



**SIERRA CLUB**  
LOMA PRIETA CHAPTER



**SIERRA CLUB**  
CALIFORNIA

March 15, 2023  
Santa Clara Valley Water District  
5750 Almaden Expressway  
San Jose, CA 95118

Via email to:

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**Re: Item \*2.4 Receive Information on Water Supply Strategy, Water Supply Master Plan Update, and Work Study Session on the Pacheco Reservoir Expansion Milestone Review, Project No. 91954002 (District 1, Merced County).**

Dear Board Members,

As time goes on and costs continue to increase, it is more and more evident that the Pacheco Reservoir project does not pencil out, and that continuing with this project will hamper Valley Water's ability to address other priorities. Therefore, we hope the March 16 Special Meeting will be an opportunity to reconsider the viability of the project.

We offer the following points for your consideration:

1. The accounting of total project cost leaves out important considerations. As the Board recently observed, financing and operations/maintenance costs are not included. CIP documents should be updated accordingly.
2. Seemingly unrealistic budget assumptions about partner participation in the Pacheco project result in underestimated budgets and rate increases that will become even more apparent once construction begins. At this point, it would be wise for Valley Water to be conservative and assume no partner

participation. The resulting greater impact on water rates should be key in considering whether or not to move forward with this project.

3. Future cost increases, delays, permitting issues, etc., are inevitable. This project is considerably larger than the largest-ever projects that Valley Water has undertaken—Anderson Dam and Rinconada Water Treatment Plant—and the history of cost increases and delays for those projects indicates the same will continue to be true for Pacheco. At least, staff should provide a schedule with milestones for completion of the Water Storage Investment Program grant conditions, so progress can be monitored by the Board and schedule delays can be evaluated as early as possible.
4. Canceling the Pacheco project would allow Valley Water to keep rate increases in check. See attached report from Dr. Jeffrey Michael, [“Valley Water CIP Understates and Obscures Ratepayer Impacts of Pacheco Dam.”](#) According to Dr. Michael’s analysis, “Total monthly bills for Santa Clara County residents are the highest in the United States. Overall cost of living in San Jose is estimated to be 215% above the U.S. average. Tens of thousands of Santa Clara Valley households are delinquent on their water bills at current rates according to the State Water Resources Control Board and San Jose Water Company. The number of unpaid bills is sure to grow higher if Valley Water imposes rate increases for Pacheco Dam. Against this backdrop, lowering the cost of living should be the primary focus of every public official in Santa Clara County. Instead, Valley Water is considering committing billions of ratepayer dollars to a dam its own staff describes as the costliest and riskiest option in their master plan.”
5. Canceling the Pacheco project would provide more flexibility to fund other important projects. Staff working on dam projects could fully focus on Anderson and other seismic retrofits. Additional funding would be available for other water supply projects such as recycling and stormwater capture. The \$10 million allocated to Pacheco through Measure S could be allocated to programs to address unhoused residents living along creeks instead.

San Jose Mayor Matt Mahan seems to agree with the last point, according to the following quote recently published in the [San Jose Mercury News](#), “I have concerns about whether several billion dollars for a project like Pacheco, which doesn’t meaningfully increase our water supply, is a good use of scarce resources at a time when we have so many other needs.”

Considering these points, we ask that you close the door on the Pacheco Reservoir project, and open the door to new opportunities to address issues and pursue projects that will make a real difference for the residents of Santa Clara County.

Please direct staff to schedule a public hearing to reconsider the inclusion of this project in the Water Supply Master Plan and the Capital Improvement Plan sooner than the completion of 60% design, currently scheduled for mid-2024.

Please feel free to contact us to discuss these or other points regarding the Pacheco Dam project.

Sincerely,

A handwritten signature in cursive script that reads "Katja Irvin".

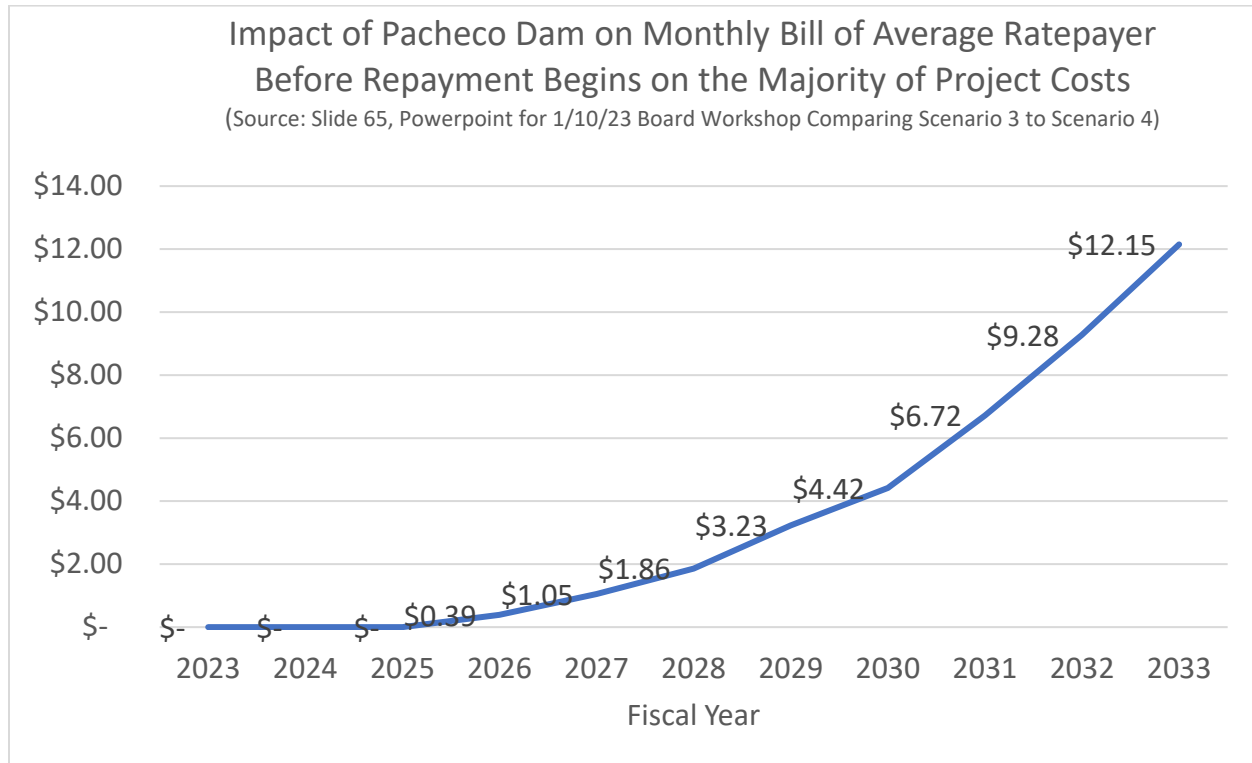
Katja Irvin, AICP  
Conservation Committee  
Sierra Club Loma Prieta Chapter

A handwritten signature in cursive script that reads "Molly Culton".

Molly Culton  
Senior Conservation and Digital Organizer  
Sierra Club California

## Valley Water CIP Understates and Obscures Ratepayer Impacts of Pacheco Dam

Dr. Jeffrey Michael  
February 21, 2023



### Valley Water's Rate Increase Projections for Pacheco Dam in the CIP are Understated and Deceptive.<sup>i</sup>

- Valley Water staff projections show average monthly costs will increase by \$12.15 per month, \$145.80 annually by 2033, before dam construction is complete and WIFIA loan repayments start. The full impact will likely be 2-3 times higher once all project costs are being repaid.
- Truncating analysis to 2033 cuts off all of the impacts of repaying the WIFIA loans, which would finance the majority of Valley Water's Pacheco Dam costs.
  - WIFIA interest payments for Pacheco would not begin until 2033, and principal payments would not begin until 2052.
- Baseline scenario inaccurately assumes that less than half of the cost of building Pacheco dam will come from Valley Water rate increases by assuming unidentified partners to cover 35% of costs with another 20% covered by a State Proposition 1 grant.
- Cumulative rate increases obscured by only showing annual changes.
- The construction cost of the dam are about \$1,500 per capita within Valley Water's service area, before including the cost of capitalized interest and other financing costs.
- Without Pacheco Dam, Anderson Dam retrofits and other necessary CIP projects could spread ratepayer costs out more, mitigating rate increases projected over the next 10 years.

Sources: Board Agenda exhibits for December 10, 2022 and January 5, 2023 meetings.

### **Santa Clara County's Cost-of-Living Crisis**

- Total monthly bills for Santa Clara County residents are the highest in the United States.<sup>ii</sup>
- Overall cost of living in San Jose is estimated to be 215% above the U.S. average.<sup>iii</sup>
- A record 56% of Silicon Valley residents say they plan to leave in the next few years with 84% citing the cost of living as the main reason they plan to move.<sup>iv</sup>
- Tens of thousands of Santa Clara Valley households are delinquent on their water bills at current rates according to the State Water Resources Control Board and San Jose Water Company. The number of unpaid bills is sure to grow higher if Valley Water imposes rate increases for Pacheco dam.

Against this backdrop, lowering the cost of living should be the primary focus of every public official in Santa Clara County. Instead, Valley Water is considering committing billions of ratepayer dollars to a dam its own staff describes as the costliest and riskiest option in their master plan.<sup>v</sup>

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<sup>i</sup> SCVWD April 12, 2022 Meeting. Attachment 2

<sup>ii</sup> <https://www.doxo.com/insights/regional-bill-comparison/>

<sup>iii</sup> [https://www.bestplaces.net/cost\\_of\\_living/city/california/san\\_jose](https://www.bestplaces.net/cost_of_living/city/california/san_jose).

<sup>iv</sup> <https://jointventure.org/images/stories/pdf/sv-poll-2021-report.pdf>

<sup>v</sup> SCVWD October 22, 2021 Special Meeting, Agenda item 4.

Valley Water Staff Truncated Rate Analysis Hides Full Ratepayer Impacts of Pacheco Dam  
Analysis Ends in 2033, twenty years before principal payments begin under proposed WIFIA financing.

