

Bond Case Briefs

Municipal Finance Law Since 1971

WATER LAW - CALIFORNIA

Stockton East Water District v. United States

United States Court of Federal Claims - August 1, 2017 - 2017 WL 3262230

California water districts sued United States, claiming breach of water supply contracts and Fifth Amendment takings based on Bureau of Reclamation's alleged failure to provide districts with required volumes of surface water from reservoir.

After bench trial, the Court of Federal Claims awarded judgment for government on breach of contract claim and dismissed takings claim, granted in part and denied in part districts' motion to alter or amend judgment denied districts' motion for reconsideration. Districts appealed. The United States Court of Appeals, Federal Circuit, affirmed in part, reversed in part, vacated in part, and remanded for determination of damages for breaches of contracts. On remand, the Court of Federal Claims awarded \$149,950 in cost-of-cover mitigation damages, but denied expectancy damages. One district appealed. The United States Court of Appeals, Federal Circuit, affirmed in part and vacated and remanded in part for reconsideration of denial of expectancy damages. On remand, the Court of Federal Claims, granted district partial final judgment awarding cost-of-cover damages. Subsequently, record was reopened regarding expectancy damages, and trial was held.

The Court of Federal Claims held that award of expectancy damages was not justified.

California water district failed to provide reliable quantification of farmers' actual demand for surface water before Bureau of Reclamation made announcement that breached water supply contract with district by stating at public meeting that Bureau would not be able to meet quantity commitments in contract, thus supporting denial of award of expectancy damages for breach as impermissibly speculative, since district failed to reliably quantify either level of demand for surface water by district's farmers before Bureau's announcement or what expected level of demand would have been in non-breach world.

California water district failed to provide reliable quantification of extent to which farmers' demand for surface water was suppressed by Bureau of Reclamation's announcement that breached water supply contract with district by stating at public meeting that Bureau would not be able to meet quantity commitments in contract, and thus, award of expectancy damages for breach was not justified, since district merely speculated that in non-breach world in which Bureau never made breaching announcement, demand for surface water would have exceeded amount of water Bureau actually made available in breach years.