



Santa Clara Valley Water District

File No.: 25-0182

Agenda Date: 5/5/2025

Item No.: 4.2.

COMMITTEE AGENDA MEMORANDUM Water Supply and Demand Management Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:

Receive an Informational Update on the Pacheco Reservoir Expansion Project With a Focus on Partnerships and the role of the Project in the Water Supply Master Plan

RECOMMENDATION:

Receive an informational update on the Pacheco Reservoir Expansion Project with a focus on partnerships and the role of the project in the Water Supply Master Plan.

SUMMARY:

On October 13, 2023, staff and Committee Member Hsueh presented potential topics regarding the Pacheco Reservoir Expansion Project (Project or Pacheco Project) to be brought before the Water Storage Exploratory Committee (now the Water Supply and Demand Management Committee, or WSDM Committee) for more detailed discussion in future quarterly updates, and later, to be brought before the full Board of Directors (Board) for discussion. This approach and these proposed Project topics were discussed with and approved by the Board.

In acknowledgment of the new Board member and other Project updates, staff has prepared a presentation discussing partnerships and the role of the Project in the Water Supply Master Plan (Attachment 1).

Staff has previously presented on the following topics:

- Description of planned Project operations and benefits
- Discussion and review of Project costs
- Discussion and review of requirements unique to the Project
- Informational Project updates

Topics to be presented in future updates include:

- Review of the Project's environmental impacts and mitigation measures
- Review and discussion of cost-benefit analysis with updates
- Additional topics as requested by the Board or Committee

In April 2021, the Board held a special meeting on Project partnerships in response to the 2020 cost estimate. At the time, staff presented water rate impacts for partnership participation levels from 0 to 38.5%. Staff also presented four different partnership options:

1. Valley Water retains ownership and forms partnerships via third-party contractual rights.
2. Create a Joint Exercise of Powers of Authority (JPA).
3. Partnerships with private entities who would invest in capacity and sell their benefits to others.
4. Partnerships with federal and/or state agencies.

The Board directed staff to use the 35% assumption from the water rate analysis for financial planning purposes; however no formal motion, resolution, or policy vote occurred.

Since then, staff have received interest from seven different agencies, held multiple meetings with six of those agencies and have received Letters of Interest from two. These efforts are in addition to the existing partnerships with San Benito County Water District and Pacheco Pass Water District.

While there is significant interest from potential partners in the opportunity to improve their water supply reliability in dry years, there are concerns about the project cost and a reluctance to commit to the Project at this point in its development. This uncertainty challenges the design team in modeling operations and identifying impacts for the Recirculated Draft Environmental Impact Report (RDEIR) and overall project design.

These challenges, along with the dissolution of the Los Vaqueros Expansion project, have contributed to staff's exploration of alternative partnership models. In addition to variations of the full partner model, staff is considering how a rental or merchant model could work for the Project. Staff would also consider a hybrid model consisting of some upfront capital to reserve storage capacity, competitive with groundwater banking programs.

One of the major benefits of the Project for Valley Water is that it would be locally controlled and operated by Valley Water. A rental or merchant model would allow Valley Water to retain greater control and flexibility over project operations while recouping a portion of its costs. These partnership approaches could also streamline the environmental, permitting, and construction phases of the Project as Valley Water would be the only owner.

From a potential partner's perspective, Valley Water's exchange capacity, or the ability to exchange stored supplies with other types of surface supplies, is advantageous relative to competing storage projects. The Project would also result in less water "leave-behind" compared to groundwater storage banks. A rental or merchant model offers potential partners a lower-risk, cost-effective way to participate in a more certain project without upfront capital commitments.

Staff is conducting further analysis on these additional partnership approaches and will present a more detailed update at a future meeting.

The Water Supply Master Plan (WSMP) is evaluating a suite of projects to ensure the reliability of Valley Water's water supply through 2050. The estimated Project life would begin in 2035 and extend

to 2135. The Project is currently included in the local control and diversified portfolio strategies- one with partners and one without partners. The current WSMP recommendation is to focus on the low-cost portfolio while continuing to plan for other projects including Pacheco. Most projects within the various portfolios have not yet been built and, in many cases, are years away from construction. The adaptive management approach enables Valley Water to assess projects as new information and project conditions emerge and designs progress. This approach will allow Valley Water to make informed and timely decisions to ensure it can continue to meet its level of service in the future.

After this WSDM Committee meeting, staff intends to present this Project update to the Board in June 2025. Staff will plan to present another Project topic from the list to the WSDM Committee in July 2025 and to the Board in September 2025.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:

There are no Environmental Justice and Equity impacts associated with this item.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

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