

December 12, 2022

SENT VIA E-MAIL (Board@valleywater.org)

Honorable Members of the Board of Directors
Santa Clara Valley Water District
San Jose, California

RE: Item 2.8, 12/13/22 Pacheco should be removed from WIFIA loan consideration

Dear Chair and Members of the Santa Clara Valley Water District Board:

There is insufficient evidence in the record to support continued consideration of the Pacheco Reservoir Expansion (Pacheco) project generally, or as part of the WIFIA application. Indeed, the overriding evidence points to Pacheco as the most expensive of water supply projects under consideration. As the Santa Clara Valley Water District (SCVWD) staff report noted (April 14, 2021, special SCVWD Board meeting), water storage in an expanded Pacheco Reservoir would cost \$18,800/acre-foot (af)—the highest storage cost supply identified. Other potential projects ranged from about half that amount—for Los Vaqueros expansion (\$8300/af) or Sisk Dam Raise (\$9,900/af)—to groundwater bank storage, which was estimated at \$400 to 600/af, which would be 47 to 31 times less costly than the proposed Pacheco.

Given the extraordinarily high cost of Pacheco, which has ballooned to almost three billion dollars (\$2,957,975,483) and the debt service payments that have also ballooned to an estimated \$4,782,351,170, the benefits of seeking local sustainable water projects are clear. The 71.4% of WIFIA loan benefits that are sought for Pacheco can instead be targeted at more productive and more certain local water reuse and recycle projects.

Furthermore, interest rates, although currently somewhat low, are historically volatile, particularly so in today's market. History shows the huge rate variability, reaching close to 20% between 1982 and 1987. And the proposed WIFIA agreement does not lock in current lower rates. In fact, the agreement specifies that the interest to be charged will be determined at prevailing rates at the closing of each WIFIA loan. The documents for the December 13, 2022, SCVWD Board hearing demonstrate this very volatility. The "true interest cost" estimate varied by more than 1% between the "original" agenda memo and the amended Board agenda memo issued shortly thereafter. Given today's market volatility, rising rates will seriously impact financing costs.

Also, repayments may be deferred under the WIFIA agreement, but interest will continue to accrue at the identified rate at the time of each WIFIA Loan's closing. The result will be to burden future generations of water customers with potentially dramatically increasing debt. The underlying value of the proposed project should be the first consideration before proceeding with expensive debt.

SCVWD focus to date has been on pursuing high-risk, high-cost projects, which staff has identified as projects whose benefits depend on imported water, citing the Delta Conveyance Project and Pacheco Reservoir as the top two for risk and cost.¹ (Sites Reservoir was also among the five costly projects called out.) Projects other than Pacheco can provide more cost-effective and sustainable means of supplying Santa Clara County with water.

As the State Water Resources Control Board (SWRCB) urged several years ago, we have “an unparalleled opportunity for California to move aggressively towards a sustainable water future. ... We strongly encourage local and regional water agencies to move toward clean, abundant, local water for California by emphasizing appropriate water recycling, water conservation, and maintenance of supply infrastructure and the use of stormwater (including dry-weather urban runoff) in these plans; these sources of supply are drought-proof, reliable, and minimize our carbon footprint and can be sustained over the long-term.”²

It is time to pivot away from the 20th century projects that have dominated SCVWD thinking to date. Instead, sustainable projects such as conservation, reuse/recycling and stormwater capture and reuse can make up for amounts that previously have been taken from the Delta, usually by means of the San Luis Reservoir, which would be the chief source of supply for the Pacheco expansion. More specific examples and projected benefits from water recycling, capture and reuse that would better serve our county follow.

Stormwater capture and reuse will dramatically improve water supply reliability and safety and reduce aquifer depletion—two major goals of the WIFIA loan projects:

- Dr. David Sedlak³ has noted that “if San Jose could just capture half of the water that fell within the city, they'd have enough water to get them through an entire year”;⁴
- Los Angeles (L.A.) plans to Source 70% of its water locally and capture 150,000 afy of stormwater by 2035, and will build at least 10 new multi-benefit stormwater capture projects by 2025; 100 by 2035; and 200 by 2050.⁵

Recycled water: Santa Clara County looks to produce recycled/purified water of 24,000 afy, with a long-term goal of 45,000 afy, but:

- Orange County Water District is increasing its recycled water production to \leq 145,600 afy;

¹ <https://www.valleywater.org/sites/default/files/WCaDMC-Agenda-05102021.pdf> File No.: 21-0462, Item No.: 4.3.

² https://www.waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2013/rs2013_0003_a.pdf

³ Dr. Sedlak, UCB, is Co-Director of Berkeley Water Center, Deputy Director NSF Engineering Research Center for Reinventing the Nation's Urban Water Infrastructure (ReNUWIt), Director of Institute for Environmental Science and Engineering (IESE)

⁴ https://www.ted.com/talks/david_sedlak_4_ways_we_can_avoid_a_catastrophic_drought

⁵ https://plan.lamayor.org/targets/targets_plan.html

- L.A. looks to recycle up to 168,000 afy wastewater;
- As Dr. Michael Connor⁶ noted in a January 2015 address (“Short-Term and Long-Term Crises Facing Bay Area Water/Wastewater Managers): recycled wastewater can mean 47% less imported water and 65% less sewer discharge.

Sustainable water and sustainable local jobs: Not only will local projects produce sustainable water and environmental benefits, but they will provide important local jobs, many of them well-paying union jobs. Numbers of these projects will require ongoing services, meaning continuing employment.

Citing the need for a lot of innovation such as recycling, stormwater capture & reuse, and replacing water in groundwater basins, Dr. Jeffrey Mount said on CapRadio⁷ that we can’t afford to build dams everywhere. We have built on all the good spots for dams, he said. Then—referring to drought and climate change—he maintained that if you can’t fill it, it doesn’t do any good. He said we have emptied more than 100 million af of water from our groundwater—about 2.5 times what we use in a year here in California and we need to find ways to refill it.

We can do that. With reassessment and proactive movement towards 21st century ideals and goals, we can match, or even exceed, what our colleagues in other parts of California have envisioned and are accomplishing.

Respectfully,

Meg and Alan Giberson

⁶ Dr. Connor is a former GM East Bay Dischargers Authority and Chair of Bay Area Clean Water Agencies.

⁷ <https://www.capradio.org/articles/2022/12/02/california-needs-to-prepare-to-live-with-less-water-new-report-suggests/> Items quoted appear between about 7:50 minutes and 8:40 in the broadcast recording “California needs to prepare to live with less water, new report suggests.” Dr. Mount is an emeritus professor of earth and planetary sciences and founding director of the Center for Watershed Sciences at the University of California, Davis. A geomorphologist who specializes in the study of rivers, streams, and wetlands, his research focuses on integrated water resource management, flood management, and improving aquatic ecosystem health. He is currently a fellow at the PPIC Water Policy Center.