Comment for Valley Water Board Meeting on Tuesday, June 25, 2024

Revision: R2 6/18/24

To: Valley Water Board and Staff Members

Subject: Comment for Valley Water Board Meeting on Tuesday, June 25, 2024

Attachment: Comment PDF file copy

Agenda Item 3.4

Link: Agenda (legistar1.com)

Comment:

Valley Water must determine and publish what the '*Operational Cost*' to import Delta water with and without allocations of the unpaid supporting infrastructure project costs by year between now and 2060. Only with the true 'Operational Cost' with and without allocation loading can meaningful fiscal decision making be possible in developing the 2050 Water Supply Master Plan regarding what infrastructure projects should be funded or rejected, such as Pacheco Reservoir Expansion Project.

Best regards,

Jim

Jim Kuhl, Civic Issue Activist and Environmental Advocate
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Comment Background Information

In the Green text Project Executive Summary prepared by Valley Water Staff for this meeting, projects 1, 2 and 3 are identified as requiring *high capital and operational cost* compared to #4 PREP. Yet, $2.7B PREP is identified as only having rising cost. This Valley Water Staff assessment is significantly misleading and factually inaccurate!

Attachment1 in Project Executive Summary (See green text)

Project	Risks challenges Identified	Best in Class Benchmark Comment
1. San Jose Direct Potable Reuse	*High capital and operational cost.*	Orange County Wastewater Ground Water Replacement System Investment: $487M Operating Cost: $750/AF Loaded[@] Operational Cost: $1,036
2. Palo Alto Potable Reuse	*High capital and operational cost.*	
3. Local Seawater Desalinization	*High capital and operational cost.*	Carlsbad Desalinization Plant Investment: $1B Operating Cost: $1,629/AF Loaded[@] Operating Cost: $2,923/AF
4. Pacheco Reservoir Expansion (PREP) Investment: $2.7B and growing Operational Cost: Unknown Loaded[@] Operational Cost: $5,075/AF & growing	*Rising cost*	

Loaded[@]: Includes the allocation of the infrastructure project's investment and loan interest (3%) amortized into operating cost over 30 years.

Valley Water has not identified the cost to import Delta Water nor the cost that fully allocates all the associated costs.

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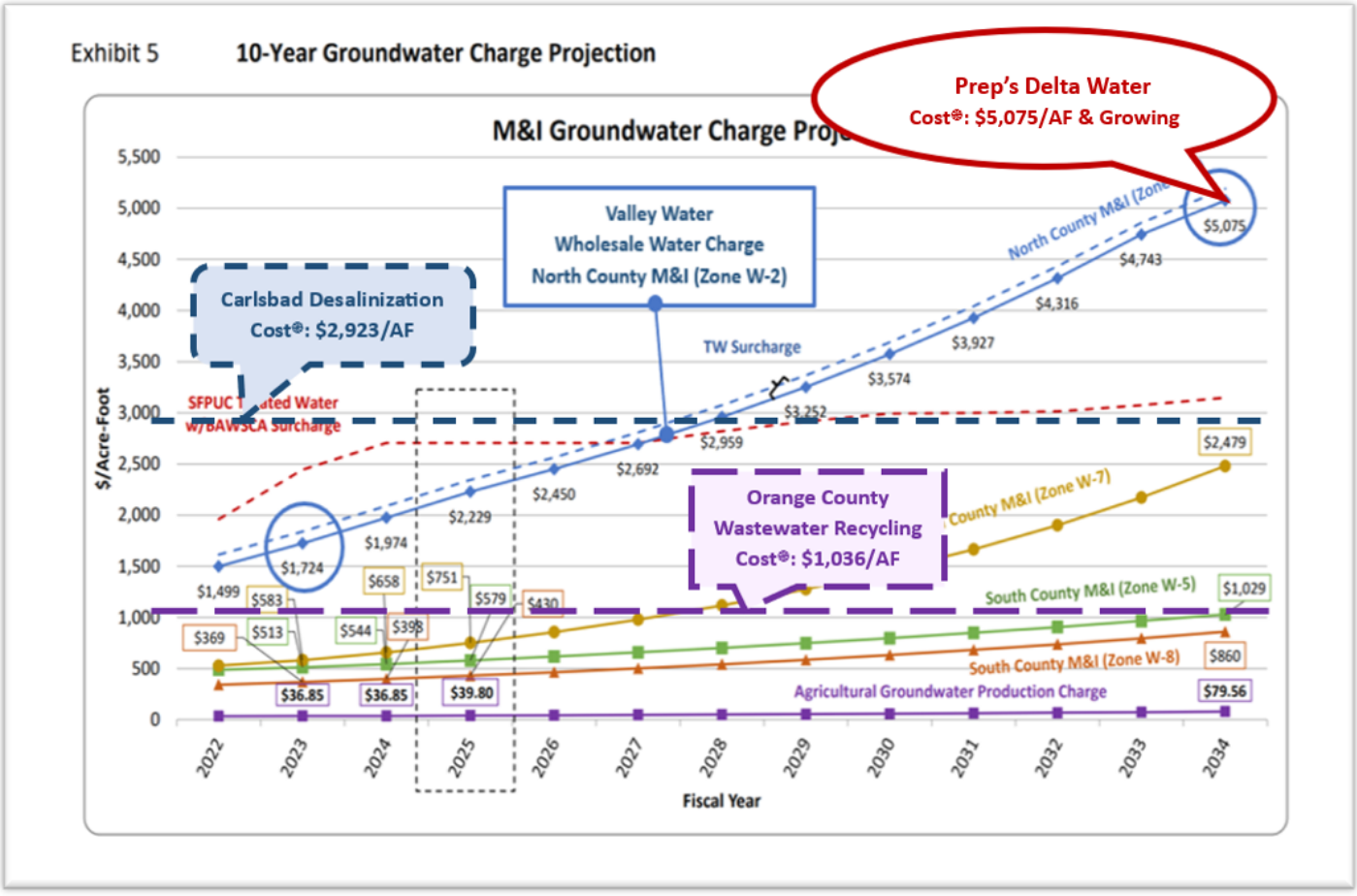
From benchmarking (R1), it has been determined that Orange County wastewater recycling loaded cost for groundwater well injection, also usable for potable water, is $1,036/AF for an original investment of $487M. Carlsbad Desalinization Plant loaded operational cost is $2,923/AF for an original investment of $1B. Brackish Bay Water desalinization loaded operational cost is estimated to be ≈$2,623/AF with the required investment undetermined but similar to Carlsbad's $1B.

Because Delta water flows through PREP, all operating costs and unpaid infrastructure investment cost involved in importing/exporting Delta water (i.e., pipes, pumps, reservoirs, settling ponds, operating expense, energy, SWP & CWP annual contract cost, etc.) must be fairly and proportionally allocated for a PREP comparative economic financial analysis.

The best estimate of loaded operational cost for importing Deta water and exporting to retail utilities through the Valley Water system costs is $5,075/AF in 2034 and continues to grow.

Valley Water's Exhibit 5 below has been modified below to visually illustrate the contrasting loaded operating costs being described relative to 'North County Groundwater Charge Projection'. Economic fiscal questions surface regarding what projects should be funded and the consequences on water affordability.



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Beyond 2034, the expectation is that the cost of importing water from the Delta will continue to significantly grow, due to the planned continued investment in high-cost supporting infrastructure projects. The cost estimate, including interest, exceeds $43B (R2). As a result, North County groundwater charge, shown on Exhibit 5 is expected to continue to significantly grow beyond 2034. The investment cost growth impact will peak, flatten and then decline after 2060 as this infrastructure debt is slowly paid off. The reservoir expansions and the Delta Tunnel are expected to have 100-year lives and their ultimate operational cost will be low.

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The illogical aspect of Valley Water's strategy and planning thrust to store imported Delta water in expanded reservoirs and aquifer ground banks is: The strategy is designed to compensate for an unreliable Delta water source that is highly susceptible to droughts! Less investment and operational expensive wastewater recycling into potable water and desalinization of brackish water from the San Francisco Bay project options exist that can eliminate the high reliance risk on Delta water.

Valley Water's Board and Staff legacy to future generations in the 2050 Water Supply Master Plan should be:
#1. Provide a reliable source of water that is sustainable given deeper longer droughts caused by climate change.
#2. Provide the most affordable water supply possible, after #1 is resolved satisfactorily.

Comment Appendix

R1. See Jim Kuhl's Comment titled: "Pacheco Reservoir Expansion Project (PREP) Alternative Infrastructure Projects Economic Comparison" dated 5/14/24 submitted for Valley Water Board Meeting 5/17/24. A copy of this Comment can be obtained by submitting an email request to Jim Kuhl.

R2. VW 2040 Water Supply Master Plan's greater than 1 billion dollars planned investment infrastructure projects are shown in the table below. In most cases, project costs will be shared with other water distrcits in partnerships but the shared percentage is unknown. Project costs keep increasing. The amount shown in the table is the result of 6/14/24 web searches to keep the estimates current.

Infrastructure Projects	**Loans: Bonds +Loans + Grants** Billions	**30 Year Loans with 3% Interest** (1.52 x Loans)
Anderson Dam Sesmic Retrofit	$2.3	$3.45B
Pacheco Reservoir Expansion -shared	$2.8 – shared	$4.26B
San Luis Reservoir B.F. Sisk Dam – shared	$1.0 – shared	$1.52B
Vaqueros Reservior Expansion – shared	$1.25 – shared	$1.90B
Delta Tunnel – shared	$20.1- shared	$30.55B
Potable Reuse	$1.2	$1.82B
Total	**$28.65**	**$43.5B**

- See Link: https://www.valleywater.org/sites/default/files/Water%20Supply%20Master%20Plan%202040_11.01.2019_v2.pdf

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