



August 29, 2025

United States Environmental Protection Agency
WJC-E 7334A
1200 Pennsylvania Avenue NW
Washington, D.C. 20460
Via Email: WIFIA_Portfolio@epa.gov

Re: *WIFIA Master Agreement - SCVWD Master Program for the Pacheco Reservoir Expansion*

WIFIA Director,

On August 26, 2025, the Board of Directors (the "Board") of the Santa Clara Valley Water District ("Valley Water") voted unanimously to suspend development of the Pacheco Reservoir Expansion Project for the reasons stated in the attached. The Board directed Valley Water staff to take the appropriate steps to terminate the WIFIA Master Agreement and the WIFIA Loan Agreement (WIFIA ID – 20114CA) (SCVWD Master Program for the Pacheco Reservoir Expansion), each dated as of October 30, 2023, by and among the United States Environmental Protection Agency (the "EPA"), the Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation") and Valley Water (together, the "Loan Agreements"). No amounts have been drawn under the Loan Documents and no amounts are currently owed by the Corporation or Valley Water thereunder.

Valley Water hereby requests the termination of the Loan Agreements effective immediately. We respectfully request that the EPA advise as to the steps necessary to terminate the Loan Agreements. If you require any additional information, please feel free to contact the undersigned.

Sincerely,

DocuSigned by:
A handwritten signature in black ink that reads "Darin Taylor".
9CB8A1450C2B497...

Darin Taylor
Chief Financial Officer

Enclosures





Estremera on decision to suspend development of the Pacheco Reservoir Expansion Project

August 26, 2025



Valley Water has been assessing the proposed expansion of Pacheco Reservoir for several years. Throughout this process, our Board of Directors has received regular updates from staff regarding the project, which has encountered several challenges.

After careful consideration and assessment, my fellow board members and I have determined that proceeding with the Pacheco project is not in Valley Water's best interest at this time. This was a difficult decision, but one we made with our community's long-term water affordability in mind.



moving forward with Pacheco would place too great a burden on our ratepayers without cost-effective benefits.

We are thankful to the California Water Commission for its trust in Valley Water for conditionally awarding us \$504 million through the Prop 1 Water Storage Investment Program (WSIP). Valley Water allocated a small portion of this funding for various evaluations, including geotechnical investigations and other assessments. However, in light of the decision today, our agency will be withdrawing from the WSIP. We hope that will enable the Water Commission to follow past practice and redirect the funds to other projects across the state.

Maintaining and rehabilitating our aging infrastructure is our priority to ensure safe and reliable water supply operations. Our agency will continue to evaluate numerous other water supply and infrastructure projects that could help meet Santa Clara County's future water needs. Through our agency's Water Supply Master Plan, we are studying the benefits and feasibility of these opportunities.

I want to thank the many Valley Water staff and consultants who worked diligently on the Pacheco Reservoir Expansion Project and kept us informed throughout the process. Their effort was key to keeping our board informed during the project's evaluation.

Valley Water manages an integrated water resources system that includes the supply of clean, safe water, flood protection and stewardship of streams on behalf of Santa Clara County's 2 million residents. The district effectively manages 10 dams and surface water reservoirs, three water treatment plants, an advanced recycled water purification center, a state-of-the-art water quality laboratory, nearly 285 acres of groundwater recharge ponds and 333 miles of waterways. We provide wholesale water and groundwater management services to local municipalities and private water retailers who deliver drinking water directly to homes and businesses in Santa Clara County.

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Recent News

August 26, 2025

[Valley Water Board of Directors suspends development of the Pacheco Reservoir Expansion Project \(/news-events/news-releases/valley-water-board-directors-suspends-development-pacheco-reservoir\)](#)

May 15, 2025

[Governor Gavin Newsom proposes a plan to fast-track critical water infrastructure project \(/news-events/news-releases/governor-gavin-newsom-proposes-plan-fast-track-critical-water\)](#)

April 04, 2025

[Near normal snowpack provides positive water supply outlook for 2025 \(/news-events/news-releases/near-normal-snowpack-provides-positive-water-supply-outlook-2025\)](#)

March 11, 2025

[Valley Water releases Draft Environmental Impact Report for the Design Level Geotechnical Investigations for the Pacheco Reservoir Expansion Project \(/news-events/news-releases/valley-water-releases-draft-environmental-impact-report-design-level\)](#)



development of the Pacheco Reservoir Expansion Project

August 26, 2025



SAN JOSE – On Aug. 26, 2025, the Valley Water Board of Directors voted to suspend development of the proposed Pacheco Reservoir Expansion Project. The Board also directed Interim CEO Melanie Richardson to prepare a plan to close out the project and withdraw the agency's application for state funding through the Water Storage Investment Program (WSIP).

The decision followed a staff update that identified several challenges, including rising costs, longer timelines for environmental reviews, uncertainty in regulations, and complex permitting processes.



[releases/statement-valley-water-board-chair-tony-estermara-decision-suspend](#)). "This was a difficult decision, but one we made with our community's long-term water affordability in mind."

Since 2017, the estimated cost of the proposed project has risen sharply, reaching \$3.222 billion as reported to the Board on Aug. 26. Design changes also delayed the environmental review process, pushing release of the revised Draft Environmental Impact Report to late 2026 and final approval to late 2027.

Valley Water had secured \$484.5 million in conditional WSIP funding in 2017, which later increased to \$504 million. A portion of these funds supported planning and environmental permitting efforts that helped inform the Board's decision. By withdrawing from the WSIP, Valley Water's action is intended to allow the California Water Commission to redirect the funds to other projects across the state.

Looking ahead, Valley Water will continue evaluating other water supply, water storage and infrastructure projects outlined in its Water Supply Master Plan. Valley Water remains committed to meeting Santa Clara County's future water supply needs at the lowest cost to ratepayers.

Photo caption: A view of the existing Pacheco Dam.

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Recent News

August 26, 2025

[Statement from Valley Water Board Chair Tony Estremera on decision to suspend development of the Pacheco Reservoir Expansion Project \(/news-events/news-releases/statement-valley-water-board-chair-tony-estremera-decision-suspend\).](#)

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Update on Pacheco Reservoir Expansion Project

Valley Water Board of Directors
August 26, 2025

California Water Commission Concerns (May 21, 2025)

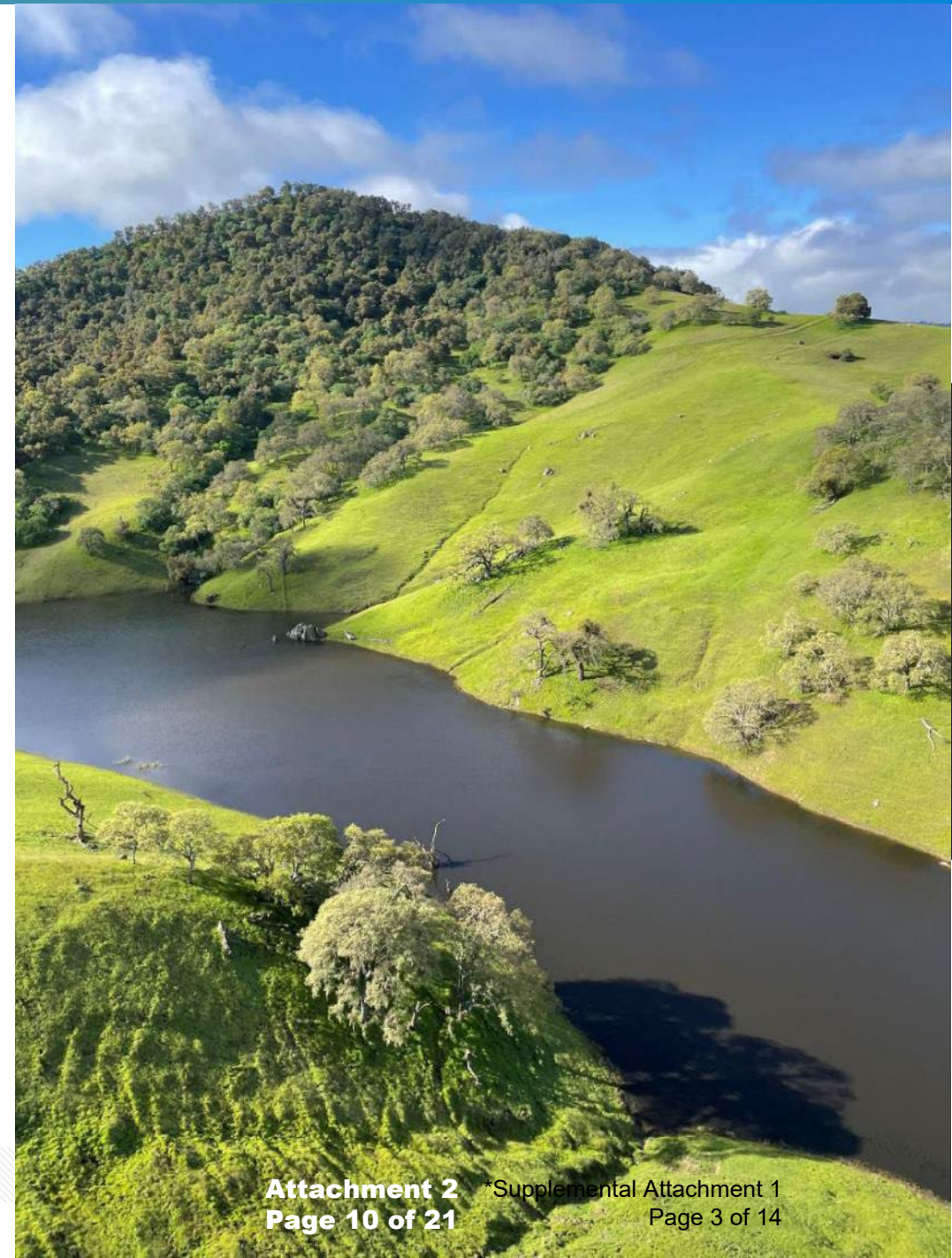
- Environmental review timeline
- Project affordability
- Securing approvals required from the Bureau of Reclamation
- Priority of the Pacheco Reservoir Expansion Project (PREP)



PREP Environmental Review Status

Planning, Permitting, and Design Update

- Draft EIR (DEIR) released in November 2021
- Recirculation due to substantial project changes and new analysis
- Recirculated DEIR (RDEIR) scheduled to be released for public comment in December 2026
- Anticipate Board Consideration of Final EIR certification by December 2027



Permitting Overview: State and Federal Coordination

Planning, Permitting, and Design Update

- Permitting requires collaboration with state and federal regulatory agencies
- Valley Water hosted 26 interagency project workshops
- Meetings held with individual regulatory agencies
- Permit applications will be submitted after RDEIR is released and as Valley Water progresses toward Final EIR



PREP Design Completion Timeline

Planning, Permitting, and Design Update

60% Design Milestone

- Completed 30% design in August 2022
- Completion of 60% design depends on completion of Design Level Geotechnical Investigations (DLGI)
- Investigations are currently on hold pending completion and certification of DLGI EIR
- If resumed in 2025, Valley Water expects to complete 60% design milestone by late 2026



PREP Design Completion Timeline

Planning, Permitting, and Design Update

Full Design Completion

- 100% design anticipated by late 2028
- Timeline reflects extensive coordination, technical requirements, and review and approval by Division of Safety of Dams (DSOD)
- Design timeline has been shared with DSOD
- Ongoing discussions aim to explore opportunities to expedite DSOD's review once design is submitted



PREP Estimated Timing Summary

Planning, Permitting, and Design Update

Milestone	Target Date
RDEIR Release (CEQA)	December 2026
Final EIR Certification (CEQA)	December 2027
Permit Application Submissions	2027–2028 (after RDEIR release)
Permit Approvals	2028+ (dependent on agency timelines and NEPA progress)
60% Design Completion	Late 2026 (pending DLGI EIR certification and completion of investigations)
100% Design Completion	Late 2028
DSOD Approval of 100% Design	Late 2028 (concurrent with final design)
Estimated Construction Start Date	Mid 2029 (best case scenario)

*Supplemental Attachment 1

PREP Affordability Overview

Total Estimated Cost:

- \$2.732 billion (with inflation)

Secured Funding:

- \$1.4 billion **Water Infrastructure Finance and Innovation Act (WIFIA) Loan** – covers up to 49% of planning and design costs
- \$504 million conditional grant from **California Water Commission's Water Storage Investment Program (WSIP)** – includes \$24.2M early funding for planning and permitting

Additional Funding:

- Still exploring cost-sharing opportunities with external partners
- Groundwater charges – remaining cost after WSIP grant and any partner share

Bureau of Reclamation: Required Approvals for PREP

PREP requires multiple federal approvals from Bureau of Reclamation:

- Permission to construct a turnout on Pacheco Conduit
- Permission to use Bureau facilities to convey State Water Project (SWP) or local water to and from Pacheco Reservoir
- Permission to store CVP water in Pacheco Reservoir
- Permission to construct electrical transmission facilities on Bureau Land to power newly constructed pumping plant



Commission Concern and Bureau Follow Up – July 2025

- **Valley Water Executive Outreach:** Valley Water’s executive staff had two meetings with the Bureau
- **Bureau’s Position:**
 - Storing CVP water in Pacheco Reservoir: NO
 - Constructing electrical transmission facilities on Bureau land: POSSIBLE, but difficult
 - Constructing a turnout on Pacheco Conduit: POSSIBLE, but likely a long process
 - Using Bureau facilities to convey SWP and local water to/from Pacheco Reservoir: POSSIBLE, but likely a long process
- **Implications for Project:**
 - Project may still proceed using non-CVP supplies, such as SWP water
 - NEPA compliance and formal contract negotiation could take over two years

PREP: Strategic Priority and Other Options

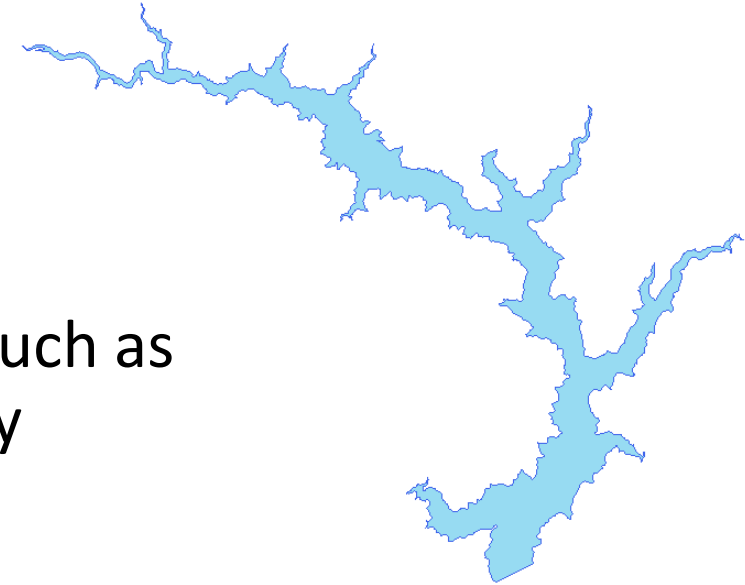
- **Long-Term Water Supply Planning:** PREP is not included in the staff-recommended Lower Cost Portfolio in the Water Supply Master Plan 2050
- **PREP's Continued Relevance:** PREP remains a valuable alternative to projects identified in the Lower Cost Portfolio as some of those projects may have uncertain outcomes
- **Options Under Evaluation:** Staff is conducting additional analysis to identify other water supply or water storage projects that could provide similar water supply benefits to PREP

Options to be Evaluated

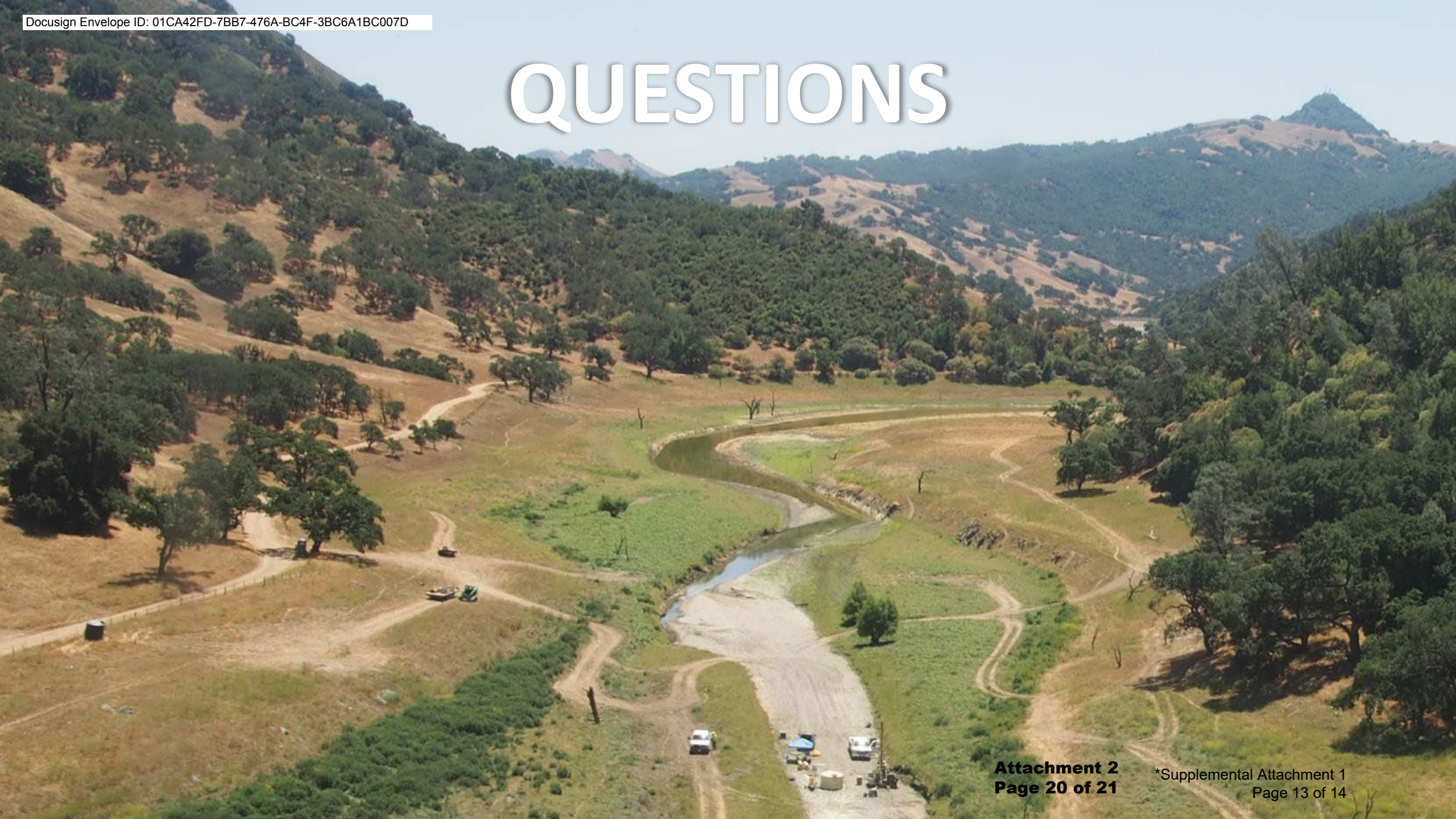
- Expand one or more local reservoirs
- Increase participation in:
 - Sites Reservoir Project
 - Delta Conveyance Project
- Pursue a smaller-sized Pacheco Project
- Pursue PREP to store SWP/local water only

Summary

- **Progress to Date:** Advancements in environmental review, permitting coordination, and preliminary design
- **Significant Challenges:** Addressing high project costs and securing necessary approvals from the Bureau
- **Long-Term Planning Alignment:** Water storage projects, such as PREP, remain critical to ensure Valley Water's water supply resiliency
- **Next Steps:** Staff is undertaking analysis and will provide additional information on alternatives to PREP consistent with the Water Supply Master Plan's adaptive management approach



QUESTIONS





Valley Water

Clean Water • Healthy Environment • Flood Protection