an interesting comment. It was a heartfelt comment on Bill's part. He would not let something like salary become an issue; he just felt that public service was more important than salary. Well, I had two kids in college at that point and a third just about to start, and so you know, to me it was not an irrelevant issue. But in any event it sort of stunned me. We laughed about it, it was somewhat good-humored, but it also was a pointed comment on his part. Months later when I was actually approached by Deukmejian's staff, I had given this some thought about if I ever did get asked. I talked to my wife about it, and we'd kind of thought, well, Sacramento was a less expensive place to live than Los Angeles, or southern California, and so if it ever did come up, I probably would not let the salary thing become an issue. Anyway, that was some interesting background.

WOLLENBERG: It only was six months later that it came up.

KENNEDY: It was quite a few months.

WOLLENBERG: It was June before the final decision.

KENNEDY: It was in June when I was named. I was approached in April. By April, a lot of names had been in and out of the papers. One day I got a call, or one evening I got a call at home, kind of out of the blue, from Doug Watts. I think Doug's position

with Deukmejian was director of communications or something like that. Doug called me one night and asked me whether I could come up the next day and interview with Deukmejian for the job. I think I had had a little signal from somebody that I might get such a call, but even with that I was of course surprised. I asked Doug, "Well, what about all these other names?" I said, "How in the world are you going to get anybody from Metropolitan confirmed by the senate?" Doug, in essence, said, "Well, there's no one on the list anymore." He said, "We've got a public list but none of those people are acceptable politically." He said, "The governor has interviewed three people and didn't want to go forward with any of them." I did not know who those people were. He said, "He really would like to talk to you." Now I did not know the governor at all, I don't think I had ever met him. Doug and I were casual friends, not close friends. I did not know Sal Russo other than who he was. Sal was I think the deputy chief of staff. I had never met Steve Merksamer. Doug was really my only contact. It turned out what they wanted to do was to interview me the next morning.

WOLLENBERG: Wow.

KENNEDY: As these things might happen, I actually had a trip planned the next morning with the Met directors to go to San Francisco and meet with some of the water agencies in the Bay Area and then we were going to go to Sacramento and then go on down through Stockton and meet with some of the Delta water interest. So I didn't have time to tell them but I figured I'd get in touch with them one way or the other. There were other staff people going to go, so it wasn't absolutely essential that I be there. But it was kind of funny, when I went out to Burbank Airport the next morning, Carl Boronkay, the general counsel of Metropolitan, was there pulling into the parking place right next to me. [laughter] I said to him, "Carl, I'm not

going to be going to the Bay Area with you today, I'm going to meet you in Stockton." Carl is a guy with a great sense of humor, and he said, "Oh boy, I'll bet you're going up to talk to Deukmejian, aren't you?" I said, "As a matter of fact I am, but I'd like you to keep it kind of quiet and we'll just see what happens here." In any event, I went up and met with Deukmejian and Van Vleck--Doug Watts sat in. Marv [Marvin] Baxter, who was Governor Deukmejian's appointment secretary, and who eventually became a supreme court justice for the state was also there. I think that was the group, and Steve Merksamer, if I haven't mentioned him. So we had about an hour interview.

WOLLENBERG: Was there any decision made then or did you just have the interview and left?

KENNEDY: I had the impression there was a tentative decision. I remember the governor asked quite a few questions. He conducted the interview and I remember he asked me about salary, whether I could afford it, and I said, "Governor, from what I read in the paper about your salary, I don't think it would be appropriate for me to comment about the salary for water resources." [laughter] He laughed at that, he was making less than the director. I did not know at that point that the governor's staff already had a negotiation going on with the legislative leadership to run a pay package which would increase executive salaries beginning the next January; I didn't find that out until I became director. And that actually happened and so the salaries were somewhat adjusted up and it was a much better situation.

WOLLENBERG: Was there a sense also that you wanted to leave Met, I mean, did it seem like maybe not a lot was going to be happening for your future there? In other words, was there some discontent with Met that motivated you to move to Sacramento?

KENNEDY: I don't know if it was a discontent so much as of a question about what my role might be. I had been their Peripheral Canal guy and of course that was history

now. Earl Blais felt that we needed to have the Delta Alternatives Program and he was pushing hard for it during the last six months he was the chairman. He had really been the driving force and I think everybody realized that Ibbotson was not going to put that same kind of energy into it. I think in one sense I was open to doing something different.

I was not actually enthused about moving back to Sacramento. My wife and I enjoyed living in the little town of San Marino. Our youngest was just getting out of high school though, and so in one sense we both felt that maybe we needed to be pretty open-minded about this and maybe it was time to think about a move.

WOLLENBERG: I guess it didn't interfere then with any of your children's schooling in the sense that they had already finished.

KENNEDY: No, it didn't, and that was interesting, that if we had had kids still in high school I'm not sure what we would have done. Our youngest daughter went through the San Marino school system from beginning to end, which was a nice thing. She still, all these years later, still has high school friends that she is close to. Several of them live in New York where she lives.

WOLLENBERG: Once you returned to DWR, you hadn't been there in fifteen years, what was it like to return? Was it a different institution, a different institutional culture when you came back?

KENNEDY: Well, in some ways it was. Ron Robie was a personal friend of mine, we'd worked together a lot while he was director. We did have different approaches though, and I think many in the water community were ready for a different approach. When I was there before I'd been an associate engineer and so coming back, inherently you look at things differently.

WOLLENBERG: When you were there in the sixties it was a time of growth when new projects were being built and being planned. You were coming back in a time right after the Peripheral Canal election. I wonder if there was kind of a dispiritedness or low morale?

KENNEDY: You know, to some extent there was. I think that, for better or for worse, it's probably fair to think of a department like that as an engineering-type organization. It has other professionals and they play increasingly important roles, like biologists and legal staff, but the largest professional group is engineers. And Ron almost projected a sense of, well, not exactly contempt but certainly not a sense of support, and so the engineers felt somewhat alienated.

One of the things that I felt I wanted to do was to appoint as the lead deputy the person in the department who was most respected as an engineering administrator. I wasn't even sure who that was at that point; it turned out to be Howard Easton. Howard had been appointed as a deputy by Ron and as it turned out I asked him to stay on as a deputy. He was a nonpolitical person, kind of an engineer's engineer in a design and construction sense, but he was highly respected; he was a man. But, I had known who he was, and in fact I even had a few doubts about him. But after I was there a very short time I realized he was a man of great capability. In fact, he had been acting director in the months in the interim period, which was a difficult thing for him because he didn't like politics. He was a strong enough person to try and deal with it. He would take on what he had to do, but he was not enthused about politics at all. I very quickly developed a lot of both respect and affection for Howard.

It was interesting that Howard had a hard time with Steve Merksamer because Steve was mad at Howard. Steve was chief of staff to Deukmejian, and during the

six months that Howard was acting director, in Steve's mind, Howard had not done enough to clean house, and there were some difficult times. I kind of sorted that all out in my own mind and decided that Howard was nevertheless the right guy. Steve at first turned him down to continue as a deputy, and I called him and asked if I could come over and talk to him about it, and to Steve's credit he was open-minded. He said, "Are you sure he'll be loyal?" and I said, "He's not going to be loyal in a political sense, but he's going to be loyal in the sense that he will never do anything to undermine us, and he's not going to be working the other side politically." I said, "He's a guy we can depend upon to be honest, and if we're doing the right thing he's going to be with us." Steve said, "If he's the guy you want, then okay."

WOLLENBERG: So his job was also a political appointment?

KENNEDY: Oh yes, deputies are political appointments, they have to be approved by the governor. In fact, that is one of the things I had asked Deukmejian in the interview. After he asked me a lot of questions he said, "Do you have any questions?" I said, "Yes, what latitude would I have to appoint deputies?" and I remember Steve actually answered the question. He said, "You'll have a lot of latitude. We will have to confirm them, but unless we have good reason we will support your appointments of your deputies."

WOLLENBERG: Did that turn out to be the case?

KENNEDY: Yes, it did, yes.

WOLLENBERG: Did you have any idea of bringing people with you from Met?

KENNEDY: No, it was a tough enough sell having anybody from Met come to the department. I remember during the period between my interview and when the governor called me and asked me to take the job, there was almost two months—seven weeks, I

think, in which they asked me to go talk to four state senators who would have to vote on my confirmation, all northerners, who initially expressed a great concern about anybody from Met. So I went and talked to them and I told them that in my personal view the Peripheral Canal was dead. I told anybody that asked that, I felt the vote in the north had been so overwhelming it would be foolhardy and divisive to the state to keep pushing it. I said I thought we just needed to back up and review all the alternatives without the canal. And then they were concerned that my loyalty might still be to Met, and I pointed out to them that I had lived half my life in northern California and half in southern California, and that I didn't think of myself as a southern Californian.

WOLLENBERG: I noticed that not only did you get the legislative approval but a lot of environmentalists seemed to accept your appointment without great protest, and again, given your record on the Peripheral Canal, you might have thought there would have been more antagonism.

KENNEDY: I think that's a fair comment, and it was interesting to me that even Boswell supported it; I had had some pretty bitter times with them, although we'd managed to put that behind us. I don't want to overstate it, but I think I was thought of to some extent as an honest broker, who could listen to various sides; I tried to do that. I don't want to overstate that, but it was interesting. I remember Gerry Meral, who had been a deputy to Robie and who I had known before he went into the Brown administration, when he was with the Environmental Defense Fund--Gerry came and supported my nomination at the senate hearing. He tried to leverage me on something he wanted; he wanted a certain report that he had gotten prepared while he was deputy director but had not yet been published. He wanted a commitment that I would publish it, and I said no, I wouldn't do that. I said I

didn't think it was appropriate for any new administration to publish something that had been prepared in a previous administration. Reports are inherently policy documents and we needed to review it. In fact, I made a point of not asking for anybody's support. When Jim Fisher from Boswell asked me to talk to Fred Salyer, Fred said, "Well, are you asking for my support?" and I said, "No, I'm not, I'm not asking for anybody's support." I said, "If you choose to support me, that's your position." I said, "I can tell you what my views are and if you are comfortable with that, support it, and if you're not, oppose it." But I said I don't want to go into this job having made any commitments to anybody.

WOLLENBERG: Within the job I guess technically you reported to the secretary of resources, to Gordon Van Vleck, is it?

KENNEDY: That's right.

WOLLENBERG: Is that actually how it worked, or did you have more of a direct pipeline to the governor or the governor's office?

KENNEDY: It's a little ambiguous. Gordon Van Vleck was very interested in water; he was a cattleman all his life and his family has been in California 150 years. I had not known Gordon, and in fact he had opposed my nomination as director with the governor, and he told me that.

WOLLENBERG: Did that go back to the Peripheral Canal?

KENNEDY: Yes. Well, it went more to the Metropolitan thing, and I think it wasn't personal antagonism, it was that he felt it was a mistake to appoint anybody from Metropolitan. So Watts and Russo and Merksamer had to override Van Vleck's opposition with the governor, but Van Vleck was a team player, and once the governor decided he was going to go forward, then of course Van Vleck supported

it. He and I became good friends. He is just a very fine person, and we had a good relationship the whole eight years he was there and I was there with him.

WOLLENBERG: Were you in a situation where you were actually reporting to him, or were you more of an independent department head reporting more to the governor and the governor's office?

KENNEDY: You kind of do both, and this was something that in the next administration--and I'll comment on this more at length--I don't think Doug Wheeler ever adjusted to the dual reporting function--the way it works. Van Vleck didn't have a problem with it. He recognized that the governor wants the secretaries of their agencies to both oversee the directors of the departments but they also want direct access, so you wind up having direct access less with the governor than with the governor's staff. I think I only talked a few times to Deukmejian directly without Van Vleck there, but I talked with the governor's staff a lot without Van Vleck or his deputies there. I tried to never have anything going on with the governor's staff that Van Vleck was not aware of and comfortable with, but just as an administrative efficiency you can't drag the agency staff to every meeting you are having.

WOLLENBERG: So it was mainly through Steve Merksamer that you dealt with the governor.

KENNEDY: It was actually less through Steve, although he occasionally got involved, but it was more with Allan Zarembeg, who was a legislative secretary and who--well, the first two years it was with Doug Watts and Sal a little bit, and with Allan Zarembeg. Allan was one of the first people I met. He was deputy legislative secretary and then became legislative secretary but he oversaw the legislative program for the resources agency and our department. I worked very closely with Allan.

WOLLENBERG: I guess the first issue that you had to face is what comes after the Peripheral Canal, I mean, "What do we do now?" And in particular, what way that you would handle the Delta transfer if the Peripheral Canal was not going to be the answer.

KENNEDY: That's right, what we did within the department, and I did this coordinating it with Van Vleck, and I should mention someone else. Van Vleck had a deputy named Terry Eagan, who was the undersecretary of the agency. In the agencies the undersecretary basically is the political liaison between the agency, the governor's office and the department directors. Terry had been a Reagan staff, a very political, experienced political person, former speechwriter for Reagan. Terry and I are still close friends. One of the early decisions we made was to come in with a legislative program that would be Deukmejian's response to the demise of the Peripheral Canal. So during the fall, after I was appointed, we started putting together an alternative program that would involve construction through the Delta, to have water basically go through the Delta channels, which was something the Delta interests favored. The fishery biologists were not happy about it and were apprehensive but they recognized the canal was essentially dead.

We put together a report in the summer and fall, I think we published it maybe in November, that basically outlined the alternatives to the Peripheral Canal. And then at the beginning of the year, that would have been in 1984, we started putting together a legislative package of about ten bills that would be a framework water program that would show how, the through-Delta program, which became known as Duke's Ditch, how it would fit in with a number of other programs. We had a program on water conservation, a program on Delta levee rehabilitation, and the Duke's Ditch program, which was the Delta facilities. All together we had ten bills with ten different authors, and then in the spring of 1984, Deukmejian announced

this as his proposed water program. The press started calling it Duke's Ditch, and to this day I don't remember whether it was the *Chronicle* or the *L.A. Times* that put the moniker on it. There was actually a package of bills that importantly were double joined together, that is, the governor decided politically that he would not sign any one without all of them coming down; he wanted a package that represented a comprehensive program.

WOLLENBERG: How did it differ from the Peripheral Canal?

KENNEDY: It differed in the sense that it was kind of a north third, south third, but not a middle third of a canal system. So the water would go from the Sacramento River into the central Delta where it would just become part of the pool supply in the central Delta. And then there would be some control structures in the south Delta to move water more directly to the pumping plants than entirely through the Delta channels. We had several alternatives, but the water coming from the Sacramento River would pool in the central Delta, and this was the key issue for the Delta agricultural people.

WOLLENBERG: So you would still pull water out at Hood but it would only go a short distance before being put back into the Delta?

KENNEDY: That's correct, and you would have a large fish screen in the Sacramento River. We had a lot of support from the Delta interest. We worked with the salmon industry and the striped bass fishing people, and we actually wound up with pretty good support from the salmon and the striped bass people.

WOLLENBERG: How did you do with the Sierra Club and the environmental community?

KENNEDY: We did less well with them. Gerry Meral tried to be helpful. I don't remember where everybody in the environmental community was but we had support from Sunne McPeake, who had been the leader against the Peripheral Canal. Actually it

had pretty good support and I think, going into the summer of '84, we thought we had a solid vote for the package.

WOLLENBERG: Who was the legislative sponsor for you?

KENNEDY: Well, Ayala was the key, with the particular bill that was known as Duke's Ditch, but we had ten authors altogether: Jim Costa, Richard Katz--we had quite a group. So we had a good mix of bipartisan support.

[End Tape 6, Side A]

[Begin Tape 6, Side B]

WOLLENBERG: You had northerners and southerners?

KENNEDY: Northerners and southerners. One of the key things that happened was, we were trying to get Barry Keene, who had been a strong opponent of the Peripheral Canal. Senator Keene represented the north coastal area and had a good relationship with the salmon industry in particular. We had worked out some measures for the salmon people that they thought were a real improvement and so we had their support, and they went to Senator Keene. I remember meeting with him and there was a very ironical, very difficult thing that came out of this. Barry Keene was going to support it and we thought that would actually give us three-fourths of the senate; we were counting thirty or thirty-one votes in the senate which would have been an overwhelming vote, and Barry was very constructive. He said, "You know, all I really need to support this is a short paragraph that says, 'Any future dam that's built, you will protect the fisheries.'" Well, this to me was a thing that was already in law and we shouldn't have any trouble with it.

We drafted it up, he was fine with it, I went to the water community with it, and lo and behold, the water attorneys at Metropolitan and some of the other agencies would not support it. They said, "No, this is an enhancement of state law and we

don't think we're getting enough for it." It was a legal decision and most water district boards are afraid to do anything against what their attorneys advise them on water rights, and I was appalled. These water rights attorneys basically advised the districts, "Don't support this." We went through a couple of weeks that I just couldn't believe where we thought we had this very simple measure that would bring in very strong support, and lo and behold, we couldn't get our own people to support it. It was both embarrassing and distressing.

WOLLENBERG: Was it the kind of thing that if you'd put it in, the water districts would have withdrawn their support from the bill?

KENNEDY: That's what they were telling us, which I thought was almost unbelievable except that's actually what they were telling us.

WOLLENBERG: This included the Met?

KENNEDY: It did, right.

WOLLENBERG: Was the Duke's Ditch Plan--would it have yielded more water, I mean, was one of the purposes of it to provide the ability to take more water out of the Delta so that in fact Metropolitan would have gotten more water?

KENNEDY: Yes. At that point my recollection is we were using a number of about a half a million acre feet a year, basically the additional flood water, which could be pumped if we had a better system, a system that basically no longer moved fresh water around the tip of Sherman Island where it mixed with salt water. We thought we had a program which could meet all the Delta standards and still allow us to pump more water.

WOLLENBERG: And so because of that one paragraph, these water districts were willing to give up that extra water if you put in the one paragraph regarding the fish runs.

- KENNEDY: Yes. They felt there were long-term implications to making that kind of concession. To this day I can hardly believe that—in fact today, I don't think any of the water agencies would take that kind of position but twenty years ago they still felt very strong about where they were and they weren't going to make any concessions. [tape stops and is blank for several minutes]
- WOLLENBERG: Were you willing to go ahead and just take majorities for the Duke's Ditch Program and the water program or did you believe that a two-thirds majority was a necessity?
- KENNEDY: I think at that point a lot of the people in the water community felt that a two-thirds was important. It would have provided protection against another referendum. I remember my own feeling was less one about the referendum protection, it was more a thought of we needed a strong vote so that the department could go forward with strong support of Californians. I thought it would be a mistake to try and go forward with a program that had a bare majority, given the divisiveness that we'd had. The technical thing about a referendum protection was probably less important to me than simply having a strong vote.
- WOLLENBERG: And I guess in a sense it's that experience with the Peripheral Canal that's hanging over everybody's head and affecting everybody's political actions and political machinations in this issue at that time.
- KENNEDY: Oh, very much so. Everybody that thought about water, and of course, most elected officials had been forced to take positions on the Peripheral Canal Program. People were very much influenced by what had happened in the Peripheral Canal election.
- WOLLENBERG: And wasn't it also true that a lot of lawyers were arguing that the governor had the right to just go ahead and authorize the program since the project would pay for it,

and there was wording in the original bond issue that allowed for some sort of a Delta facility? So in theory, couldn't the administration simply have gone ahead unilaterally?

KENNEDY: That is true, in fact, I've never seen a credible legal argument against that; it's really a question of what can you do politically. In fact, there was probably a mistake made during the spring when the governor announced his program, this question of whether we really needed legislation was in some people's minds, and the governor was asked by the press at the big press conference where he announced the program, "Well, if you don't get this, will you go ahead anyway?" We had given that some thought as to how that might be answered, and Steve Merksamer and Doug Watts thought it was very important to project strength and leadership, so they had decided politically the answer would be "Yes, we will go ahead." Gordon Van Vleck was troubled by that, and of course he was more the northern Californian in the group; he felt it would come across as arrogant even though it might be technically correct. But the political people prevailed in that, so when the governor was asked that he did say, "Yes, we will go ahead, even without the legislation."

It did not come across well, as you can imagine, and we got some bad press. It gave some northern California legislators an opportunity to criticize us that they wouldn't otherwise have had. I think in retrospect it's something that probably should have been finessed. I remember hearing Steve argue why it was important to project this political strength and being a little bit skeptical, but this is a kind of situation where elected officials ordinarily have a better antenna than engineers do, and so you do have to defer to their judgment on what is just a political question.

WOLLENBERG: But it turned out maybe you had a better antenna.

KENNEDY: I think that my apprehension and Van Vleck's apprehension was possibly well placed.

WOLLENBERG: After the failure of the Duke's Ditch and this whole package, it seems that for the rest of the time as governor, the Deukmejian administration never really came out with a grand plan, if you want to call it that, with another substantial legislative proposal.

KENNEDY: That's true. I think the governor personally felt that he had made a major effort, that he'd had an obligation to do something and that he had fulfilled his obligation, and that it was probably not possible for him to put something together in a big package for the Delta. But he did, importantly, let us go ahead with things we thought we needed to do, and during the balance of his administration, we actually got quite a bit done. Some of the bills that had been part of that package, he allowed us to go forward with them on their own; one was Delta Levee Rehabilitation, and we did some work on ground water, which needed to be done.

WOLLENBERG: What specifically on ground water?

KENNEDY: We enlarged the authority of water agencies to manage ground water at the local level; this was a very controversial subject. A lot of people wanted state management, some people didn't want anything, and we were able to put together a program that was kind of some middle ground that I think did advance the cause.

WOLLENBERG: Going off on that for a moment, I believe, during the Brown administration, didn't Ron Robie run a large study on ground water law that caused much controversy?

KENNEDY: Yes, you're right, I had kind of forgotten about that. They had what was called--I think it was called a Water Rights Commission, and one of the major components of it was ground water, and they had advocated that there be state ground water legislation, which was kind of a favorite subject of academics. It scares the

daylights out of anybody that's got a well in California. My own view was that it was not necessary. You would set up a giant state bureaucracy and you wouldn't make any more water in the process. We had enough law, both through the courts and the statutes, that were already on the books, that what needed to be done in California for ground water was pretty much being done, with a few exceptions, and we worked on those exceptions.

WOLLENBERG: Isn't there a lot of overdraft in many basins, though? Could something be done to minimize that?

KENNEDY: There were things being done, and some of the worst overdraft cases were being dealt with locally through litigation, where the local people themselves were taking on these issues. There were also some situations in Orange County, for instance, and Santa Clara County, where those areas had gone to the legislature and had gotten their own statutes to manage their ground water very effectively. We felt that was the best way to do it because you kept the state and its big bureaucracy out of it. I felt you would spend many millions of dollars a year in the state bureaucracy that didn't do anything for water supply but just monitored things that could be much better done at the local level. Ultimately it's the local people that bear the brunt of overdraft, and so they were the ones that needed to get on top of this. In a few exceptions that's been the case. The very few bad situations in the state, like the Salinas Valley where the local people have not dealt with it, and I feel the state water resource control board has had the authority to step in and has not done it; I think they should have done it.

WOLLENBERG: Anyway, you mentioned some of the other things that you were able to get done in an incremental fashion after the big Deukmejian package was defeated.

KENNEDY: Right, we did move forward with completing the Delta pumping plant, which enables the state now to pump more in the winter time than could be done as the plant had been originally constructed. When the state pumping plant was authorized, it was intended to pump much more water in the winter than in the summer, and this was at the insistence of then-state Senator George Miller, the father of the current congressman. But then when the state built the pumping plant, they only built it to 60 percent of capacity to save money. Ron Robie had wanted to complete it, but it had run into kind of a buzz saw. We did negotiate with the environmental community, with the fisheries community, and we did complete the environmental work, and did go ahead and complete the Delta pumping plant. Now they still don't have enough channel capacity leading to the plant to pump at full capacity, but at least they have more standby capacity than they had before, and so I think we did make some progress there.

WOLLENBERG: When you say you don't have enough channel, does that mean literally if you turn the pumps on you might be pumping salt water in because they would be so strong?

KENNEDY: You would either pump salt water in, which would happen in the late spring or summer, or in the winter time you would be exceeding channel capacity and so you would be eroding the channels, which you can't do.

WOLLENBERG: Also, I guess you finished work on some of the aqueducts, the North Bay and the East Branch aqueducts.

KENNEDY: Right, we went ahead and completed the North Bay aqueduct over into Solano-Napa counties. We started work on the enlargement of the east branch in southern California, which turned out to be--I think we spent \$600 or \$700 million on that

all together. We managed to get through the environmental review process with each of those.

WOLLENBERG: On those kind of--below the press or below the horizon kind of issues, would you have to deal with environmental groups and deal with different constituencies, or was it something you kind of get through on a technical basis?

KENNEDY: No, you had to deal with environmental groups through the environmental impact process, and there are very few things you can do that don't need a federal permit, so you also need to work through the federal environmental review process. I think a key thing was we were not having to get legislation, so we could negotiate directly with the environmental groups and we didn't have to negotiate with elected officials. The one exception to that was the joint operations agreement between the state and federal projects for which we needed federal legislation, and we got that in 1986. And, of course we had to negotiate with a lot of people to get that done, but that was a major step in the two projects to get that agreement put in place. It had been worked on for twenty-five years prior to 1986.

WOLLENBERG: There are other issues going on during this period, other water issues. For example, the controversy over Mono Lake. There was the issue of the selenium at Kesterson. Were those issues, even though they weren't directly related to DWR, that you would have to deal with in some way or another?

KENNEDY: Yes, I got quite involved in Kesterson and the selenium issue. The state had long taken the lead in monitoring ground water quality on the west side of the San Joaquin Valley, and it had actually taken the lead in trying to build a drain out of the west side of the Valley. The bureau had gone ahead and built this big drainage pond called Kesterson Reservoir; it was one of these things of what seemed to be a good idea gone sour.

WOLLENBERG: This was the Bureau of Reclamation?

KENNEDY: The Bureau of Reclamation, right. So when the drainage ponds started developing high levels of selenium which affected the migrant birds—and of course this got a lot of press notoriety in 1985, 1986—the federal and state agencies put together a task force to deal with this, and I eventually became the chairman of that task force. We met every month trying to oversee all the state and federal investigations and how we would spend money to try to deal with all of this. It was a very difficult, time-consuming problem.

WOLLENBERG: Was there a joint state/federal expenditure of money; did the state put money into dealing with that as well as the feds?

KENNEDY: Yes, both the state and the federal governments put a lot of money into it, both into investigations of water quality, biology, all of the technical things, but also trying to look at what the alternatives might be.

WOLLENBERG: That's on a federal wildlife refuge.

KENNEDY: Kesterson itself was a federal wildlife refuge, but further south in the state service area there was land being irrigated that potentially had the same problems, and so we both had the potential for this exposure. It was just that the feds came up to bat first and we both knew we had a big political problem.

WOLLENBERG: I think the drain was eventually going to be extended down to San Francisco Bay.

KENNEDY: Yes, it was going to come into the Delta at Antioch.

WOLLENBERG: And I guess the Kesterson incident pretty much killed that prospect.

KENNEDY: You know, that prospect was actually probably killed earlier just by the nature of it. Jerry Waldie, when he was congressman from Contra Costa County, took the lead in opposing both the Peripheral Canal and the San Joaquin Drain. The Kesterson Reservoir was supposed to be an interim step where the drainage water would be

evaporated. They actually thought it would be beneficial as a water fowl habitat and they just didn't think through the concentration of salts, particularly selenium, which in very small concentrations is helpful and in larger quantities is very harmful.

WOLLENBERG: Is there a necessity for some sort of final solution of that issue of drainage? I mean, can that valley, or portions of the Valley on the west side, have the level of irrigation that's now being used there without some sort of drainage that will take it to the Bay or somewhere else?

KENNEDY: No, it's a problem that has to have a solution, and if you can't take the salt out of the Valley, either by drain or, say half-facetiously by truck, then you basically have to quit farming much of the land. And that's what's starting to happen on the west side now, the amount of land is being curtailed. In fact, I think right now in the year 2002, the federal government is negotiating with land owners in the Westland Irrigation District to take some land out of production, both because they don't have enough water to irrigate the land and because this will enable them to take out some of the lands that have the biggest salt problems.

WOLLENBERG: What about in some of the state-served areas, is a similar kind of action being taken?

KENNEDY: Yes, there is, and part of it down there is the economics of irrigation. The state never subsidized the irrigation water down there, and so as the price of water went up some of the farming became uneconomical. And in fact, in the mid-nineties, we worked out an arrangement for Kern to sell some of its water to the urban contractors, and they have retracted on some of the irrigation going on in Kern County both because of the economics of irrigation and because of salinity.

WOLLENBERG: So this is in the Kern irrigation district--

KENNEDY: In the Kern Water Agency.

WOLLENBERG: --which is, what, the second largest contractor in the state?

KENNEDY: Yes, it's the second largest. It's an umbrella agency a little bit like Metropolitan. It has within it quite a number of irrigation districts.

WOLLENBERG: The other issue was that of Mono Lake, which went on throughout the 1980s, both in terms of legal precedents that were being established and by the withdrawal of Mono water from the southern California water pool. Wouldn't those also be issues that the state department would be involved in at least indirectly?

KENNEDY: Yes, we were involved somewhat. It wasn't our direct responsibility but of course the question of where would Los Angeles obtain replacement supply was everybody's concern.

[End Tape 6, Side B]

[Begin Tape 7, Side A]

WOLLENBERG: One development was the court case involving the public trust doctrine.

KENNEDY: Right. This is the case in which the state supreme court basically set forth what would be called the public trust doctrine, which said that public trust values could not permanently be given away from the public to, say a local agency or simply a private party. It basically said there's no such thing as an eternal water right if there are public trust values involved. When this first came out it, it scared water rights attorneys in the state because it seemed to say nobody had secure water rights. I think in the real world it had an impact on Mono Lake where in fact Los Angeles did lose some water supply but it is not going to be applied widely in other parts of the state.

WOLLENBERG: I think some environmentalists think of it as giving the environment a way to get into court. In other words, instead of having to say that the only rights that are

important are human rights, whether it's the farmers or the cities, now the right of Mono Lake in and of itself, has standing in court, has a standing legally.

KENNEDY: Right, and I think that's probably a fair way to look at it. Prior to this time water rights attorneys basically took the view, and water agencies took the view, that once you went through a water rights process where all of the various values were sorted out, including fisheries, you had a permanent right that could not be opened up. People would be making investments based on that right and it was something that was good for all time. The public trust doctrine basically said no, that's not true, you can reopen it. It didn't dictate the answer, it simply said it could be reopened.

WOLLENBERG: Yes, and eventually the amount of water that Los Angeles could take from the Mono Basin was substantially reduced.

KENNEDY: Yes.

WOLLENBERG: Then the amount of water that Los Angeles is getting from its own project is reduced, meaning that presumably Los Angeles will take more Metropolitan water, which takes more water from that Colorado River supply and from the State Water Project's supply that are already in shortage. It just compounds the shortage that exists.

KENNEDY: Well, it does. Now, there's a tendency when these debates are going on, for those that want to have the cutback made, to argue that it can be accomplished through conservation, but there is a tendency to count that conservation over and over and over. In fact, there is only so much conservation that can be done, and the city of Los Angeles, generally speaking, has conserved as much water per capita as the other cities in the state, so it's hard to argue they should have a greater conservation burden. And once they've done it, then they do have to look

somewhere else for a source of supply, and the only place they can really look to is the state project.

WOLLENBERG: Yes, because Colorado River water is already oversubscribed, so the state project is what's left.

KENNEDY: Right. I guess I should say that there are, in theory, other new water supplies that might be used, like desalination, wastewater reclamation. Desalination is still expensive and there are very few places where it is truly an alternative. Wastewater reclamation is less expensive than desalination and in some places it has become effective, but it also is expensive.

WOLLENBERG: The other alternative that people have talked about is the transfer of water from agricultural purposes to urban purposes. And during this period of the eighties, there was some discussion and negotiations going on between Metropolitan and the Imperial Irrigation District about a transfer. Was the state involved in that also?

KENNEDY: No, we were not involved in that Imperial-Metropolitan exchange. There was also an exchange, in the same time frame--it might have lasted more than a year--it was a trial exchange between Metropolitan and Palo Verde. Met and Palo Verde have always had a good working relationship. Met and Imperial have had a more, at times, difficult relationship, although they have worked out some things. I think your comment is very fair that water transfers are the one place that urban California can look and they've always been there; that's where Los Angeles got its water to fill the Owens Valley Aqueduct. It basically bought ranches up in Owens Valley. And, there are many other instances in California in which urban areas have purchased water from agricultural areas, either purchased it or just taken it, but depending upon how it's done it can be very controversial. In the

eighties this was done, as you said, by Metropolitan and Imperial. In the nineties is when it really became much more of a political issue in Sacramento.

WOLLENBERG: That leads to a discussion of the fact that during your time in the Deukmejian years you had a lot of interesting weather years, both floods in the middle eighties and what was to become an extended drought in the late eighties.

KENNEDY: That's an interesting observation. Yes, we had the worst flood on record in February of 1986, which Governor Deukmejian had to get involved in, and then at the end of his administration we were going into a very serious drought. He didn't have to deal much with that drought; it really became an issue just as Pete Wilson was becoming governor. But, Deukmejian did get involved in the '86 flood. The director of Water Resources gets involved in all the flood control in the Central Valley; the department actually runs some of the flood operations in the Central Valley.

WOLLENBERG: Does that include even the federal program?

KENNEDY: They help coordinate federal programs and there's a flood center, which the state runs, and the federal people have staff there. So the state and federal governments in California, over many years, had a unique, very good partnership on flood operations in the Central Valley. It's the U.S. Weather Bureau, the Corps of Engineers, the Bureau of Reclamation with their own facilities, and then the Department of Water Resources. They've had a very good working relationship for many years, and in '86 we really got all involved; it was a terrible flood.

WOLLENBERG: Yes, it was. I guess the major flooding was in the Marysville area and in the northern part of the Valley.

KENNEDY: The worst damage was up near Marysville. The little town Olinda, which is south of Marysville, was flooded by a levee break and a large residential community and

a large shopping center were both flooded under ten or twelve feet of water; a tragic situation. I flew up there with Governor Deukmejian in a National Guard helicopter and he took a lot of interest in the flood. Of course we came back with legislative relief programs and did what we could to help those that had been damaged.

WOLLENBERG: What specific responsibilities does the department have when a flood actually occurs, in an emergency situation?

KENNEDY: They basically have the responsibility for their own reservoir at Oroville, which is the major flood control reservoir there, so you have to operate it to try to prevent floods. But the department, also through the Reclamation Board, which is an arm of the department, maintains the levees, much of the levee system in the Valley and is responsible for all of the levee system. They oversee the part that's maintained by local agencies, so the department has about a sixty-person staff that works on flood management. Year in, year out, they inspect levee maintenance throughout the Central Valley, so when a flood comes the department is very involved.

WOLLENBERG: Were there other issues during the Deukmejian years that we haven't covered or other subjects that we should cover?

KENNEDY: [slight pause and then laughs] Well, I'm sure something will come to mind. I noticed in your outline you had the word "incremental approach," and it's probably fair to observe that after the Duke's Ditch Program was stopped in the legislature, what we went forward with, with the governor's blessing, was an incremental approach. We decided, "Let's take a step at a time, let's do what we can do, we'll try and stay out of legislature when we can," which isn't always possible, but I had certainly become a believer in not going over there and asking for things that you already had the authority to do. You are better off taking the authority you had in

negotiating with the interests who you would otherwise meet in the legislature. But the elected officials always have to deal with agendas that are different than the merits of what you're talking about, so inherently I got a real education in the legislative process those first few years in Deukmejian's time. [laughs]

WOLLENBERG: Well, it sounds as if the experience with the Peripheral Canal and then with your legislative program convinced you that you should sort of stay beneath the horizon and operate outside of this highly politicized, highly publicized arena.

KENNEDY: Absolutely. That was very much part of my approach, to consciously try to stay out of the papers in a sense, to stay out of the legislature in having to ask them for things. But we also worked with the legislature on lots of things and we tried to maintain good relations. I became good friends with Jim Costa, who, with a few other legislators, took an interest in our program. It's fair to say that most legislators don't like the water issues. They become very divisive in their constituencies. They have to go with the local interests irrespective of the merits, and if the local interests are acting in a parochial manner, then they have to act that way in provincial matters. So legislators generally do not like water with very few exceptions. Jim Costa liked it and I thought was effective as a legislator. He worked at it and tried to be very fair.

WOLLENBERG: He was from an area in the Central Valley where there was probably a fairly strong consensus that they needed more water and needed the irrigation of water.

KENNEDY: Yes, and the people in his district I think tried to support him; they tried to not be provincial about things, so he was helpful. But generally speaking it's fair to say we didn't look for opportunities to go to the legislature. You know, I'll tell you one little incident that happened, just thinking back to the Deukmejian era, that was kind of an indication of how he operated. It was

something I was not directly involved in but had an interest in. It was the question of the reappointment of Don Maughan as chairman of the State Water Board. Don Maughan had been chairman for four years. Don was a more senior guy than I in terms of his professional experience. I had known him in the sixties when he worked for the department as their Colorado River expert. He had gone on to become the assistant director of water in Arizona. He had worked for the National Water Resources Council in Washington, D.C. He had been appointed--well, he'd actually been on the Water Board in the Brown administration, and then during Deukmejian's administration it came up to whether he should be reappointed, and he had become controversial. He had put out a Delta decision which was troublesome to the water people. The environmentalists generally liked him, but his reappointment had become quite controversial, and most in the environmental community wanted it done.

I was concerned because I thought Don had become somewhat rigid in his thinking, had sort of been captured by some of the state board's staff. We were still good friends personally but he was a fellow who'd had some health problems--he had been in a wheelchair for many years.

This is certainly not an attack on my friends at the Mormon Church, but Don was a Mormon elder and I kind of joked he approached his public policy issues as a Mormon elder in the sense--he would literally say, "Someone has to make the tough decisions and I'm willing to do it." Well, sometimes that's true and sometimes it means, though, you need to take more time to sort through an issue and truly understand where the constituencies are. You sometimes have to make some tough decisions as a public official, but you need to make sure you really understand where people are before you make those decisions. Well, in any event,

when Don's reappointment came up, I of course kept my counsel because I was within the administration and I didn't feel it was appropriate to say anything. But one day I got a call from the chief of staff, who was then Mike Frost. Steve Merksamer had gone and Mike had been the director of personnel for the state administration, and he had become chief of staff.

WOLLENBERG: This was under Deukmejian?

KENNEDY: Under Deukmejian. I got a call from Mike and he asked me to come over and talk to the governor about the appointment. So I went over there and there was just the three of us in the room, the governor, Mike, and myself. Mike said, "The governor would like you to explain to him what the pros and cons are of reappointing Don Maughan as chairman." Well, I had given thought to that, so I outlined as best I could the pros and cons of such a reappointment. Interestingly, the governor did not ask me what my own view was, and since he didn't ask I didn't tell, and if he had asked I wasn't sure what I would say. I was troubled by it but I tried to outline as honestly as I could the pluses and minuses.

WOLLENBERG: Did the governor reappoint him?

KENNEDY: He did reappoint him, and I did not know until he reappointed him what he was going to do. I did not tell anybody for a long time that I had personally been asked to consult with the governor. It intrigued me how the governor approached this, that it was in a sense very professional. I treated it as a compliment that he didn't ask for my personal opinion. He had some confidence in my ability to outline the pros and cons, and I think he had a hard time getting any knowledgeable person to outline the pros and cons.

WOLLENBERG: Probably everyone else he talked to had a strong feeling one side or the other.

KENNEDY: I think that's exactly right.

WOLLENBERG: And I guess one of the reason why that became so controversial, and that's something we can take up again when we talk about the [Governor Pete] Wilson years, is that the state board was setting Delta standards, or was supposed to be setting the water quality standards in the Delta, that could affect the amount of water that could be taken out of the Delta for other purposes.

KENNEDY: That's right and one of Don's decisions then, after he was reappointed, came about in the early years of Wilson's administration and it became very controversial, became very difficult.

WOLLENBERG: That probably is a good time for us to stop and talk about the Wilson years next time.

KENNEDY: Okay.

WOLLENBERG: Thank you very much.

[Session 5, October 28, 2002]

[Begin Tape 8, Side A]

WOLLENBERG: Dave, last time we talked about your tenure as Department of Water Resources director in the Deukmejian years. Did you ever contemplate that you would continue on after Deukmejian's terms as governor?

KENNEDY: No, I really didn't. I fully expected to leave at the same time Deukmejian left, and just circumstances unfolded in a way that I did stay.

WOLLENBERG: In 1990, of course, Pete Wilson was elected as Deukmejian's successor, and how did it come about that you stayed on as Wilson's DWR director?

KENNEDY: I think two things happened that I hadn't anticipated. One was the drought. As Deukmejian was leaving and Wilson was coming in, the state was gripped in a drought. We had actually started briefing Wilson in December before he took office as to what the facts were and what some of the options were, and as soon as he was inaugurated he started spending time almost every day on management of the drought. I remember at one point he commented that while he had a serious fiscal problem in '91, that the drought in his mind was more serious. I think also the fact that I had known him when he was senator, a little bit, not really well, but I'd been in meetings with him so I was a known quantity to him, and then I knew several of his staff people quite well. Loren Kaye, who came in as cabinet secretary with Wilson, was a long-time Wilson family friend. Loren's dad was an

editor of the *San Diego Union* and had known Pete Wilson a long time, so Loren was quite young but he came in as cabinet secretary. Loren had worked in the Deukmejian administration, so I knew him quite well. He was the guy that was kind of overseeing some of the drought stuff, so one thing led to another--I think it was in February when the governor actually asked me to stay on.

WOLLENBERG: February 1991, after he actually had taken office?

KENNEDY: Yes.

WOLLENBERG: So, you were still in as sort of an interim basis?

KENNEDY: Yes, there were several of us. I remember Pete Bontadelli, director of Fish and Game, was a holdover and he was in there on an interim basis not really knowing what his situation was. In fact, after a year he was replaced and did something else. In one way it wasn't surprising that there was an interim situation; it always takes a few months for the directors to be appointed.

WOLLENBERG: Were you planning to do something else, I mean, did you have other options or were you kind of waiting to see what would happen with the Wilson administration?

KENNEDY: It was less waiting to see what happened with Wilson and more waiting until I was gone. I had been approached by several engineering firms and I thought I might do something like that, but I told people who wanted to talk to me that I did not want to discuss it until I was completely free from state service. I figured when I left I'd take a month off and then deal with that.

WOLLENBERG: Do you think the same thing would have happened--I know this is purely speculation, but would the same thing have happened if [Dianne] Feinstein had been elected? Or do you think that because you didn't have contacts with her that it would have been more likely that there would have been a change?

KENNEDY: I think it's probably more likely that there would have been a change. I might not have known the people around her, and I'm not sure I would have felt completely comfortable in her administration, although later I got acquainted with her and we had a businesslike relationship.

WOLLENBERG: But you had no contact with her prior?

KENNEDY: No.

WOLLENBERG: What were the differences in the approach and style of the Wilson administration versus the Deukmejian administration, and I guess that also involves the differences in style between Wilson and Deukmejian as governors?

KENNEDY: Well, it's an interesting question. I remember right after I was reappointed one of the reporters from the *Chronicle* came up and interviewed me on that very question, and it's a little tricky. I remember one thing I said then, and that's certainly very true, is that both of them were what I call good government guys. They were guys who enjoyed government, wanted to do the right thing, and they were both hard-working. I think that the difference though in my mind is Deukmejian was driven somewhat by sense of obligation to go into politics. He had a strong sense of his Armenian heritage and the need for public service. He actually looked forward to the day when he would be a private citizen again. When he went home at night he didn't take a lot of stuff home. He had a family life very separate from the governor's office, and while he worked hard you didn't have the sense that it was the only thing that was on his mind. Whereas with Wilson, he just really liked government service and politics, and I think he probably didn't have very many other outside interests; this really was his life.

WOLLENBERG: Was there a difference between somebody who probably was thinking of going on to higher office, the presidency for example, versus Deukmejian thinking that this was the end of his career?

KENNEDY: There probably was, but that was one thing we didn't pay much attention to. Certainly in that first four years none of us thought of Wilson as making a run at the presidency, at least not while he was governor. I think when he did decide to run that kind of caught a lot of people by surprise, and that first four years this was nothing that any of us talked about, about him in the near term going on to higher office. Everybody knew he was certainly ambitious, and that being governor of California makes you automatically a potential candidate for president or vice president, but it was nothing that drove anything within the administration that I was aware of.

WOLLENBERG: Do you have the same kind of access to, if not the governor, the governor's staff, as you'd had under Deukmejian? Remember, last week you said that you were pretty much in constant contact with the governor's staff when you needed to be. Did you have that same kind of access under Wilson?

KENNEDY: Yes, I would say I did. I think to some extent under Deukmejian the water issues just didn't come up as frequently and so I was not over there as much. Although Allan Zaremborg, who was legislative secretary to Deukmejian, did stay on as legislative secretary to Wilson for a year, which is rather unusual for a person in that senior governor's inner circle to stay on. Allan is one of the very fine people I had the privilege of working with; a very bright lawyer, a very pragmatic principled person and a sense of humor, fun to work with. I had become quite close to Allan during the Deukmejian era so he was another one that when he

stayed on--we were two of the few who were staying on. Of course, I had good access to Allan and he was very close to Governor Wilson.

WOLLENBERG: I guess there is that sense of people who stay on, they know more than other people, so it gives them a little bit of an advantage in the sense that they can give a little more perspective and have a little more experience.

KENNEDY: I think it both gives you a little bit of perspective, as you say, but I think there's also a little bit of suspicion about people that hang over, as to where your loyalties are and that sort of thing.

WOLLENBERG: You are identified as a Deukmejian man rather than a Wilson man.

KENNEDY: Right. And this--I don't know whether this was part of the problem I had with Doug Wheeler, but certainly, when Doug Wheeler came in as secretary for resources, he wanted to have his own people in all of the department directorships, and not just water but all of them. In fact, he was eventually able to replace Pete Bontadelli from Fish and Game, somewhat over the governor's office's objections; they liked Pete. Pete was very bright, had a strong political antenna, he worked well with both parties in the legislature; came from a legislative staff background with Senator [Ken] Maddy. Most of us thought Pete was doing a good job at Fish and Game balancing the many constituencies that they had and yet he and Doug were more on different pages than Doug and I were. Doug spent the whole first year trying to find a replacement for Pete and eventually did.

WOLLENBERG: I suppose the biggest change that occurred was the change in the secretary of resources who is, at least in theory, your boss in the chain of command. What was the difference in the relationship both structurally and in terms of personality?

KENNEDY: Deukmejian's secretary for resources, Gordon Van Vleck, a cattleman, was president of various associations and on boards of various corporations, but

basically a guy who believed in delegating and in not getting in your hair. I used to joke that if you walked into Gordon's office, he had a clean desk, and if you had a piece of paper in your hand he started backing up as though he didn't want you to hand him that paper; this was kind of a running joke. He was interested in things-- he certainly got in and debated issues with people and had lots of opinions, but had a kind of a businessman's sense of delegation and with few exceptions did not try and control the issues. He certainly made his views known in the debates both with the directors and with the governor and the governor's staff but he did not try and get into the details of most issues.

Now Doug Wheeler just had a very different approach. He was very interested in all the resources issues; he's a very outgoing and bright person. He had worked in the federal Department of Interior back in the Nixon years for several years and wanted to be involved in everything. I remember after about a year with the Wilson administration, Doug's deputy came down and talked to me for a while. His deputy was an attorney by the name of Michael Mantell. Mike had come with Doug from Washington, D.C. where they had both worked for an NGO back there. I remember hearing, although I was not involved, there was an initial problem when Doug brought Mike out because Bob White, who was Pete Wilson's chief of staff, had kind of a general approach: the deputies should always be political people who had personal loyalty to the governor and who kind of help run the politics of things, which is not a bad theory at all; that's the way Deukmejian had done it. In fact, in many departments the chief deputy is somewhat of a political person.

WOLLENBERG: Did that happen when Wilson came in, I mean, did you change your deputy in your department?

KENNEDY: Well, no, I didn't, in fact, I might go down that track for just a moment. My deputy at that point--I had three deputies, but my lead deputy was Bob Potter. Bob is someone I had worked with actually in the sixties. He was a department career civil engineer, very experienced in planning in the department, and had run a couple of the branches. I had worked with Bob many years before, but when I came back I didn't have any particular thing in mind about moving Bob around. But I had realized, in the first few months, I wanted to move him out of running the central district and bring him into the planning organization because I thought he had a good conceptual approach to planning, which I felt I was going to need. So, over his objections--he didn't want to move--I brought him back to planning. And then I remember I sent him down to run the southern district for a year, somewhat over his objections, but I had a lot of confidence in Bob's knowledge, his hard work--a very hard-working man--his integrity. I knew that Bob always gave you his unvarnished view of things, which is so important for a director to have. So, by the time that Wilson came in I had moved Bob up to the deputy level. Now, I had not moved him in as chief deputy because I was a little concerned that he might be automatically replaced by Wilson's people. So, I had talked to Bob about it and said if he was willing to sacrifice the difference in pay, I thought it might be to his and my best interest to wait a while and see how the Wilson people did things before I tried to get him appointed chief deputy. And it actually was, I think at least a year, before I broached the subject with the governor's appointment secretary, Julie Justice. By that point I was comfortable enough with her that I asked her directly whether I would be able to appoint Bob chief deputy, and by that point she said yes, it would work out. My guess is I could not have done it in those

first few months because Bob White and I initially did not start out with a good relationship. Let me go down that trail a moment.

Bob had been with Pete Wilson, I think at that point, for twenty-five years. He was thought of as almost an alter ego to Pete, and when I say Pete, I never called--like Deukmejian, within the administration we tended to refer to the governors by their first names if they weren't there. That's just the way you talked about them, not out of disrespect but just shorthand. But I've never called the governor, even the next governor, anything other than "Governor." So, if I say "Pete" and "George" I don't mean to be impolite, that's the way I talked to them. In any event, Pete and Bob White were very close personally. Bob White did two things really, within the administration: he ran all personnel matters, appointments, and he was Pete's go-to guy on top level political issues, but he did not get involved in issues, any issues. I think all the time he was there, which was six years, I think I only saw him in one meeting where there was an issue being discussed; he just didn't come to the issues meetings. So, I was afraid that Bob would have a theory that Bob Potter couldn't get appointed as chief deputy, but after a year Bob White and I had worked out a good relationship and he approved it without even interviewing Bob, which was highly unusual.

WOLLENBERG: Would Doug Wheeler have any input on something like that?

KENNEDY: Oh yes, Doug had a lot of input. But by that time Doug also had no problem with Bob Potter as an administrator and a very strong deputy and so, while they had their differences too, Doug really respected Bob Potter's professionalism. He used to complain a little bit about how candid Bob could be at meetings. [laughter] Bob Potter could be pretty outspoken, but no one ever doubted Bob Potter's knowledge

or his integrity. So, anyway, by that time I think I got Bob Potter appointed chief deputy.

I'll go back to where I was. Michael Mantell came down to talk to me and he wanted to talk about the relationship not only with our department but between the agency and the other departments, because they clearly had difficulties with other directors and with me, and they wanted to know what insight I might have to it. I suggested to Michael Mantell that I thought part of the problem was that both of them had come from a Department of Interior background, and that they came to state government with a mental model of the Department of Interior where all the authority in the department rests in the secretary of Interior. And I said, while that may work at the federal level and that the various bureaus are very subservient to the secretary, I said, "That's not the way state government's organized." I said, "Each one of the departments has its own statute and its own responsibilities; we've all been through our own senate confirmations." I said, "Your role is to coordinate among the departments and to help play as an interface between the governor's office and our departments." I said, "That's my theory." And he expressed an interest in those points of view and as best I could tell nothing ever came of it. [laughter] The whole eight years I was there we had a series of, basically policy disagreements, about how to approach things.

WOLLENBERG: I guess that's not unprecedented. I mean, Ike Livermore and Bill Gianelli had some pretty big conflicts back in the sixties during the Reagan years.

KENNEDY: They had very serious ones and Ron Robie certainly had his problems with--

WOLLENBERG: Claire Detrick?

KENNEDY: He didn't have many problems with Claire Detrick, but when she left Huey Johnson was the secretary, and Ron had a lot of challenges with Huey because

Huey was a little bit like Doug, a very strong person with lots of his own personal views. I guess the saving grace with Doug is that he's basically a very friendly, outgoing person. He is cordial in his relations and if you are not in the middle of a big row then you're having a good relationship basically. It was usually just on policy issues.

WOLLENBERG: Rather than personal?

KENNEDY: Rather than personalities. I mean, we certainly had some vigorous disagreements, but I think to Doug's credit, he tried to foster good relations with everybody.

WOLLENBERG: Maybe we should go through some of these policies and then when there appears to be conflicts with him, we can bring them up in the context of the particular policies.

KENNEDY: Right.

WOLLENBERG: One of the issues, obviously, that you had to deal with right away was the drought. I mean, you were right in the middle of the drought.

KENNEDY: Well, that's true, and that's where we maybe got into our first disagreement, although it was a little bit less with me than it was between Doug and the governor's staff. What happened is about the middle of January, that very first couple of weeks, the governor and his staff decided they needed to have a drought task force. As you know, this is the way government deals with special problems, to appoint task forces. The governor's staff wanted to appoint me as the chairman of it with Doug on the task force, and they wanted to have both state and federal agencies with probably fifteen or twenty people on it, plus a lot of other people contributing to it. Doug didn't like the idea much of me being the chairman, and I didn't frankly care. I told the governor's staff I felt that our department would probably do most of the legwork and that I knew Doug would not cut me off. So, I

said, "If he feels better about it, go ahead and appoint him as chairman and I'll just be vice chairman, or something, and work with him on it." But they had had a few problems with Doug themselves at that point, and they were, I think, afraid that he was going to be too headstrong. In any event, I remember Allan Zaremberg telling me, "No, this doesn't have anything to do with the theory of government, this has to do with how we're going to work things out." [laughter] He said, "No, the governor and the rest of us here want you to do it and Doug can contribute." So, that's what we did, but I think it kind of rubbed Doug the wrong way.

WOLLENBERG: Is that why the newspapers began to refer to you as the "Drought Czar"?

KENNEDY: Oh, possibly. I think that that "Czar" business does come out in the press.

Actually, we prepared a report that I think went to the governor in maybe the middle of February and had the drought water bank in it as one of the key things, and Doug and I had no problems with that. I remember, though, before we got to that point, one of the things that came up, just an emergency measure was--in the debates we had, and in the public debates, there was a question of what should the governor be doing? There was a call for, "The governor needs to do--" various things. And I remember Senator [Bill] Bradley from New Jersey, who was taking quite an interest in California water matters, was calling for the governor to take over water rights in the state in a state of emergency and basically reallocate water according to need. In one of our meetings with the governor he asked--since this was now in the public debate--did he have the authority to do that? I remember responding, "Yes, you do, but--" I said, "if you were to do that you will trigger twenty years of litigation and \$20,000,000,000 worth of claims because while you can take property, you have to compensate for it and--" I said, "this will be a nightmare."

By that point we had been talking to some of the cities and water agencies that needed more water, and some of them had actually started up into the Sacramento Valley, to negotiate the purchase of water themselves. We had all begun to conclude, at basically the senior staff level, that the department probably needed to take over this water brokering business in some form of a bank. And so somewhere right in that time frame, we suggested to the governor that the department take responsibility for buying and selling water and bringing some order to what was becoming a chaotic situation. That was one of the principal recommendations that we made to the governor, and Doug had no problem with that, he was very supportive.

WOLLENBERG: I think we should talk about the specifics of that water right, but was there any discussion about mandatory conservation measures, that the state would allocate conservation and cutbacks, and that sort of thing?

KENNEDY: Yes, there was quite a bit of debate about it, and we felt that part of the problem was if you actually mandated it, the state had no way to enforce retail water service. If you're going to conservation that's mandatory, which is basically rationing, you have to enforce it at the local level, and if you don't enforce it, it becomes meaningless. We were hearing from lots of retail agencies that were doing rationing, but others felt that they could get by without it. And rationing is a nightmare to administer, so the major cities were all telling us, "Let us deal with this on a case by case basis." What we did ask the governor to do was to call for mandatory conservation, which is distinguished from mandatory rationing. So, basically the governor called on people to conserve and made a big point out of it but we did not mandate rationing itself.

WOLLENBERG: When you say mandatory conservation, though, you mean the governor would actually say, "You must figure out some way of reducing your use by X number percent?"

KENNEDY: Yes, and we felt that--I forget the number now but I think we felt that statewide, if we reduced on the 25 percent to 35 percent level, that that would accomplish, in most cases, what was necessary. And it's kind of an irony, one of the initial problems we had was the mayor of San Diego basically didn't understand what was going on, and she said San Diego didn't have a problem and they weren't going to do it. I remember the governor personally asked me to call her and explain to her that she darn well better do it, and it was a very odd thing talking to one of his successors as mayor and trying to explain the facts to her. She was very strong-willed. She did kind of settle down, but it was an odd situation.

WOLLENBERG: But just to clarify then, so the governor is in effect saying that there must be a certain percentage reduction, or what?

KENNEDY: Well, the "or what" was the problem. The state couldn't practically move in to the retail level and administer a rationing program, it had to be done at the retail level. We were basically betting that we could get by doing the steps that we did, and that's essentially what happened.

WOLLENBERG: And I think in many communities there was very substantial conservation--way over the 25 percent.

KENNEDY: Oh, there was. Even San Diego settled down and was cooperative. I think most of the communities in the state were very cooperative. We really had very little problem with attitude, and where we did we tried to sit down and explain to them, while in a practical sense we were all in this together, that the state was so interconnected that nobody could thumb their nose at the rest of the state.

WOLLENBERG: Well, getting back to the water bank, I guess that's the most ambitious attempt the state has made at water marketing, which was an idea that had been around a few years. The idea that you could reallocate water in the state primarily from agriculture interests to urban interests through a marketing process: districts going out and literally buying water from farmers. What role did the state play when you implemented this?

KENNEDY: The state basically acted as a broker to try and provide order. We recognized that we had the only transportation system for conveying this water and we were going to be in the middle in any event. We were going to have to coordinate the operations between reservoir releases, the cutback in use, the pumping out of the Delta, the deliveries. I remember saying, "You know, we're going to have to deliver real water to people that buy it, so we better make sure we're getting real water cutbacks." So, the state was inevitably involved, and what the additional role we took on here was as the broker between those that would sell and those that would buy, and I think it generally turned out very well. I think it's fair to say, though, that water marketing had been around for 100 years. That's how the city of Los Angeles bought its water up in Owens Valley so many years ago.

WOLLENBERG: I think some of the people in Owens Valley would have said it wasn't exactly a purchase.

KENNEDY: It was a purchase but in a very heavy-handed way. They went up there in the middle of the night and negotiated without telling people what they were doing. And of course, it's also fair to recognize that almost everything in those days was being done in a heavy-handed way in California and the rest of the West, but nobody wanted to do it that way in the 1990s. What we really wanted to do was have some order in the operations. This drought thing was going on day-by-day

and we couldn't afford to have a fiasco in the operations of delivering water to people, so basically it was kind of an odd thing. The department actually had enough authority in its statutes to run a water bank; the department has very broad authority. I remember the governor being surprised and legislators being surprised that we needed very little additional authority to do what was necessary. The governor did call a special session of the legislature. We did get a few bills through that kind of cleaned up a few small problems, but for the most part the department's existing authority gave it the power to buy and sell water and to enter into contracts, which was of course an important thing.

One of the other observations I might make about it is I was concerned right from the beginning that we were going to be handling a lot of money and a lot of water, and that there was a potential here for after-the-fact lawsuits and claims and a big mess. So, I remember asking Bob Potter to take charge of this whole thing, and then he asked one of our principal engineers, Steve McCauly, to work full time on it, and of course Bob pretty much worked full time on it too, so they organized the purchasers and the sellers. And one of the things I told our staff right at the beginning was, we want to do audits as we go and after the fact, and we want to be able to demonstrate where all the money came from and where it all went, and where all the water came from and where it all went.

[End Tape 8, Side A]

[Tape 8, Side B]

WOLLENBERG: Dave, you were talking about the actual operations of the water bank and that one lawsuit that did come out of all that.

KENNEDY: Yes, we just had one lawsuit where we thought somebody tried to sell us water that they hadn't actually conserved, and we wound up in superior court. I don't

remember now what happened, but I think it was gratifying that we were able to get through this with no claims afterwards of malfeasance. You know when you're handling--I think we had \$120,000,000 come in and go out; there's a lot of temptation for people to do things they shouldn't do, so we tried to be very careful.

WOLLENBERG: You say when you acted as a broker, you actually bought the water from the farmer or the farm district, and then you in effect sold the water to the urban person, so you would actually be the middleman in that trade?

KENNEDY: That's correct. We actually bought all the water and took it into our project and then we resold it mainly to cities, urban districts. I think we sold some to a couple of districts in the San Joaquin Valley who had trees that were going to die and were willing to pay the price. There was no subsidy and everybody had to pay the same thing.

WOLLENBERG: Were you able to obtain enough water to meet the needs?

KENNEDY: We actually wound up obtaining a little more than we needed, and I had the State Water Project buy it, which some of our contractors were a little upset about because we had to pay quite a bit for it, but I didn't see any alternative and I wanted to clean the books out. I had the authority to do that, there wasn't any question of that, and I felt that it was protecting us to some extent for the following year. So over the objections of the water contractors I just transferred all the extra water to the state project and had them pay for it.

WOLLENBERG: How much water in the end then?

KENNEDY: My recollection is that there was about 200,000 acre feet out of about 800,000 at the end. Part of that was because in March it started raining, the so-called miracle March, so things got better through nature also, but right up until that rain it looked

like we were going to make it all right, but without the bank it would have been very tough.

WOLLENBERG: So, the bank actually dealt with about 600,000 acre feet then?

KENNEDY: Yes, we sold I think about 600,000, something in that order. I remember on the same floor that I worked on we took a conference room and put a sign up that said, "We Buy Water." We had farmers in their overalls coming down there, and of course one of the things we had to do is develop a prototype contract so that we didn't treat everybody differently; we had to--as best we could--treat everybody the same--so our legal staff worked overtime. Of course, state agencies have to get those kinds of contracts approved by the state control agencies so our staff worked every day, long hours, for several months trying to get this whole thing put together.

WOLLENBERG: So, you weren't just buying from water districts, you were buying from individual farmers.

KENNEDY: We bought a lot of water from individual farmers, yes.

WOLLENBERG: That 600,000 acre feet, that's equivalent of what, three or four million urban users, so, that's a lot of water.

KENNEDY: That's a lot of water, right. And I think in the process we demonstrated that water marketing has a significant role, or can have, and I think it will in the future, but one of the places I think people get hung up on water marketing is whether it's voluntary or whether you start mandating things. And the differences that our administration, the Wilson administration, ran into in the legislature in the years after the water bank were basically over how much you mandate and how much you leave to negotiation among the interests.

WOLLENBERG: You think on a long-term basis that the idea of a water bank makes sense; that, in other words, instead of it being done just between the two parties that the state should be an intervening factor and a broker, or was that just because of the emergency of the drought?

KENNEDY: I think it's possible that in serious droughts there will usually be a role for the state because there are some unique things that they can do that might not be practical for others, but that's not entirely clear. I think most of the urban agencies have taken steps to insulate themselves in droughts by making prior arrangements to buy water; but when all is said and done the state still has to operate the system. They have to work the water through the Delta, move it through the Delta, coordinate reservoir releases, pumping deliveries, so, there's always going to be a role for the state. There's no practical way for urban agencies south of the Delta to buy water north of the Delta without the state being involved.

WOLLENBERG: Well, I guess one of the other things that came as a result of the drought was the final approval of the State Water Project canal that goes into Santa Barbara. That was the final piece of the water project that had never been completed until the 1990s.

KENNEDY: Yes, it was the coastal branch of the aqueduct. It had been stubbed out in the 1960s to the west of the California aqueduct, but it still needed 100 miles of pipeline to complete it into San Luis Obispo and Santa Barbara counties. The department had always taken the view that since they were going to have to pay for it, it was entirely up to them if and when the project went forward. They had had long debates down there, I think they'd had an election or two, had not wanted to do it, but the drought made them realize how isolated they were. Some of the people in Santa Barbara County in particular decided to take the lead and push for another

round of voting on this issue, whether to ask us to build a coastal branch, and after a very vigorous debate they did vote to go forward with it.

So, during the nineties, and it was completed in 1997, we did build the coastal branch at their request. It was interesting that some of the San Luis Obispo County communities actually dropped out at the last moment, and I would be very surprised if they don't rue the day they did that. The little community of Lompoc, which is at the mouth of the Santa Ynez River and has very poor quality water, had always been a supporter of that aqueduct and at the last moment they backed out, and now they're sitting down there with precious few alternatives.

WOLLENBERG: I guess the argument, I mean, in Santa Barbara, and I guess it's the classic argument all over the state, is that if you build more water facilities you produce growth. In other words, the argument is that water produces growth, while the other side of that argument is that the growth is going to come anyway and thus you better provide the water.

KENNEDY: That's exactly right, that is the debate. I don't think there's a community in the state any more that doesn't have some form of that debate. We felt it was very much up to them to sort that one out. They came to an accommodation in their own minds where the vote was fairly substantial in Santa Barbara to go forward, so, we felt they certainly had a right to have us do this. They had been paying their bills to us for the portion that would benefit them all these years, so, we thought it's just their decision. I did go down there and speak at a couple public forums, but made it very clear that it was not our decision, it was theirs.

WOLLENBERG: So, the state didn't really take a stand on that issue.

KENNEDY: No.

WOLLENBERG: It just stood back and let them decide.

KENNEDY: Yes.

WOLLENBERG: I guess a more fundamental issue that was going on during your time in the Deukmejian years but came to a head in the Wilson years is this whole issue of Bay-Delta standards. The setting of water quality standards, salinity standards for the Delta and the effect of those standards on the exports of water from the Delta. I think it was in 1978 that the state water board had set standards?

KENNEDY: Well, they'd actually set standards going back earlier than that. The old Water Rights Board set the first round of standards in 1966, I think it was, and then in 1971 they set another round of standards. I was actually involved in those hearings on behalf of the Met, because I was a technical expert in those hearings on hydrology. Ron Robie was vice chairman of the board, and he was a strong author of that early 1970s set of standards. And then I think you're right, in '78 there was another round and they progressively got more information and tightened up the standards. At the same time all that was going on, the department was negotiating with some of the Delta interests: the agricultural interests and the Suisun Marsh interests. During Ron Robie's administration of the department, they basically reached agreement with the Suisun Marsh waterfowl interests. In fact, when I was director we implemented that through both federal legislation to build Suisun Marsh facilities and through the actual construction. So, the longtime conflict between protection and the marsh was pretty much resolved.

WOLLENBERG: And that involves actually allowing some state water to go into the marsh.

KENNEDY: Yes, it does. We built a large salinity control gate in the marsh that as best I know has worked well, and then we did reach an agreement with the farmers in the Delta about salinity control. So, the real festering issues all these years have dealt with fisheries protection and with the more general environmental concerns about

protection of the Bay-Delta, and some of these are actually concerns that are hard to quantify and to identify exactly what it is you are trying to do. Now all these years we've had this as really the most serious water conflict in California. There has been some progress made, but we certainly had some difficult controversies during the Wilson administration.

WOLLENBERG: First the EPA [Environmental Protection Agency] and then even the state appeals court in effect ruled that the 1978 standards had to be strengthened. During the Deukmejian years, was there some attempt to actually come up with new standards or was it simply a matter that people just kept on debating?

KENNEDY: When the water board would issue a set of standards, it would make it clear that it would revisit them at a future time, so there was never a sense that the set of standards in place at any one time was there for all time. There was always a sense that as more information became available, the standards would be refined. But you did have two things going on. The one you alluded to is the federal involvement. Starting in the early seventies EPA started getting more involved, and over the last thirty years they have just gradually become more and more a player in the question of Bay-Delta standards. Initially the state government and the water agencies in the state tried to say this really had nothing to do with pollution, which is what EPA's mandate was all about. This has to do with salinity, which is not a pollutant per se, so you had a lot of rather esoteric debates about EPA's authority and what its federal statute really authorized. Most of that is probably behind us because as a practical matter EPA now is a major player, if not the major player, in Delta protection.

WOLLENBERG: I guess the drought of the late eighties and nineties turned all this into a more serious issue because there was less fresh water available. It kind of brought

everything to a head. I think by the early nineties, what was it, the winter salmon run was down to just a few hundred fish?

KENNEDY: Yes, a number of things kind of came together. The drought put the state and federal water projects in a situation where there simply was not enough water left in the reservoirs to keep the salt out of the Delta. So, in '77, there had been a backing off of the salinity standards in the Delta because there just wasn't enough water to accomplish them even without any pumping in the South Delta, the water just wasn't there. So, it looked in '91 like we were headed back into a similar situation, and there was an intense debate about whether there should be any pumping and just what should be done, the debate about the nature of the standards. The standards are complex, have a lot of components to them, and so you get into a complex discussion about which standards and how much and all this kind of thing. Of course in the papers and in the press it's just kind of a general thing: do you or don't you protect the Delta? But in the real world it was a whole series of specific issues as to what you should do, and all this started to come to a head in '91.

WOLLENBERG: I guess the stakes are very high because you could substantially reduce the amount of water that would be available to the San Joaquin Valley and even to southern California if standards were written in such a way that pumping was substantially reduced.

KENNEDY: Right. In fact, we were in a situation where we were providing water to the city of San Francisco through our aqueduct, and if our water got shut off we were going to be shutting their water off too; it was a very, very complex situation. And a lot of the anecdotal things that people thought they knew about the system from reading the papers just didn't happen to be true, so it was difficult.

WOLLENBERG: As I recall, when Pete Wilson came into office, fairly early in his administration he actually called for the water board to come up with new standards.

KENNEDY: I don't recall exactly the sequence of what happened. I remember by 1992 when the drought was somewhat behind us, we had put together a water policy statement for the governor. Doug Wheeler and I had worked on it together and that statement did call for new standards and for establishing a citizen's advisory group, and a lot of things like this. So, the governor had pretty much dived into the whole issue of protection of the Delta with his April 1992 water policy statement, which I might say at the time was quite well received. I think many in the environmental community felt it was a balanced statement; it basically touched all the bases. We all knew what needed to be covered; the devil was in the details.

WOLLENBERG: And then the water board did go ahead and set some standards, didn't they?

KENNEDY: Yes, the water board did proceed to hold hearings, and eventually, I think it was in late '93, published some draft standards. Here we got into another very big disagreement both within the administration and with people outside the administration. It might be worth observing part of what happened going into that. One of the people that I haven't mentioned is Boyd Gibbons. Boyd was brought in as director of Fish and Game at the beginning of '92, the second year of the administration. Boyd had been a writer for the *National Geographic* for many years and his interest in environmental issues stemmed from him being a hunter; he really enjoyed waterfowl hunting. Doug had spent 1991 trying to find a new director; he'd offered the job to several different people who turned it down. I was hearing a little bit of this just informally from the governor's staff and I knew one of the guys who was offered the job.

WOLLENBERG: Was that, in other words, to kick you out?

KENNEDY: No, it was to move out Pete Bontadelli of Fish and Game. No, I think at that point Doug had kind of reconciled himself that I was probably there for better or for worse. I think all of his other directors were his own, ones that he had recommended to the governor, but Bontadelli was pretty independent. He had his own base of support both in the governor's office and in the legislature. He was a very strong person and an extremely quick study. We used to all joke that in any discussion with quite a few people, Pete Bontadelli always knew as much or at least could speak about it as well as anybody in the room, whether it was a technical issue or whatever it was. He was a lot of fun to work with but he and Doug were very different types. I don't know that they had any personal disagreements, in one sense, but Doug was kind of button-down, you might say, as was Boyd Gibbons. I think one thing Doug and I had in common, I joked about, was that we both bought our clothes at Brooks Brothers, but Pete Bontadelli didn't go to Brooks Brothers; I hope this is not taken in any negative sense.

In any event, Boyd Gibbons came in as director, and I felt that you could tell within a couple of months that this was going to be a rocky road. Boyd kind of had a mission, a personal mission, and he didn't have much of a sense of politics. He didn't know anything about California particularly and he didn't know the governor's constituent groups, so he started getting into problems with Fish and Game constituent groups right off the bat, nothing to do with us. I remember one of the early conflicts though that I got into was when the Delta hearings started. In some meeting that we were at, Boyd made the comment that he was going to go to those hearings personally and drop a bomb. I was a little taken aback and I said, "What kind of a bomb are you talking about, Boyd?" He said, "I'm going over there and talk about all the damage the state project is doing to the fisheries."

Of course, I had two concerns with that: I wasn't convinced that we were doing all this damage that he was concerned about; and second, I was very concerned that Pete Wilson didn't want his director over there making this kind of a fuss. So, I remember going to Michael Mantell and telling him, "I think we're headed into a problem here where we're going to have a director over there creating a furor, and as soon as it gets in the paper the governor and his staff are going to go ballistic." "So--" I said, "I think we better get this under control. We better have a debate about what it is he's so concerned about and then you guys need to decide where we're going to be."

One of the things I used to tell our staff--and I sometimes talked to Fish and Game this way--is that ultimately the facts should drive public policy and we should have vigorous debates about what the facts are. But if there's a group of professionals that are convinced of what the facts are, you can't get involved in silencing them and telling them they've got to be quiet; you've just got to be prepared to deal with it in as straightforward a manner as possible. I felt, given the mission Boyd felt he was on, we needed to have a vigorous internal debate and find out what he was talking about. I certainly knew there were people in Fish and Game that would say things like that, but I also knew people in Fish and Game who would strongly disagree with that. They felt some of the other issues, such as introduced species in the Delta, were having every bit as much of an impact on the fisheries problems as our pumping was. So, in any event, Boyd eventually--I don't remember whether he personally testified, but he basically put a lot of stuff in the record over there that was not helpful.

WOLLENBERG: So, in other words he was claiming that the fisheries were being depleted because of the operations of the project and in effect calling for standards that would reduce the amount of export of water from the Delta.

KENNEDY: That's correct. He was advocating pretty stringent reductions in pumping, and while he certainly wasn't the only one doing this, I felt, for a director in the same agency, he automatically would have a strong hearing. And, of course, the press would have a field day with this kind of stuff, and it did become very contentious.

WOLLENBERG: What was Doug Wheeler doing? Doug Wheeler was theoretically over both of you.

KENNEDY: Well, this was one of the things that I never quite understood, is that I felt that if there was a legitimate role for the agency, it was to try and resolve these kinds of conflicts, not by necessarily silencing either one of us but by somehow trying to help us provide testimony that was not so flagrantly in conflict with each other. But as a practical matter--and I remember looking back near the end and realizing I can't recall a single issue in which the agency ever helped resolve any of our problems with Fish and Game, and I never really understood why. Basically, we needed a mediator and maybe to some extent an arbitrator. I didn't have to win every argument, but somebody needed to take charge and pound their heads together, and I just didn't ever see it happen.

WOLLENBERG: When these differences occurred, would Wheeler take a stand on one side or the other or would he just sort of back off and let the two of you go at it?

KENNEDY: My sense of it is it was more backing off and letting us go at it. We had long-standing relationships with Fish and Game, many good relationships, some pretty rocky, but we knew all the people, they knew us, we were all candid with one another, so there wasn't any lack of communication, there really was a lack of a mediator. We basically had to mediate things ourselves, and of course, if you've

got a director on the other side who's wedded to a particular view. . . Boyd was not interested in mediating this thing, and so it was a tough row to hoe.

WOLLENBERG: What about the governor, did he finally become involved in all this?

KENNEDY: Oh, he got very involved, but he got involved after the fact. What happened is the water board went ahead and held its hearings. We knew we were going to have some problems, but there are a lot of professional people at the water board and we felt we could probably live with whatever they came out with. None of us were looking for a fight. Metropolitan Water District was not looking for a fight, so we thought we could live with the kinds of things that would come out. Well, when they finally did come out at the end of December, our professional staff, the second day they looked at it, came and told me we had serious problems before I had talked to anybody outside the department. One of the people I most respected in the department was Ed Huntley, who I think at that point was director of planning but was basically our liaison with the water board. Ed was pretty hard-nosed but he knew the facts and he knew that I wanted to know the facts. I wanted his analysis of where we were. He came and told me we were in deep trouble here. He said he actually felt the water board staff had gone much further than they themselves intended to go, and I think to this day that is what happened.

WOLLENBERG: Do you have any sense of how much it might have affected pumping?

KENNEDY: Yes, they were starting to do some computer modeling or running the new numbers through the computer models, and Ed told me--he said, "These are serious cutbacks." I don't remember the numbers now, but I was very taken aback, hoped they were wrong, because I thought, "If they're right, we just can't live with this; we're going to have a big brouhaha on our hands."

WOLLENBERG: What was the reaction outside of the administration? I mean, Metropolitan must have heard about this and the other contractors.

KENNEDY: Right. The contractors had their own analytical staffs and so they and Kern County, Metropolitan, the federal contractors, everybody was doing their own analyses. There were probably a dozen different analyses all going on concurrently, trying to figure out what it all meant. One of the things though that I felt put us in a box was before the water board put out their draft decision, Jim Strock, who was Doug Wheeler's counterpart at the state EPA, Jim and Doug Wheeler and the state board's staff met with the governor and his staff and briefed them. I didn't know this was going on, and it would have been inappropriate for me to be there anyway, so that in itself didn't trouble me. I thought it was appropriate for the governor to at least know--when I found out that this had happened afterwards--for him to at least know what was going on.

But what was a mistake was that Doug and Strock were kind of in love with the proposed decision right at that point. Now, it wasn't out in public and they would have been well advised to treat it as a draft, but they got into the cheerleading business and to some extent got the governor committed to supporting it. They talked about how it was a good balance and everybody was going to give up something. So, when the decision came out they acted somewhat, as I say, in a cheerleading capacity, and kind of got the governor painted in a corner; he went further than he needed to go. He didn't go maybe too far, but he was mentally in support of what was going on.

When we had a meeting with the governor, I think in January of '94, which was really the first time I had an opportunity to present my staff's analyses, I'm sure I had told Doug and I told the governor's staff what we were coming up with, but

this was the first time in which the governor, the agency secretaries, the directors, all of us got into a room. There were probably fifteen of us in the room to at least discuss what was going on. And there were starting to be comments in the press that this might have significant impacts on the project. I remember Boyd Gibbons saying to the governor something to this effect: he said, "Governor, this is our board, you've charged them with doing this, you've made several of these appointees, we have to support them, we have no choice but to support them." The governor agreed with that and I think I was the only one in the room other than one or two of the governor's staff who were very concerned. I left that meeting thinking, "We are in deep trouble here. They're headed towards accepting this, this is going to result in very significant cutbacks to the project beyond what they're being told, and yet the governor doesn't even have an open mind about it." I was in somewhat despair.

WOLLENBERG: You were not a happy camper.

KENNEDY: I was not a happy camper; that's very true.

WOLLENBERG: Did the governor begin hearing from outside? I would think that Carl Boronkay I guess by this time was the director of Met and would weigh in.

KENNEDY: Yes, Carl was the manager of Met and Met took kind of a curious position. The way I would characterize it, they were willing to give away Kern County's water. They were in that mode over quite a few years including that period where I don't think there was anything that could have been done to those standards that they wouldn't have saluted. It was discouraging because Kern and Tulare and others were going to bear the brunt of these shortages, and Met was so enamoured with keeping good relations with the environmental community that I felt they just didn't want to face up to the facts.

WOLLENBERG: So, most of the opposition came from agricultural use?

KENNEDY: Yes, and it was very gradual; it didn't happen immediately; it took weeks and weeks. We refined our analyses, we tried to figure out what our options were, whether we could make suggestions. The state board staff, if I recall, met with people, discussed it not just with us, with various interests. I don't remember now whether they held any hearings, but there was basically a lot of debate going on about what does this mean and what should be done?

[End Tape 8, Side B]

[Begin Tape 9, Side A]

WOLLENBERG: Dave, you were discussing the governor's realization that there were going to be some real problems with the water board's decision.

KENNEDY: Yes, and here I should mention one other person, Kevin Sloat. Kevin was legislative secretary to Pete Wilson at this point. Kevin had been a legislative staffer when I first met him, and a very savvy guy, young person. He was the one that became the go-between within the governor's staff that was trying to sort out what to do. I remember meeting a lot with Kevin, showing him our analyses; he was meeting with other people. I think we met a couple of times with Pete Wilson to explain to him what we seemed to be coming up with, and I'm sure by that point Wilson was hearing from lots of people. So, at some point, I believe it was in April, Kevin told me that the governor had decided he really had no choice but to ask the water board to pull back the standards.

WOLLENBERG: When you say the governor was hearing from other people, I mean, you may not have been in the line of fire but I would think there would have been very heavy political pressure.

KENNEDY: Oh, I'm sure there was, yes. He was hearing from, I'm sure, both sides: friends of his who wanted to go forward with the standards and friends who felt that things were just going to have to start over.

WOLLENBERG: And I would think when he was running for governor he had substantial support from big agricultural interests so that they would have a lot of influence in his administration.

KENNEDY: Right, he did. One of his key constituencies was agriculture in California.

WOLLENBERG: I think even as U.S. Senator he had been very friendly to them.

KENNEDY: He had. He had carried a lot of their water or international trade issues, he felt he had good relations with them, and I know some of the very important farmers in the state felt he was one of their very strong supporters. There were quite a few farmers who could get Pete on the phone on an important issue to them, and by that time the agriculture community was pretty exercised. When Pete finally came to the realization that he was going to have to write a letter and pull this back, it was a tough decision. I remember asking Kevin, "Kevin, what are we going to do here? All hell is going to break loose here," and he said we had no choice. He said, "We just have to do this and there's going to be a lot of flak." Kevin had been around politics all his young life and he just felt these are things you have to do.

I remember Kevin and I went and met the governor out at the airport and rode in from the airport and talked with him about it, and the governor was not happy. He felt he'd been set up almost, he'd been misled. I personally don't think he had been misled. I'm sure that Doug and Jim Strock thought they were doing the right thing and the state board staff felt they were doing the right thing. But what I think basically happened on this was that the state board staff decided to come up with some standards that were more theirs rather than what had been in the record. So,

rather than just relying on the record they started being creative. One of the specific things that made me think this was they took the Suisun Marsh standards that we were in agreement about with the various interests and they modified them. I could hardly believe that they would take something that wasn't even in conflict and start modifying it to the detriment of both sets of interest. To me this was kind of an indicator that they went off in a back room somewhere.

WOLLENBERG: Could it have been that they really believed that this was necessary to save the fish?

KENNEDY: Oh, I think so.

WOLLENBERG: Because the fisheries were in pretty serious trouble.

KENNEDY: I don't doubt their sincerity, but I sure doubt their judgment. They did things for which there was no support in the record. It was new ideas that they cooked up for that set of standards, and many people were surprised at what they came up with. It's basically an evidentiary type of a hearing process. It's a quasi-judicial process and the board is supposed to base whatever they do on what's in the record. And if they don't have enough in the record then they can put in an interim decision and continue until they have more record, but they shouldn't get so creative that they get outside the record, and that's what they unfortunately did. So, anyway, we had a fiasco on our hands.

WOLLENBERG: It must have been difficult for Pete Wilson, I mean, in effect he's having to stand up and say, "I was wrong," or "I'm reversing my position," and that's something that a governor I'm sure never wants to be in a position to have to do.

KENNEDY: That's right. I don't think he put it in those terms, but that's in effect what it was. I remember one kind of funny sideline of this is that Kevin and I drafted a letter for him that we thought was the best thing that he could send that kind of tried to put it

all in a context. Pete took that draft letter and he went on a five-day trip, and while he was there his English major background at Yale came back to him and he decided he had to edit the letter. And what finally got sent, neither Kevin nor I was happy with, but it was what was sent. [laughs] That's just a little aside.

WOLLENBERG: It shows he made the final decision.

KENNEDY: Oh, he made the decision, and you know, I think all governors develop a certain ability to make those kinds of decisions where they just have to do it.

WOLLENBERG: At the same time that these issues were going on, there was an attempt made to reform the federal Central Valley Project to come up with what came to be called the Central Valley Project Improvement Act.

KENNEDY: CVPIA, right.

WOLLENBERG: And I guess it was Congressman [George] Miller and Senator [Bill] Bradley who were the major forces behind that.

KENNEDY: That's correct, they were, and they came at it from two different standpoints; they each ran a bill. Senator Bradley, I think, had in mind making a big thing here in California and then using it to run for president. I remember the initial months when he worked on this, he and I had a very cordial relationship. He came out and held a hearing in Sacramento and used the legislative hearing rooms, which is unusual for a member of the Congress to do that, but he went out of his way to be cordial. Later when things got more tense I saw another side. [laughter] He decided to approach it one way. George Miller had a different approach. I remember George met with a couple of us before he put his bill in, and he was kind of interesting. He sat a couple of us down and he said that he didn't really like this issue but that he had a personal obligation to deal with it because his dad had been

active in it in the legislature, and being a representative from Contra Costa County he had a geographic obligation.

WOLLENBERG: He was also on the committee.

KENNEDY: He was chairman of the committee. But he told us--he said this was not his favorite issue. He preferred other social issues but he said he was going to try and clean up what he perceived to be problems with the Central Valley Project Authority. He wanted to work with the governor and he hoped we could work together even though he said they did not have a good personal relationship, but he said he didn't think that would make any difference; he would just work with Wilson. So, we took that message back to the governor, and for whatever reasons in their background the governor really didn't want to work with Congressman Miller on it. Part of it would have been that the governor's constituents didn't want to work with Miller on it. The farming community basically did not want to work with Miller. I think in retrospect you can certainly argue that was a mistake, that they might have had a better bill than what finally got approved if they had sat down with him and Senator Bradley and tried to hammer out something that met all the interests. But the agriculture community basically did not want to negotiate, and Pete Wilson felt that he had a commitment from President Bush to veto a bill and so he basically did not negotiate, and it was a tough time.

WOLLENBERG: And the bill, without going into too many specifics, would include environmental protections that again would have the effect of reducing the amount of pumping.

KENNEDY: Yes. Congressman Miller's basic position was, he said that he felt he wanted to do something responsible. He wasn't trying to gut the projects, he was trying to make them operate in a manner that he perceived to be responsible, but he wanted to end the debate. He felt this had gone on and on and on and he didn't want to spend his

life on it. So, he felt that he could control the issue with the various constituents and that he tried to assure the water interests, including Metropolitan--he met with them also--that he would not gut the projects. He would take some water but he would not do anything so extreme that the projects would really be gutted.

WOLLENBERG: The other matter that was in the bill along with environmental protections was the cost structure, that under that bill, presumably, some of the federal contractors would have to pay substantially more money for their water.

KENNEDY: Right, and some of them were prepared to do it in order to get the debate behind and some of them weren't; the agriculture community was actually split on that issue.

WOLLENBERG: So, did the state take a formal stand on the proposal? I mean, were you as the director of the department taking in effect a formal stand on that piece of federal legislation?

KENNEDY: To some extent. I don't remember whether it was formal, but it was certainly well known that the governor was opposed to it. I was probably more a spokesman on this than Doug was. Doug was pretty uncomfortable with the issue, and the governor, I think on this one, looked to me more than to Doug.

WOLLENBERG: And then there was Senator John Seymour who was filling out the rest of Pete Wilson's term, the rest of his senatorial term, and had been appointed by Wilson.

KENNEDY: Right.

WOLLENBERG: He also became very much involved in this.

KENNEDY: Oh, he did, he got very involved, and I spent a lot of time with Senator Seymour. Senator Seymour had a real estate background. I think you recall it was kind of a surprise appointment when Wilson appointed him to fill his unexpired term. Seymour basically wanted to negotiate any issue that came up. I remember that he

had a cordial relationship, at least initially, with Senator Bradley, I think as United States senators tend to have, and so Wilson began to be concerned that Bradley was having too much influence on Seymour. One of the things that Bradley tried to sell at one point that I felt was just impractical was, he said "We'll take away a lot of water from the Central Valley Project but we'll restore it by building more dams up in northern California," and he started proposing a scheme to build more projects. Well, my personal feeling was that this was a never-never land; it just couldn't happen for various reasons. The opponents would always stop something like that, and I wasn't sure there was anything being proposed that was even economical. I felt it was a proposal that had no practical import, but Bradley was trying to sell it to Senator Seymour and was having some success.

I remember at one point Governor Wilson personally called me and asked me to go back and talk to Senator Seymour in Washington and explain to him why this was just not a practical approach to solving the problem. I think one of Wilson's concerns though too was that if Seymour alienated himself from the agricultural community, he was going to have a problem running for reelection. Seymour had no natural constituency in California. He was from Orange County but he was not well known statewide, and if he was going to have any chance for reelection he was going to have to have some statewide group like agriculture in the same way that Wilson had. So, to some extent Wilson was trying to protect Seymour from making a bad decision that cost him support in his reelection.

WOLLENBERG: This bill technically wouldn't have any direct effect on the state project, would it?

KENNEDY: In theory it wouldn't, but since the two projects have to act together, in the real world it could have had an impact. That's the kind of stuff that it would have been helpful to negotiate out rather than have to stand there and watch it happen.

WOLLENBERG: But I guess Wilson, because of his strong support from agriculture, felt an obligation to take their side of the issue too.

KENNEDY: He did.

WOLLENBERG: So, there were both political and technical issues involved.

KENNEDY: There were, and he, as I say, he had a commitment in the middle of '92 from President Bush that the bill would be vetoed. And it's a little sideline that's a bit humorous in retrospect. When I heard about that and heard about the credence that the governor was giving it a commitment to veto, I remember talking to one of the governor's staff and saying, "You know, this thing isn't going to come to the President for a long time, and by the time it does, conditions are going to be different." It was one of those few things that I personally foresaw. I didn't have near as much confidence in that veto commitment as the governor did, and in fact that's what happened. George Miller and Senator Bradley amended into the bill things that were wanted in other western states, so by the time the bill wound up on President Bush's desk it was a bill that benefited all the western states other than California. It's interesting that a majority of the California delegation actually voted against the bill. But when the governor tried to get the President to veto it a few days before the election--I wasn't there, but the President explained to the governor that the bill was different now and he just had no choice but to sign it.

WOLLENBERG: And it was literally just a week or two before the election was.

KENNEDY: I think it was in the final week.

WOLLENBERG: So, the bill that was passed was essentially the bill that you and the governor had opposed.

KENNEDY: Yes.

WOLLENBERG: Do you have any sense of how that bill has actually worked since then or whether it's even worked? It's been a matter of great controversy for the last ten years, I guess.

KENNEDY: It has. I think that some of the provisions have worked out, some of them are in litigation, which is certainly not surprising. I don't know that I would be in a position to characterize it now. It is certainly, though, the law of the land, and there may be some future modifications of it, but I think most of the agriculture guys have accepted that in some form this is the authority that the Central Valley Project now is going to operate under.

WOLLENBERG: That I guess does lead to a process that came out of all this controversy: the so-called three-way talks where there were, as I understand, talks that were sponsored by DWR, between the various interests to see if some kind of a consensus plan of how to go forward could be achieved.

KENNEDY: Yes, that eventually evolved out of that, and that's basically a good thing. I mean, you aren't going to solve any of these kinds of problems without discussion among the key interest groups, it just has to be done that way.

WOLLENBERG: The three interest groups were agriculture, urban and environmental.

KENNEDY: Right, yes. And you know, ultimately it may be necessary for someone in a governor's position to make a decision that is not fully accepted by one of those groups, but that should come after there's been an effort to reach a compromise, and that's what's happened in recent years. In fact, in '94 we actually got a set of Delta standards that were somewhat compromised out, and that's when Secretary [Bruce] Babbitt from the Department of Interior and the governor got together. I remember Carol Browner, who was head of the U.S. EPA, came out for the meeting. We had a big ceremony in the governor's pressroom where everybody

kissed the book, so to speak, and declared that we were all going to go forward arm in arm.

WOLLENBERG: Did they have to check their weapons at the door before they came in?

KENNEDY: Well, what we really agreed to is a set of interim standards and a process, and of course it was difficult even getting to that point, but I thought it was progressive. I felt, in some ways, that we had made a lot of headway given where we'd been just the previous several years.

WOLLENBERG: One of the things that's interesting about that process is that one of the three groups was environmentalists. Twenty years earlier probably it would have been urban and agriculture sitting down. The fact that the environmentalists had gotten to the point where they had a seat at the table was a sense of how much things had changed over that twenty- or thirty-year period.

KENNEDY: Yes, that's true. You know, it's interesting though that some of the fisheries interests have often and for a long time had good relations with the projects, and we've never known quite where to fit them in. The environmental interests groups, particularly the Bay Area, tend to say they speak for all environmental interests, but we've always had salmon interests, striped bass interests, who had been more pragmatic year in and year out, and had been willing to talk about specific measures to protect fisheries rather than some of the more abstract stuff the environmental interests sometimes are pushing.

WOLLENBERG: It seems though in the last few years environmentalists have moved closer to both the sports fishing and the professional fishing industry so that they've come up with more common stands.

KENNEDY: I think that's probably fair, right.

WOLLENBERG: Probably both sides have become more pragmatic to work with each other.

KENNEDY: Right.

WOLLENBERG: And then some of that may evolve into this concept of the Cal Fed process, which I believe also, began during your years in the Wilson period.

KENNEDY: Yes, it did. If you trace the roots of Cal-Fed back far enough, it's the governor's speech in '92 that talked about citizens' involvement and working together. We went through several phases to get to Cal-Fed, but eventually you have to have the key agencies involved and you have to have the interest groups. So, today, many years later, we've got this Cal-Fed organization, which is the key state and federal agencies that have responsibilities, and then you have a large citizens' advisory group that advises Cal-Fed.

WOLLENBERG: What is the formal structure of that? Is it a voluntary group that sits together or does it have some kind of legal structure?

KENNEDY: It actually got some legal structure to it now that has evolved since we left office four years ago, and I'm not familiar with exactly how it's done. We had, I guess you'd call it, a quasi-legal setup and then we had agreements among state and federal agencies, and we had appointments made by key state and federal officials of citizens' advisory groups. So, there was a legal underpinning to it but I think subsequently it had some state and federal legislation to give it more structure.

WOLLENBERG: Was there a problem with your group from a Republican gubernatorial administration and now working with people from the Clinton administration, from the Bureau of Reclamation?

KENNEDY: You know, it may surprise people that--and I think I had mentioned this in an earlier discussion--that the water debates tend to be less partisan than people might assume. Some of the individual people in the debates are--well, there are a lot of governors or presidential appointees, but we actually had a pretty good relationship

with Bruce Babbitt, with some of his people, and certainly Doug Wheeler and Secretary Babbitt had a very cordial relationship. I think that Secretary of State EPA Strock had a good relationship with Carol Browner, so there was really a lot less of that than people might assume. When you get a new administration you get new people ordinarily, and so you have to develop new working relationships, but we certainly never held up anything, and I don't think the Clinton administration did on those partisan bases.

WOLLENBERG: And I guess the most serious problem you had with the feds was the Central Valley Improvement Act, and that was signed off by Bush, a Republican administration.

KENNEDY: Right. I thought it was interesting, in fact, if you look back over the years, I think some of the major federal legislation that's occurred, like the EPA authorities and the Endangered Species Acts, have come in with Republican presidents.

WOLLENBERG: And the Clean Water Act.

KENNEDY: The Clean Water Act, right.

WOLLENBERG: Well, are there other issues that were occurring during those years that we should be talking about?

KENNEDY: One thing that we worked at in the department was what we called the Monterey Agreement. This was a group of amendments to the state water contracts. It started to come to a head in '94 when Metropolitan started disagreeing with the way that I was administering the shortage provisions of the contract and the water allocation provisions. I felt their attorneys were driving them into a conflict with the department and with Kern. Sometime in the summer of, I think it was '94, both Kern and Met told me that one way or the other I was going to get sued December first when we made our annual water allocations. One or the other was going to disagree, and they both had said they couldn't live with the potential outcome. So,

in the fall of '94 we actually hired--the contractors and I decided to hire a professional mediator, a guy named Jim Waldo, an attorney from Seattle who knew nothing about our issues but made his living as a professional mediator.

We hired Jim and he came down, and through a series of long, difficult meetings that wound up at Monterey, California, at two o'clock the morning of December first we actually reached agreement on the most significant amendments to the state project contracts since they were originally signed.

WOLLENBERG: What were some of the specifics?

KENNEDY: We changed the water allocations and we permitted some of the agriculture contractors to sell off to urban contractors some of their entitlement. We gave the contractors of southern California more say in the way the southern California reservoirs are operated; there were about ten amendments altogether. We decided not to collect some money that we had been collecting that would be used for future construction and reservoirs. I was concerned we were going to collect hundreds of millions of dollars with no way to spend it and the legislature would find a way to reach in and take it, and so we decided simply not to collect that money. Then I had decided that owning the Kern Water Bank property--20,000 acres we had bought in the eighties to run a groundwater bank in Kern County--we were getting leveraged all the time by the overlying water districts in Kern as we tried to operate it. I decided I wanted to give it to Kern Water Agency and let them deal with their own local agencies, and in return, of course, I wanted something for it. So, I went in there saying, "We're going to give this to you but we want something for it." This was when my own staff did not agree with me. They felt it was a mistake to give up anything we owned, but I felt that every time I turned around, those local agencies were leveraging the state.

WOLLENBERG: This was a ground basin that you had built?

KENNEDY: Yes. Well, it's the Kern River Basin in Kern County, and we had bought 20,000 acres from Tenneco Oil Company, which is another interesting story. Deukmejian had forced me to go to the legislature to get their approval before I bought it, because he was afraid of buying land from an oil company, as well he should have been. We got a very good price for it, much over Tenneco's objections, but we negotiated with them. Anyway, we had bought 20,000 acres and started to put together a recharge and extraction program, but there were several overlying local districts and every time we turned around they were leveraging the department. Over a period of several years I began to realize there was going to be no end to this.

WOLLENBERG: In other words, the land was in other water districts so they had the right to take the water.

KENNEDY: They had the right to recharge, or the right to pump, and every time we tried to do something they tried to extract something from us for it, so I began to talk to them in terms that "This just isn't going to work." We bought this for a project-wide benefit, not for a benefit for Kern County. Metropolitan, Santa Clara County and all the other contractors were paying the bills. They had a right to their proportion of benefit and I just didn't like the relationship, so I went into the Monterey negotiations putting this on the table. My staff didn't fight me about it but they made it clear they didn't agree with this.

WOLLENBERG: Didn't want to give up anything.

KENNEDY: They didn't want to give it up. And, of course, we were going to have to take some staff off the project, but I just had become convinced that this had become a long-term bad arrangement.

WOLLENBERG: What did you get for it?

KENNEDY: Well, we decided in the course of this to not try and quantify every single component in the Monterey discussions; if you tried to quantify everything you were hopelessly bogged down. So, everybody had to make their own calculations, and of course my staff felt strongly, since they didn't agree with me, they were going to get as much as they could. I thought it was a very tough negotiation on every point, but to the credit of everybody involved, including folks that I didn't always agree with at Metropolitan, and others, we all hammered something out that I think the contractors and the Department feel has been a net benefit for everybody.

WOLLENBERG: Did it involve taking water away from anybody or was it simply more how to pay and that sort of thing?

KENNEDY: It was how to pay, but one thing we did was we put the agriculture contractors on the same shortage basis as the urban contractors, which in theory is getting the agriculture contractors some water they wouldn't have had. In practice, what we'd found was it was impossible to fairly administer that agriculture shortage provision. We were going to have shortages more frequently than we had anticipated and we were going to have the farmers in perpetual shortage, and that wasn't fair either, so we had a lot of adjustments we had to make. Ultimately, of course, the state and the contractors got sued by some of the environmental interests about the Monterey agreement. I think as we speak today, at the end of 2002, [Director of Department of Water Resources Thomas] Tom Hannigan is trying to negotiate a settlement of that litigation.

WOLLENBERG: Tom Hannigan is your successor?

KENNEDY: My successor. But I think Tom, after he was briefed, became convinced that the whole thing was fair and that he should defend it, and I think that Mary Nichols has felt the same way. So, all in all it was a fair set of amendments and I think it will stand the test of time.

WOLLENBERG: Tom Hannigan is your successor, and Mary Nichols is Doug Wheeler's successor.

KENNEDY: That's correct.

WOLLENBERG: Okay, well that's very good. We'll go on next time, same time same place.

KENNEDY: Okay, call it a day.

[End Tape 9, Side A]

[Session 6, November 18, 2002]

[Begin Tape 10, Side A]

WOLLENBERG: Dave, we got pretty much through the years of the Wilson administration last time, and at the end of the Wilson administration there was a gubernatorial election between Gray Davis and Dan Lungren. Did either of them come to you to talk at all about water issues? Were water issues ever a major part of that campaign?

KENNEDY: No, they really weren't. I had told people quite a number of months before the election--I forget just when but I think maybe in the summer of that year--that I would be retiring at the end of the year. Both my chief deputy, Bob Potter, and I had decided that we would retire. We both had a lot of years in the retirement system and I certainly had been there a lot longer than I had ever expected to be, so it just seemed like a very logical time for both Bob and me to retire. And I felt it would be best to let people know because I didn't want to go through a lot of speculation about whether I would or wouldn't stay, so it was really never an issue.

WOLLENBERG: So even if Lungren had won and the Republicans had stayed in power, you would have still resigned.

KENNEDY: Oh yes, definitely.

WOLLENBERG: It was time.

KENNEDY: Yes. Actually, I just retired.

WOLLENBERG: Right. That's different from resigning, you're right.

KENNEDY: Yes. I never had to submit a resignation letter or anything like that.

WOLLENBERG: After Davis came in did you stay on in the transition, or did you just go ahead and retire at the end of the year?

KENNEDY: I retired at the end of the year. From a retirement standpoint that made sense to retire--I think it was on the thirtieth of December.

WOLLENBERG: So was there an interim director in those few months, or did Davis go ahead and appoint somebody right away?

KENNEDY: No, he didn't right away, but one of my deputies, Steve Kashiwada, acted as acting director until Tom Hannigan was appointed.

WOLLENBERG: Did you know Hannigan at all when he was in the legislature?

KENNEDY: I did not know him very well. I knew him very casually but he had not been particularly involved in the water issues. He got a little involved in the Suisun Marsh but he was not--I don't recall he was even on the water committee, so our paths had crossed two or three times. He's a very easy guy to get along with so we had a casual but good relationship, but I had not worked with him in the same way I had with a number of other legislators.

WOLLENBERG: He was a Democrat from Fairfield, wasn't he?

KENNEDY: Yes, right.

WOLLENBERG: After he was appointed, did he meet with you? Did you have any discussions with him?

KENNEDY: Oh, yes. He kept my secretary who was very competent. I called her as soon as he was appointed and made arrangements to go down and buy him lunch. We had a very pleasant long lunch and we've done that a number of times since, in the last four years.

- WOLLENBERG: I know you're not directly involved, but do you know was he accepted in the department, or was there a feeling that it should have been somebody with more water experience?
- KENNEDY: Oh, I think that people have liked working with Tom. He's interested in the issues and he is a people person in the sense that he appreciates what the staff does. He's been complimentary of the staff, and so I think people have enjoyed working with him.
- WOLLENBERG: I think one of the things about that gubernatorial campaign that is unfortunate about California politics as a whole and that is that water never even came up. In that gubernatorial campaign and in the most recent one that has just taken place-- it's as if the issue of water is off the agenda.
- KENNEDY: Oh, I think it is, and I think it really reflects a couple of things. One is that most elected officials, legislators and governors, do not like the water issues. They tend to be very contentious; they kind of polarize people geographically. Among water users and environmentalists, you really find very few legislators who want to get involved in the water issues. The other problem is that water issues often involve technical or factual matters in which elected officials have no background or interest.
- WOLLENBERG: California faces some pretty big decisions about water. Can the state continue without politicians, leaders, getting involved in the water issue or taking some leadership?
- KENNEDY: It really depends on what big issue needs to be dealt with. At some point, a governor is going to have to take a real interest in the water issues to sort of stabilize the State Water Project and the Central Valley Project, particularly with respect to the Sacramento-San Joaquin Delta issues. The appointees and the

professional people can make some incremental progress on those issues if they have the tacit support of elected officials. But I tend to think that at some point in the future, the Delta issues are probably going to become so difficult again that a governor will have to personally get involved to provide the statewide leadership that's necessary.

WOLLENBERG: Do you think that something like the Peripheral Canal eventually will have to be built?

KENNEDY: The expression "like the Peripheral Canal" can get you into a lot of trouble. [laughter] I think something will have to be done in the Delta to stabilize the way that water is moved through the Delta and to deal with the levee situation. The relationship between exports and the fisheries is not good, and something is eventually going to have to be done. Now that's what they're trying to deal with in the so-called Cal-Fed Program that was established in the Wilson administration and which has continued. It's had a lot of support at the government level. In some ways, it's the only game in town. This is kind of what I hear from the water guys. But, it's a very slow incremental process, and I think it's going to take a while to know whether they are making any progress.

WOLLENBERG: Can you foresee the need for any more big projects, any more dams or any more large aqueducts? Is that something that we can think about for the foreseeable future?

KENNEDY: I rather doubt it. I wouldn't say there won't be any more dams. There are a few sites where water could be stored offstream of a regular channel, like the existing San Luis Reservoir and the Los Vaqueros Reservoir in Contra Costa County. There are three or four other sites where that could be done, but I don't think there is a site in the state that doesn't have strong opposition, even offstream storage

sights. I concluded, somewhat before I retired, that in all likelihood any onstream site cannot pass the muster of federal law; I think for all practical purposes federal regulations have now outlawed any more dams on streams.

WOLLENBERG: I guess the one that people still talk about is the Auburn Dam, and I know there is still support up in that part of the Central Valley for that project, but you don't think that's a possibility?

KENNEDY: It's awfully hard to see how it could be a possibility. If there were another disastrous flood in the Sacramento area, or say a near disaster, I would imagine that would revive the support for Auburn. But, one of the problems is that while there's still strong support in the Sacramento area--in fact I remember eight or ten years ago going back to Congress to testify on behalf of Auburn, and I was part of a group that included mainly Democratic officials; it was not a partisan issue. John Doolittle, the Republican, Bob Matsui, my congressman, and Anne Ruden, who was the mayor of Sacramento at the time, we actually had good bipartisan support in the community. Of course, in addition to support, there was some very strong opposition from environmentalists. But what I think is more significant is the opposition from other parts of the country. The Auburn site has basically been put on a short list of dams that would be opposed by the national environmental organizations, and that's a very tough hill to climb. It's conceivable that if you had a near-disaster that reminded people of what situation they're in and if you had very strong support, not only from the affected community but from the governor, I guess it's conceivable to me, but I think it's unlikely.

WOLLENBERG: I know one of the offstream sites that people have talked about is down in the area of Los Banos. That's one that I know keeps on coming up in discussions.

KENNEDY: Well, that's one I actually worked on for many years; I worked on that in the mid-1960s. We did quite a bit of work on it when I was director. But I remember that the U.S. Fish and Wildlife Service told us that they would oppose it to, jokingly, to the end of the earth. The sycamore grove that's on the creek there, they felt was such a unique environmental value that there was no way they would ever let Los Banos go without a major fight. I can remember when Senator Feinstein came out in support of Los Banos, and my recollection is there was other fairly good support, at somewhat of an abstract level, because it wasn't yet to a decision-making point. When I saw that the federal agencies were going to fight it the way that they were I thought this, again, is very difficult.

WOLLENBERG: One project that some people support is the expansion of Los Vaqueros, raising the height of the dam so that it is not just a local resource but part of the state project too.

KENNEDY: They are talking about that and I'm a little puzzled, because it's not a particularly good storage site. It's very expensive, but it may be that it has support politically because there's already a dam there. It will be interesting to see what happens, if that proposal to enlarge Los Vaqueros becomes more serious, whether there will be opposition developed about it. The fact that Supervisor Sunne McPeak and Congressman Miller were supporters of Los Vaqueros, I think, was a big step in having it go forward. It's a very expensive site. I remember thinking that if you spent the same per capita amount on storage in southern California, you would be spending \$15,000,000 for a reservoir; it's a very expensive project. I was surprised that it was built because of its unit cost. The unit cost to expand it would also be very great, but sometimes political people make calculations that engineers like myself don't understand. [laughter]

WOLLENBERG: And then the other thing I've heard about is raising the level of the Shasta Dam.

KENNEDY: Right, that's being talked about, but I think in some ways it's being overstated as to what might be done. I think they're only talking about raising it ten or twelve feet, which of course in itself is controversial.

WOLLENBERG: But that could include a tremendous amount of water because that ten or twelve feet would be expanded over that huge lake.

KENNEDY: It could include quite a bit of water, but in the bigger scheme of things it's not a lot of water. I don't mean to say that it might not be worthwhile to do, but the amount of water that would be generated by or conserved by raising Shasta ten or twelve feet is a pretty small increment in the overall situation.

WOLLENBERG: So it sounds then that the answer is to use what we have now in a more efficient and effective fashion.

KENNEDY: Well, certainly that is--right. Conservation is always the first thing you need to do in both the agriculture community and the urban community, in both areas of water use. There has been tremendous progress in the last twenty-five years. There's kind of an assumption that agriculture can just save 10 percent. It's thought that's easy to do, but what people forget is that the geography of the Central Valley is such that any water that a farmer uses beyond what he needs either goes into the aquifer or goes downstream and somebody else uses it. In fact there's very little room for irrigation efficiency in the Central Valley. I still remember back in the seventies when Gerry Meral was the deputy at the Department of Water Resources. He was the new deputy. He had come from the Environmental Defense Fund, and Gerry's very bright. He sat down and figured that out Central Valley irrigation with the department's staff and he basically quit talking about it. He said, "This is not the place we're going to make water."

WOLLENBERG: Well then, if in fact the state's population is going to continue to grow and if we can't think about big transfers from agriculture to urban use, where is the water going to come from?

KENNEDY: I think there's two basic things: one is you can think about transfers from agriculture to urban use. It's going to continue to happen. I think the key to it is to negotiate each deal on an almost separate basis so you take all the factors into account and don't run roughshod over anybody. I think most of the problems with agricultural water transfers have occurred where legislators were trying to provide generic authority, which scared the daylights out of farmers who shouldn't be affected, but could see that generic legislation might eventually cause them a problem. But where there have been basically individual deals, it worked out. There have been many successful ones, and I think that will continue to be true. Certainly on the west side of the San Joaquin Valley right now the federal government is talking about buying up some of that land that's been irrigated for the last thirty to forty years. They're going to do it both for water quality purposes and for water supply purposes.

WOLLENBERG: Presumably then the water that would have gone on that land could be used for other purposes.

KENNEDY: Yes. I think what will happen to that water is it will be used to provide full irrigation for the remaining land in that district, in Westlands District, and thus take pressure off of the Delta diversions.

WOLLENBERG: I guess the biggest exchange of water for agricultural and urban use has been in Imperial Valley, both the deal that Imperial Valley has had with MWD and also with San Diego. I know those have taken decades to accomplish, but it seems as if there is a substantial amount of water that's being exchanged now.

KENNEDY: There has been quite a bit exchanged and I think there is going to be more. Some of those things have been worked out very harmoniously and some of them have been very contentious. Metropolitan actually worked out a water conservation plan with Imperial about fifteen years ago that was very straightforward and didn't receive a lot of publicity because there was not all that much contention; the Met staff basically sat down with Imperial and worked it out. The most recent controversy in Imperial involving the urban area is the one where San Diego has wanted to buy some water from Imperial. One of the reasons that became controversial was not only because of moving the water out of Imperial, but also because of San Diego's relationship to Metropolitan. The question there was how would the water get conveyed from Imperial or from the Colorado River to San Diego? It would have to come through Metropolitan's system. There was a difference of opinion between Met and San Diego as to how much should be paid. That was as much the controversy as what was going on in Imperial.

WOLLENBERG: There's also some controversy about the Salton Sea. That if in fact the water is used more efficiently in Imperial or if it's taken to San Diego, that will be less runoff going to the Salton Sea and it might suffer.

KENNEDY: It will definitely go down in its size, and whether it is suffering, time will tell, and many scientific investigations will have to be made. Salton Sea is an artificial lake of course; it's been sustained by agricultural drainage all these years. It really raises societal values. What will have to be sorted out among elected officials and many other people over the coming decades, is just how important the Salton Sea is.

WOLLENBERG: I guess that does get to this whole idea of the interrelationship between local agencies and state government and even the federal government. How these

decisions can be made or whether they can be made. Whether the governmental structure is so complicated and the decisions so tough. Whether these decisions are even make-able.

KENNEDY: That's a very good question because things have become very complicated. A lot of the complexity is due to the effort to protect everybody's interests. If you look back over a long period of time, many project decisions were made either secretly or in a heavy-handed way, whether it was the Hetch Hetchy Project or the Los Angeles Aqueduct out of Owens Valley, all kinds of projects, highway projects. The decision-making authority was much narrower. So, today we've come to the point with all of our population and the desire to protect the environment where there are many more tools available to get everybody who might be affected involved; it gets very complex. I think at the end of the day you may get better decisions, but it takes a lot of patience to work your way through it.

And one of the phenomena in the last twenty-five years has been the growth of the federal government in many water issues. They have been involved in the Colorado River for seventy-five years because of it being an interstate stream and the states having to sort out how much water each one of them was going to get. So, basically the feds took over the Colorado River many years ago and they've acted as water master. It's basically been helpful because every stream needs somebody to make the decisions, and on the Colorado River the Department of Interior is the water master. But, in many other streams, and particularly those that are not interstate, the federal government has gotten more and more involved through federal legislation. In quite a few instances legislation has been interpreted by the courts in ways that give federal agencies more power. So, today you find the Federal Fish and Wildlife agencies and the Federal Environmental

Protection Agency involved in many in-state water issues that they weren't at one time involved in.

WOLLENBERG: Is that a good thing or a bad thing?

KENNEDY: It's kind of hard to say. I think that the federal agencies tend to be staff-driven. There's kind of a fiction that the cabinet officers provide the policy for federal agencies. I think the staff people sometimes kind of wink and agree to let the secretary of the agency pretend to make decisions or take a few issues and run with them, but for the most part the federal agencies are very staff-driven, which means they're not necessarily close to the people. They may be close to certain constituencies, but you find very laborious processes for things like endangered species protection, water quality standards, wetlands protection. You find decisions made at the journeyman level where the people above them are literally afraid to change them, let alone to review them, because they will be accused of unprofessional activity. This has been true now for quite a number of years and I don't think it's a healthy thing.

[Tape stops briefly]

WOLLENBERG: Is there an incident that might illustrate some of the problems that you had with the Feds?

KENNEDY: Yes, there was an incident that happened some time in the mid-nineties where the federal agencies wanted to list the Split Tail fish as an endangered species; this was the Fish and Wildlife Service.

WOLLENBERG: Was this in the Delta?

KENNEDY: In the Sacramento River and the Delta if I recall. Our biologists and state Fish and Game biologists did not agree. They thought that there were bad data that Fish and Wildlife Service was using, so Doug Wheeler wrote a letter to the Fish and

Wildlife Service disagreeing about this. It was one of these issues that Doug and I were on the same side of and I appreciated very much that he was willing to get in and work on this. One of his reasons for doing it was he thought to list a species in this kind of a situation actually undermined the Endangered Species Act, which he had worked on many years earlier when he was in Washington.

WOLLENBERG: Because he felt that this fish didn't really apply under the act or that this designation didn't apply under the act?

KENNEDY: He felt it was kind of a misuse of the act, but basically we could not get the Fish and Wildlife Service to pay any attention to us.

WOLLENBERG: Now, is that the kind of thing that you could have gone to the governor on, wasn't this a big enough issue to have warranted that?

KENNEDY: I don't recall how the thing was disposed of but it was a case in which--now, Doug knew Secretary Babbitt very well, had a good working relationship, but the people in Washington just didn't want to touch this issue at all. It had come out of the region, the professionals worked on it. The people in Washington were always afraid they were going to get accused of doing politicking and so, basically, some rather journeyman-level people were driving the train and the policy people were basically standing aside and washing their hands of it.

We had a lot of problems with this kind of thing. I'll tell you another little incident I remember during a flood--I think it was in '97--down in San Luis Obispo County. They had very serious flooding and highways washing out, culverts washing out. The local flood control people, in order to keep some roads open, took some actions which after the fact were judged by the Corps of Engineers and the Environmental Protection Agency as violations of federal law. Now these actions were taken during emergencies and yet they were sued. EPA went after this little

county with a proposed big fine. I became acquainted with the facts of the situation and I got rather outraged. I actually got permission from the attorney general to go into the lawsuit on behalf of San Luis Obispo County under a legal theory that we had an interest in it. It was interesting that after we got into the case basically to defend San Luis Obispo County from what I thought was a gross overreach of bureaucratic power, EPA did sit down and negotiate a settlement, but up until that point they just ran roughshod over this little county. It had nothing to do with partisan politics, it was just lower level staff people, and when we tried to get their superiors involved they wouldn't touch it.

WOLLENBERG: And then maybe by you going in and joining the suit, maybe that got the superiors involved.

KENNEDY: I think that's actually what happened. We visibly got involved and I made some comments to the Corps of Engineers management that I was very concerned about what was going on. But, we had some other bad experiences that were not resolved where we found the upper levels of the corps, both civilian and military, would not even review actions taken by their staff that we felt were very heavy handed.

WOLLENBERG: It's interesting because thirty years ago the corps was thought to be this agency that would build dams, their whole purpose was to build more projects. It seems now that they've taken on a much more environmentally sensitive or friendly attitude.

KENNEDY: Oh, I think that is very true. In fact, I think they've essentially abandoned their construction program, certainly for big projects. The Corps of Engineers has always been much more politically sensitive at the congressional level than the Bureau of Reclamation. I used to joke--I think I figured this out maybe five or so years after I started working--that the corps had a nationwide program where they

tried to have a project in every congressman's district. The Bureau of Reclamation had a seventeen-state program with relatively lower populations, and so the Bureau of Reclamation ran out of speed politically a long time ago. The Corps of Engineers has still been very active politically, but as more and more congressmen became environmentally sensitive, the corps made a real effort to reinvent themselves. In some ways I think they went overboard in that they forgot at times what the management is there for, which is to provide a broader review than people at the lower level might be able to do.

WOLLENBERG: I know that at one time people were talking about privatization of projects or maybe the state taking over the federal projects. Is that a way to simplify things, a way to get more efficiency to any of these projects?

KENNEDY: I'm a skeptic about a lot of the privatization schemes for water agencies. There are some retail water companies in the state; in fact, throughout the West they are very successful; they are regulated by the Public Utilities Commission. But for public agencies who own projects that have environmental permits and have pretty broad interests that they have to serve, I tend to think that you benefit from having elected officials on the boards who can provide the broader outlook that's necessary. So a lot of the privatization talk to me has not been as realistic as it might be.

WOLLENBERG: A lot of that was occurring when you were director of DWR in the late eighties, early nineties. Isn't that when--during the Reagan and senior Bush presidential years--when a lot of conservative intellectuals were talking about privatization of many of these kinds of public projects?

KENNEDY: Well, it was talked about then, and of course, some city services like garbage collection have been privatized, and I have no problem with that where it works. I

think it really depends on what is the issue and what makes the most sense, but where you are diverting from streams, these kinds of things, operating reservoirs, the bigger the impact on public resources the more important it is that you have--in my mind--that you have publicly-elected people providing the guidance for how things are done.

WOLLENBERG: So you wouldn't ever foresee the state project becoming privatized, for example.

KENNEDY: No, I don't personally. I've heard people propose things like that, but I can't imagine it happening.

WOLLENBERG: What about this idea of the state taking over the federal project, that the state may be taking over the Central Valley Project [CVP] and running the two projects as one unified effort?

KENNEDY: Well, that's one of those ideas that looks pretty good in the abstract and has ever since the Central Valley Project--since it was first authorized by the state in the thirties. They couldn't sell the bonds so the feds built it. The first report I'm aware of that the state looked at buying the CVP was in the early fifties. I think they offered the feds ten cents on the dollar for their brand-new investment, or something like that. [laughter] And then during the Wilson administration, in the first couple years, we made a major exploration of taking it over because, well, the Central Valley Project Improvement Act was scaring the daylight out of a lot of farmers. They decided that it might make sense to have the state take over the CVP.

WOLLENBERG: That was at the time of the Central Valley Project Improvement Act in the nineties.

KENNEDY: Right, in the early nineties. So Pete Wilson actually made it one of his proposals and he worked with the federal administration. My recollection is it came up at the end of the Bush administration and carried over a little bit into the Clinton

administration. The state government and the federal people actually spent a lot of time looking into this. We had a lot of meetings in both California and Washington to see what the issues were, and I think we pretty much came to the conclusion that it was hopelessly complex from the standpoint of the federal statutes that would be difficult to deal with. Another concern that I had, that I think sometimes the politicians were a little less sensitive to, although I think it was something that eventually would have risen was this: for the state to operate both projects scares the federal water users because they think the state will then take the water that they've been using and transfer it to the urban contractors like Metropolitan Water District. This is a longstanding fear, probably not without foundation. The urban people tended to say, "Well, by operating the two projects together it would be more efficient." Well, to the farmers that's another way of saying some of their water will be transferred to the urban users without them having much to say about it, and I wouldn't say this will never happen. I think that it's possible that there may eventually be an arrangement to operate the two projects more as one, but I think it would only happen if the farmer's rights were very well defined in a way that transfers could not be made against their will.

[End Tape 10, Side A]

[Begin Tape 10, Side B]

WOLLENBERG: We were discussing the relationship between the two projects, between the CVP and the State Water Project.

KENNEDY: Right, and in the mid-eighties, the Department of Water Resources and the Bureau of Reclamation finally were able to sign the coordinated operations agreement for the two projects. This had been negotiated for twenty-five years. I remember being at a hearing in Washington and George Miller asked me--and I think Dave

Houston, the regional director for the bureau who was sitting with me at the witness table, and George Miller said, "When are you guys going to get this coordinated operations agreement done?" [laughs] I told Dave afterwards, "You know, I think we better quit faking it. I think we better sit down and get serious about this." For a lot of reasons it had dragged on. So Dave Houston and I got our staffs together and hammered out the agreement and it was approved by the Congress along with the Suisun Marsh agreement. It was a major step in having the two projects operate together in a coordinated manner.

WOLLENBERG: The Suisun Marsh agreement was to provide fresh water for the marsh to restore parts of that marsh.

KENNEDY: Or really to provide the level of brackish water that they needed. It involved building some facilities, a salinity-control gate. It was a good program and I think we were all very pleased at the ceremony that Governor Deukmejian held where we all signed it.

WOLLENBERG: I guess that kind of cooperation is something that I assume will be carried on under the Cal-Fed Project. Isn't part of the whole idea of the Cal-Fed Project that the state and feds will cooperate in their operations?

KENNEDY: Yes, although the Cal-Fed Project really brings in the regulators in a more formal way to the two operating agencies. Basically, the bureau and the state have had pretty good working relationships all these years. They've had their disagreements, but the staffs have always gotten along pretty well. What Cal-Fed did, though, was to bring in the fish and wildlife protection agencies and the environmental protection agencies at the state and federal level. It brought them into the process, so I think there are ten agencies altogether now.

WOLLENBERG: It strikes me that if we go back over the thirty-five years or forty years of your career, how much things have changed. When you first got into this business they were building the state project, projects were being built, dams were being built, and now, it appears that the era of these big projects is over and done with. Are there any lessons learned or any wisdom that you gained by going through this, a remarkable era of changing values, changing standards?

KENNEDY: Well, I think you've said it, that it was an interesting era and it was probably the end of the great big projects, and it's certainly been interesting to be involved all these years.

WOLLENBERG: As an engineer, do you kind of look back to the good old days when the big projects were being built? Does that seem to you to have been the good old days?

KENNEDY: Not really. I enjoyed projects, but I remember when I became director one of the things I said to the staff was that some engineers are only satisfied if they are building something. I wanted the staff to know that I take a lot of satisfaction in maintaining the project at a high standard, and that I wanted to make sure that when I left, whenever it was, and it turned out to be a long time, that the project was in at least as good of shape when I left as when I got there. I tried to take an interest in operation and maintenance issues, because I've seen a lot of big projects neglected and I've seen some that were very well maintained. I think the Hetch Hetchy Project, unfortunately, was neglected for a lot of years, and that kind of stuff bothered me as a public administrator. I feel these are such valuable assets for the public that the administrators have an almost moral obligation to the public to make sure that things are well maintained, and that takes continual diligence. If you don't maintain them they fall apart, there's no question about that.

WOLLENBERG: Do you think we are at a point now where environmental interests are too strong, have too much influence, and are stopping any significant progress from being made?

KENNEDY: That's a hard one to get into perspective. I've certainly been involved in issues where I thought that the environmental point of view was being represented more strongly than it might have been. But on the other hand, the public itself wants environmental values protected. I've kind of joked at times that the public wants two things: they want reliable high quality water supply and they want the environment protected. Engineers sometimes see those things are in conflict. Well, in the long run they're not in conflict. It's a question of how do you get there and how do you balance the actions you take at any given time. At certain times, there are serious conflicts and people are proposing things on both sides that are not reasonable.

WOLLENBERG: Is there enough water? If California grows, and they're talking about 50,000,000 people in the foreseeable future, is there enough water to have a viable way of life as we know it now in California?

KENNEDY: Well, probably the key qualifier there is "as we know it." I think the basic answer is yes, there is enough water. California is often mischaracterized as an arid state as though it is a desert, and of course, the Sacramento Valley was a swamp in historic times, and half the San Joaquin Valley was a swamp. And we've got this wonderful mountain range that provides a lot of water supply for the state. It's really a question of what do you do with the water you've got. You've got three basic uses: environmental values, irrigation of crops, and the urban uses, and there's enough water certainly to provide, I think, for urban uses and environmental uses, but the irrigating lower-valued crops is probably where things

have to give. I have felt that agriculture will be strong in California a hundred years from now. There will always be a strong agricultural sector in this state, but it will not be growing lower-valued crops out in the future, and you see that as you drive down Interstate 5 today. You see land that was growing wheat and cotton that is now growing trees and grapes; I think that kind of a transition is inevitable.

WOLLENBERG: I think I read somewhere that alfalfa is the leading user of irrigation water in California.

KENNEDY: And that's because of the dairies; California has become the number-one dairy state in the nation. I think eventually Californians will have to wrestle with whether that's something that has to be, but there is time to make the transition. I don't think it has to be a disruptive transition. [tape stops briefly]

WOLLENBERG: Given the kind of transformation that has to take place, do you think the structure of state government is up to dealing with these problems, up to making that kind of a transition that you were talking about?

KENNEDY: Well, one of the observations that I came to think about during my time at the department was that I thought the agency form of government where the department is part of the Resources Agency--I thought the agencies had grown much larger than was ever intended, and maybe more significantly, they'd become cumbersome in the process. I remember when Pat Brown established the agency concept in the early sixties. The idea was to have a single agency person, called a secretary, who would basically be a liaison between the governor's office and the department directors. The idea was to cut down on the number of people reporting to Pat Brown. There was concern at that time that the agencies would become big bureaucracies. Of course, in Pat Brown's time that didn't happen, but over the years that is kind of what happened, in my mind at least, the agencies took on a life

of their own; they started running programs of their own. And for some departments they became the highest level that a department director really worked with.

Now, because of the nature of the water problems and maybe because of my own situation, I had a pretty good working relationship with the governor's office in both the administrations that I was in, but I knew a lot of department directors who did not and who complained about it. At least they complained privately about it. I remember when the Wilson administration came in, I think there were less than twenty people in the Resources Agency. By the time they left there were, I think, forty-five people up there. Now, I'm sure that in their minds they were all doing worthwhile things, but the effect of that is to kind of stifle the departments and make them work under a bureaucracy, another whole layer of review, of questioning everything you do, and frankly, I think it impeded the political direction that many directors needed.

WOLLENBERG: This may be a part of your conflicts with Doug Wheeler? I mean, part of it may have been just a structural conflict because of these two levels: your department being a pretty independent department that traditionally it had direct access to the governor, and Wheeler coming in thinking he was the secretary of resources.

KENNEDY: Right. I think it really was part of the problem, that Doug had a different view of what his job was and of what the agency's role was, and in fairness to him you can certainly make a case that that's a legitimate way to run state government. But my sense of it was that the effect of it was to cut off the political interchange between many of the directors and the governor's office, which is important in keeping the governor's office informed and keeping the directors politically tuned in on what's going on.

- WOLLENBERG: So, that they're playing real politics rather than office politics or bureaucratic politics within the structure.
- KENNEDY: Right. I know that some directors never saw the governor.
- WOLLENBERG: Would you advocate then just doing away with the agencies or having some sort of limit on the role of the secretaries and their staffs?
- KENNEDY: Oh, that's probably a question that somebody ought to sit down and wrestle with in a seminar or, you know, give a lot of thought to. I think you can make a case that if you strengthen the governor's office with, say, half a dozen deputy chiefs of staff, they could provide the political coordination that the directors need and things might work more smoothly. You still have to sort out the whole thing, and I've never seen it really studied. I think what we have today grew like topsy, and I've really never seen anybody debate it. I think I was the only one that was really troubled by it. [laughs]
- WOLLENBERG: So it sounds like you think though that, in other words, there could be somebody like the secretary but that would be part of the governor's staff as opposed to being a separate agency with its own bureaucracy.
- KENNEDY: Right, yes. And I'm sure somebody would say, "Oh, that's naïve," and doesn't take into account this, that and something else, but on the other hand I don't think anybody's really thought through the way that agencies have grown in their influence, and in many negative ways. I saw quite a few agency secretaries in my time who got off the reservation and really had to be disciplined by the governor because they sometimes were running their own agendas rather than following the governor's agenda.
- WOLLENBERG: It's interesting because it's my impression that it was Governor Wilson who did that with education that is, he established a secretary of education who had no

department, who was just the governor's personal education secretary to coordinate that whole part of the governor's program.

KENNEDY: Right, which to me made a lot of sense given the structure that he had to work with. I think he basically wanted a full-time senior policy person on education and so he established one in the governor's office. I think you could coordinate the various departments that are in the Resources Agency with a lot less effort than at present and with a lot less visibility. You don't necessarily need a visible person doing it.

WOLLENBERG: But it would be somebody who wouldn't have their own bureaucracy, who would in fact be part of the governor's bureaucracy and responsible directly to the governor.

KENNEDY: Right. Anyway, it would be interesting to sit down and debate it at some point.
[laughter]

WOLLENBERG: I'm sure there are many secretaries of agencies that would be willing to debate you on that.

KENNEDY: Well, I just might mention one other thing. One of the things that struck me about problems that administrations get into--you know, over the fifteen, sixteen years I was there I saw quite a few of my fellow appointees get themselves into trouble either personally or politically, or in some cases get off the reservation on a policy issue. I'm always interested in that kind of stuff because I want to make sure I'm not doing something that I shouldn't be. It struck me that there would be benefits from more interchange between the directors and the governor's office on what they're working on, just basic communications to head off things, to help guide things. Directors inherently have to work on policy issues and they often need guidance. They need to talk to somebody about "What's the best way to do this" or

“I’ve got this difficult political issue, how am I going to deal with it?” Many of the directors found themselves in positions where they really didn’t have anybody to turn to. I felt very fortunate in that I did know the governors’ staffs. I felt very comfortable sitting down and sharing my problems with them and asking for advice.

WOLLENBERG: But the secretary of the agencies wouldn’t necessarily be that person either.

KENNEDY: I didn’t see that any agency secretary was in a position to provide the same kinds of advice and counsel that somebody right in the governor’s office could do.

WOLLENBERG: Somebody who could go directly to the governor on a day-to-day or hour-to-hour basis.

KENNEDY: Or who was around the governor enough that their intuition was such that they could speak for the governor out of a confidence that they knew where the governor would be on an issue.

WOLLENBERG: And I guess that gets back to the whole importance of the governor in this whole process, that if things are going to change, if problems are going to be resolved, you need strong leadership from the governor to accomplish that.

KENNEDY: That’s very true, and I think that--I used to kind of joke with people that, “The governor’s the person who went out and got himself elected, and we need to be careful that we are working within the overall guidance that that governor’s comfortable with, that the governor has gone to the people about. We need to be careful about not running our own agendas.” Now of course, in detail, certainly there’s lots of things that we can do on our own, but it’s sometimes surprising how many issues come up where the governor would have an interest or would have a policy direction that he wanted to go. This is certainly true of water issues. Now, when you turn to solving some of the difficult water problems in California,

particularly as the federal agencies get stronger and stronger, I don't think there's much choice but for the governor to get more and more involved because the federal agencies don't pay much attention to their counterparts, the state agencies. They may have cordial relationships, but they also have what they perceive as a nationwide mission of uniform actions. They can do foot-dragging in ways that are just difficult to imagine. Their whole time frame is different, and they tend to often ignore the guidance coming out of their own administration at the policy level. The only way that I know to really deal with that is to get the governor personally involved, to have him make it an issue for the president or one of the president's senior appointees.

WOLLENBERG: He could go directly to the White House in a way that you couldn't.

KENNEDY: Right. And it's got, in my mind, nothing to do with partisanship. There's governors and presidents--while certainly they have partisan issues, they tend to work on something like water in a nonpartisan way, and it's more a question of the governor deciding that a given issue is important enough to make it the president's issue. And California is important enough as a state that if the governor of California calls the President, he can put an item on the President's agenda and make it stick. I think that's something that has really not been given enough thought.

WOLLENBERG: Well, speaking of giving it thought, what are your current activities and your future plans?

KENNEDY: I am thoroughly enjoying retirement. [laughter] The joke in our family was that it took Dad about two hours to adjust to retirement. I've done a little consulting, not very much; I don't want to do much. I'm actually preparing right now to go to China for a week for the World Bank, but because of my long years in the

retirement system I'm able to not have to do consulting. I haven't wanted to get involved in anything that had any--well, any partisan issue where people that I've worked with in the past are pitted one against another; I don't want to do any of that stuff.

WOLLENBERG: So, I guess if you go to China you don't have to worry too much about that.

KENNEDY: [laughs] That's true.

WOLLENBERG: What kind of thing are you going to do in China?

KENNEDY: They have built an aqueduct that they've got a little conflict on between the agency that built it and the one that wants to operate it. I don't know much about it, but anyway, one of the staff at the World Bank asked me to just look at it. Then they also, of course, are talking about building what would be the world's largest aqueduct and they are starting to wrestle with the financing. The Bank has asked me to explain to them the way the state project was financed, which is quite an unusual approach that the state of California took, so I'm writing a paper about how that was done.

WOLLENBERG: That sounds interesting.

KENNEDY: It should be. I've been there twice in the eighties so I've pretty much done the tourist thing there, but I've heard a lot about the changes that have taken place so it will be interesting to see.

[tape stops briefly]

WOLLENBERG: Looking back, how do you regard these thirty-odd years of public service?

KENNEDY: Well, basically I look back with a great satisfaction of having been a public servant. I've been interested in business and read the business page and that sort of thing but I think it was a real privilege to serve the public. When I was a young engineer I was interested in policy issues and I thought it would be interesting to

work with legislators at some point or to possibly work with a governor, but it never actually occurred to me that I'd get to do what I wound up doing. I never had objectives in the sense that you're often told that you should have objectives. [laughter] I took kind of a day at a time approach to my career and things turned out in unforeseen ways. When we went down south I certainly never expected to come back to Sacramento, certainly not as director, and in some very unforeseen ways the whole thing unfolded and certainly I didn't expect to stay as long as I did. I would have thought that impossible and maybe not even a good idea and of course I'll have to leave to others whether it was or wasn't. It was a great privilege and turned out to also be a pleasure. I think it's interesting that you look back and tend to think of funny things that happened and some of the positive things that happened, and you don't tend to dwell too much on some of the more trying experiences.

WOLLENBERG: Well, thank you very much. It was a wonderful experience hearing about all this.

KENNEDY: Thank you for your patience, and I say that very literally.