

December 7, 2020

Teresa Alvarado, Chair, and Commissioners
California Water Commission
P.O. Box 942836
Sacramento, California 94236-0001

VIA EMAIL - cwc@water.ca.gov

Subject: Water Storage Investment Program – Options for Available Funding

Dear Chair Alvarado and Commissioners:

On December 16, 2020, the California Water Commission (Commission) is scheduled to consider an item regarding Water Storage Investment Program (WSIP) funding made available due to the Temperance Flat Reservoir Authority withdrawing from consideration for funding. Valley Water would like to offer some potential options for the Commission's consideration.

Fund Existing Awarded Projects First

At the last meeting on November 18, the Commission discussed a potential process that may include the consideration of new projects by creating an opportunity to submit applications for an eligibility determination. While Valley Water believes the current amount in available funding would be best used to cover increased costs of existing projects due to inflation or changes in circumstances, we would support a new application window if a larger amount of funding were to become available. Barring the availability of additional dollars, Valley Water suggests the Commission consider distributing funding to existing projects first.

As you know, Valley Water's Pacheco Reservoir Expansion Project was the top ranked WSIP project and was awarded a Maximum Conditional Eligibility Determination (MCED) of \$484,550,000. Since that determination was made, the Pacheco project costs have increased due to several factors, including inflation, and changes in conditions that were not known at the time of application. Additionally, Valley Water did not include re-operation of the Pacheco Dam as part of the MCED for funding consideration. As additional funding is now made available and the Pacheco project costs have increased, we believe reconsideration of the MCED may be appropriate as the Commission considers a redistribution of WSIP funds.

Consider Changed Circumstances

Valley Water suggests that the Commission query all currently approved project applicants to understand the current need for project funding, including additional eligibility considerations not included with the original applications and increased costs due to circumstances beyond the applicants' control such as construction cost increases or pandemic related costs. Such additional funding would be within the determined values of the public benefits consistent with



the regulations and would comply with the statutory limit of not more than 50 percent of the total project costs shall be funded by WSIP. For example, through further investigation Valley Water has learned that the site of the proposed Pacheco project has geotechnical conditions that would require larger excavations to build the project as proposed which could potentially increase costs by hundreds of millions of dollars.

Allow Consideration of Additional Eligibility

Valley Water believes the Pacheco Reservoir Expansion Project qualifies for dual designation in more than one funding category, namely a “reservoir reoperation project,” in addition to its existing designation as a “surface storage project.” As such, the Project would be eligible to receive additional funding, while still remaining within the determined public benefit value.

Adjust Eligibility Determinations for Inflation

Valley Water also believes all existing WSIP applicants, regardless of rank, should be given additional consideration for construction cost increases beyond their control. As you are aware, all project costs were calculated in 2015 dollars. Since applications were submitted to the Commission, construction costs have increased significantly due to inflation. Should additional WSIP funding become available because one or more currently funded projects fail to meet eligibility deadlines, the Commission should consider increased costs due to inflation in 2021 dollars and make the projects eligible for the additional funding.

Valley Water urges you to address the increased costs of the existing awarded projects, both from inflation and changed circumstances, as well as consider additional eligibility through dual designation. If additional funding becomes available beyond that from the Temperance Flat Reservoir Authority’s withdrawal, then Valley Water would support opening consideration for new projects that could meet the statutory deadlines.

We look forward to the Commission discussion on this issue on December 16 and would welcome the opportunity to discuss this issue with Commission members and staff. If you have any questions, please don’t hesitate to contact me at bbroome@valleywater.org or via phone at 916-448-8497.

Sincerely,



Bart Broome
Director, State Government Relations

cc: Joseph Yun, Executive Officer, California Water Commission
Holly Stout, Legal Counsel, California Water Commission