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March 13, 2025

California Water Commission  
901 P Street, Suite 142A  
Sacramento, CA 95814

Subject: Request for Reallocation of Los Vaqueros Expansion Funds and Proposition 4 Funds for Proposition 1 Water Storage Investment Program (WSIP) Projects

Dear Chair and Commissioners,

The Inland Empire Utilities Agency (IEUA) urges the California Water Commission (Commission) to allocate available funds, including remaining Los Vaqueros Expansion funds totaling approximately \$453.7 million and \$75 million from Proposition 4, to address the severe inflationary pressures impacting the existing WSIP projects. This approach identified as Option 1 – Act Fast – in the Commission agenda will provide tangible benefit to moving the Chino Basin Program (CBP) forward. Conversely, the staff recommendation of Option 2 sends a message of “no-confidence” to project proponents and their stakeholders, which will jeopardize local support and ultimately project momentum.

As the Commission’s staff noted in their February presentation, construction costs for the WSIP projects have increased by over 50% since the WSIP Maximum Conditional Eligibility Determinations (MCEDs) were calculated on the basis of 2015 dollars. As costs have increased, the financial burden on IEUA and its local agency partners to implement the CBP has grown disproportionately, and WSIP funding for the project has not kept pace with the increasing value of public benefits. An additional allocation of \$53.8 million to the CBP now helps address this and is a key factor in advancing in-process negotiations with IEUA’s local agency partners and ensuring their continued commitment to the state public benefits of the project.

IEUA has expended significant effort and funds to bring the Chino Basin Program to its current state. To date, IEUA has dedicated more than \$15 million in local funds in addition to the WSIP early funding investment of \$10.8 million. Additionally, staff will be recommending IEUA’s Board of Directors allocate nearly \$48 million in local funding to complete planning and design work over the next two years with the goal of meeting a fall 2027 WSIP award hearing. All remaining WSIP funding will be used for capital construction of the CBP. Additional WSIP funding to support the public benefit elements of the project is critical to making the program financially feasible for local partners.

IEUA believes that proportional allocation of the available funds to the existing WSIP projects is in the best interest of the State, as well as the most effective pathway to realizing the public benefits envisioned in Proposition 1. Among other factors, IEUA also considers the following:

- The CBP has made significant progress in planning, preliminary design, permitting, and developing necessary agreements, and will be well poised to leverage the additional funding to

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**Shivaji Deshmukh**  
General Manager

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maintain the current project schedule. This includes reviewing proposals for Progressive Design Builders for two major components of the CBP and is at 60% design on the advanced water purification demonstration facility, as well as ***executing an agreement with Metropolitan Water District of Southern California to transfer water to the State to provide the WSIP ecosystem public benefit.***

- This reallocation can be achieved more rapidly than other alternatives for allocation of the funds, allowing the Commission, staff, and project proponents to focus on bringing the existing WSIP projects to fruition.

Notably, this approach represents the will of California's voters to address inflationary pressures on existing projects. Proposition 4 explicitly states:

*"Priority for these funds **and any funds returned to the commission** shall be to support timely completion of existing approved projects by providing supplemental grants to reflect the increase in costs due to inflation since the original grant applications and any increase in public benefits." [\(PRC Section 91015\)](#)*

IEUA appreciates your consideration of this request and your ongoing commitment to ensuring the success of WSIP projects.

Sincerely,  
INLAND EMPIRE UTILITIES AGENCY

A handwritten signature in blue ink that reads "Shivaji Deshmukh". The signature is written in a cursive, flowing style.

Shivaji Deshmukh, P.E.  
General Manager