

March 9, 2022

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

RE: March 16, 2022, Agenda Item 9 - Water Storage Investment Program: Consideration of Use of Remaining Funds for Existing Projects' MCEDs

Dear Chair Alvarado and Commissioners:

The Santa Clara Valley Water District (Valley Water) is one of the sponsors of the Pacheco Reservoir Expansion Project (Pacheco Project) and we urge the California Water Commission (Commission) to allocate the remaining \$63.9 million in Water Storage Investment Program (WSIP) funding based on an inflation adjustment for the currently approved projects.

The 2018 Maximum Conditional Eligibility Determinations (MCEDs) were awarded in 2015 dollars and totaled \$2.6 billion. Based on the Engineering News-Record's Construction Cost Index for the San Francisco Bay Area, to have the same purchasing power in January 2022 as in January 2015, the total MCED award amount would be \$3.3 billion, or \$722 million more. This means that the State will be receiving nearly 30 percent more public benefits value today than when the MCEDs were awarded. It also means that more of the public benefits identified by the Commission must be paid for by project sponsors and their ratepayers rather than the State.

As with all project sponsors and their projects, Valley Water is scrambling to find additional financing and funding sources to cover the added burden inflation is placing on the Pacheco Project. The remaining \$63.9 million in WSIP funding cannot fully address the erosion in purchasing power due to inflation of construction costs, but it can help. Any possible reduction in the burdens on water ratepayers stemming from inflation would be very much appreciated.

The extensive MCED process awarded funds based on the public benefits of the projects as identified by the Commission in consultation with numerous stakeholders. Valley Water urges the Commission to allocate the remaining WSIP funds to the currently approved projects using an inflation calculation based on the amounts awarded through the comprehensive MCED process. This not only would be a merit-based allocation of the funding, but it also would help ensure the success of the projects, the Water Storage Investment Program, and the Commission.

We thank you for your consideration of these important issues.

Sincerely,



Bart Broome
Assistant Officer for State Government Relations

