



August 28, 2017

Councilmember Nury Martinez, Chair  
Energy, Climate Change, and Environmental Justice Committee  
200 N. Spring Street  
Los Angeles, CA 90012

CC: Mayor Eric Garcetti  
Los Angeles City Council  
The Board of Water and Power Commissioners

**RE: Cost of WaterFix Tunnels to Los Angeles Ratepayers - Oppose**

Dear Councilmembers Martinez, Koretz, Krekorian, Cedillo, O'Farrell and Ryu:

Food & Water Watch, Los Angeles Waterkeeper, Consumer Watchdog, and the Southern California Watershed Alliance thank you for investigating the costs of the proposed WaterFix tunnel project to Los Angeles ratepayers and taxpayers. We strongly oppose higher water rates and property taxes on Los Angeles residents to build new tunnels under the San Francisco Bay Delta at a time when the city must spend billions on fixing and upgrading its own aging water infrastructure. Financing these tunnels, estimated to cost from \$25 to over \$50 billion, would be a colossal waste of public dollars for a project that will not bring any new water to Los Angeles.

These water rate and property tax increases would be imposed on ratepayers by the Metropolitan Water District, a wholesale water agency that imports water from the Delta and Colorado River and then sells it to southern California cities including Los Angeles.

The Metropolitan Water District has emerged as the chief financial sponsor of the tunnels in an effort to maintain or increase high levels of water exports from the Delta. While other major Delta water importers such as the Kern County Water Agency (KCWA) and the Westlands Water District have expressed concerns about future water deliveries and the high costs of the project, Metropolitan's management is now working to secure financial commitments from Los Angeles and other southern California water agencies as soon as September.

Yet unlike Metropolitan, Westlands, and KCWA, the Los Angeles Department of Water & Power and other southern California cities including Santa Monica and San Diego, are planning to reduce their imports from the Delta in favor of local water investments that are cost-effective and create local jobs. LADWP has identified opportunities to augment groundwater storage,

recycled water, and is constantly working to repair or replace the hundreds of water mains that break every year in its 7,200-mile network.

Nevertheless Los Angeles ratepayers and taxpayers would be subject to pay construction and debt service costs of the tunnels regardless of the amount of water DWP purchases from Metropolitan. According to a Standard and Poor's analysis, "the majority of the cost increase will be debt service, which must be paid regardless of hydrological conditions, the amount of water delivered, or the amount of water sold."<sup>i</sup> In fact in recent years Metropolitan has levied additional property taxes on Los Angeles homeowners and businesses, citing increased financial obligations to pay for the planning of the tunnels.

Metropolitan is now underestimating the cost of the tunnels as it recently released a scant financial outline that claims the project will cost southern Californians \$3 a month. We are disappointed that the Ratepayer Advocate's report appears to align with Metropolitan's bogus estimate by stating that the tunnels will cost Los Angeles ratepayers approximately \$2 per month. This report makes several dubious assumptions as it:

- Assumes Metropolitan only pays 25 percent of the cost. This is based on Central Valley Project farmers willing to pick up 47% of the project cost, which is far from being certain. While the report acknowledges on page 2 that, "-some agricultural water contractors are concerned that the WaterFix will severely increase the cost of farming to the detriment of their land values. Both of these factions seek different WaterFix cost sharing," it continues the analysis assuming Metropolitan's share at 25%. The "Alt. 2 Higher" option assumed a slightly higher Metropolitan share at about 29%, which is also doubtful if other key water contractors do not participate.
- Assumes Metropolitan's current rate structure continues, which is heavily dependent on variable water sales and allows for DWP flexibility. If Metropolitan is the chief sponsor of the tunnels its financial obligations will be fixed and if its future water sales drop, Metropolitan will have to increase its rates significantly or would likely shift some of the rates to fixed charges or property taxes. Given DWP and other southern California water agencies' existing plans to purchase less water from Metropolitan, it will almost certainly have to raise rates much higher to meet its obligations for the construction and operation of the tunnels with interest payments.

The Ratepayer Advocate report does illustrate the lack of a water supply benefit to Los Angeles from the tunnels. Page 3 of report shows a projected long-term supply forecast of total Delta water exports of 3.8 to 5.3 million acre feet of water per year, which is used to calculate the cost impact. As the 3.8 MAF yield is almost the same as projected Delta exports without the tunnels, Los Angeles ratepayers would be penalized with higher rates as they reduce their use of Delta water by 50 percent.

A cost analysis conducted in 2012 by EcoNorthwest, an independent economic consulting firm found that based on a cost estimate of \$20 to \$47 billion, the tunnels would cost Los Angeles several billions and could raise water bills an additional \$7 to \$16 dollars per month for over 40 years. In a response letter LADWP claimed that based on a cost estimate of \$20.6 billion “the estimated average annual BDCP cost to LADWP would be approximately \$52 million over the 45-year financing period,” which amounts to a total of \$2.34 billion. It is reasonable to expect a higher total to be billed to Los Angeles residents and business owners given official cost estimates are now around \$25 billion.

Whatever the monthly rate Los Angeles does not have \$2 billion to waste for new tunnels that in effect amount to a water grab by Metropolitan and corporate agriculture interests in Westlands and Kern County, which already profit from taxpayer-subsidized water. This is especially true when many residents are struggling with already high LADWP bills and the overall rising cost of living.

We urge you to fight for Los Angeles residents and challenge these unjust tax and rate hikes. There are much better uses for \$2 billion including remediating the San Fernando Groundwater Basin, greatly expanding water recycling from the Hyperion Water Reclamation Plant, fixing our aging and breaking water pipes, and enhancing stormwater capture and infiltration projects throughout the City. Any and all of these investments will provide significantly better return for ratepayers in making our region water-secure.

We must use ratepayer dollars wisely to invest in projects that create real economic and environmental benefits for Los Angeles.

Sincerely,

Adam Scow, California Director  
Food & Water Watch

Bruce Reznik, Executive Director  
Los Angeles Waterkeeper

Liza Tucker, Consumer Advocate  
Consumer Watchdog

Conner Everts, Executive Director  
Southern California Watershed Alliance

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