



SAN MATEO, SANTA CLARA & SAN BENITO COUNTIES

January 8, 2019

Santa Clara Valley Water District Board of Directors
5750 Almaden Expressway
San Jose, CA 95118

RE: January 8, 2019 Agenda Items 5.3 and 5.4 Regarding Groundwater Production Charges, Capital Improvement Program and Water Supply Master Plan

Dear Chair Santos and Members of the Board,

The Sierra Club Loma Prieta Chapter remains concerned about Santa Clara Valley Water District's water supply investments and how these will impact the CIP, groundwater production changes, treated water rates, and property taxes. We have previously commented about the danger of over-investment, especially related to projects that will also have large environmental impacts.

Based on this standpoint, we have the following question and comments in response to the subject agenda items.

Questions

1. Why are projected increases in groundwater production charges lower now than what was projected in May 2018? "WSMP 90% Level Of Service" scenario (status quo scenario) now projects 8.1% increases compared to the 9.7% projection last year. \$42 million is allocated in the CIP for Pacheco Reservoir. What was removed from the CIP to get the savings and offset the costs of Pacheco?
2. What is the meaning of Guiding Principle #5 being included in every scenario? The impact of this on the CIP needs more explanation.
3. Why is there no scenario without Pacheco Reservoir? The latest cost estimate of \$1.35 billion. This **first cost escalation of \$450 million** pretty much negates the \$485 million Water Supply Infrastructure Program grant received for this project, and the project is still at 0% design. See comments below for additional concerns.
4. Why isn't the Pacheco Reservoir Feasibility Study listed as one of the projects to close in FY 2019 (slide 13)? Since most funding for the study and application came through mid-year budget adjustments it seems important to include that project on the list.

5. Will the budget include a line item allocating funds to get a special tax passed for Pacheco Reservoir?
6. What is the backup plan if the special tax for Pacheco Reservoir isn't passed? What is the impact on groundwater and treated water changes if a tax isn't passed and the Board decides to go forward with the project anyway?
7. Why are Los Vaqueros and Sites lumped together? The Los Vaqueros project is far along in design and environmental review and is likely to be constructed. Sites is much less likely to be constructed and the \$1,200 per acre foot estimate for Sites will certainly increase. The District should consider including Los Vaqueros in additional scenarios since there is very little risk or uncertainty associated with this project.

Comments

1. It is disappointing to see that water use projections show only 17% water use reduction in 2020 compared to 2013. We think the District can maintain a 20% reduction with additional conservation measures, despite increasing population.
2. It is unclear why the Water Supply Master Plan report categorizes Pacheco Reservoir as a medium risk project when the Water Supply Master Plan 2017 – Project Risks analysis identified the project as high risk (equivalent risk to CWF). Given increasing costs, the cost-benefit ratio for this project should be revisited and the long-standing estimate of \$2,700 per acre foot should be adjusted. We would also like to see estimates of the water supply benefits (acre feet per year). If the Pacheco Reservoir only provides for emergency water supplies it is difficult to imagine how the water supply portion of this project will pencil out.
3. The Water Supply Master Plan now says that Pacheco Reservoir “[i]ncreases capacity to store surplus flows” but there has been no explanation of this benefit. The slide show for agenda item 5.4 is the only place we have seen this claim. If this is based on agreements not yet completed, this needs to be explained and the uncertainty of such agreements should be considered in any Board decisions.
4. It appears that Pacheco Reservoir is not subject to the CIP Validation Process because it is an environmental enhancement undertaken at the Board's direction. We find that regrettable because such rigorous analysis would likely show the project is not is the best or lowest lifecycle cost solution.
5. Speaking of risks, participating in the Central Valley Project portion of the WaterFix project doesn't seem worth the extreme risk identified through the Water Supply Master Plan. Even the high risk identified for the State Water Project portion of the project shows that investment is questionable. The Board should minimize investment in the WaterFix until there's more certainty surrounding the feasibility and cost of this project.

We hope these questions and comments spark some discussion by the Board.

Respectfully submitted,

A handwritten signature in cursive script that reads "Katja Irvin". The ink is dark and the handwriting is fluid.

Katja Irvin
Conservation Committee Co-Chair
Sierra Club Loma Prieta Chapter