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Contacts:

Alexandra Nagy, alexandra@sunstonestrategies.org

Leela Yadav, leela@sunstonestrategies.org

New Report Exposes Inaccuracies in Benefit-Cost Analysis of California's Delta Conveyance Project

The report findings point to far greater economic and social costs of the state water project than what is outlined by the Department of Water Resources

Stockton, CA – A [newly published report](#) challenges the financial feasibility of the Delta Conveyance Project (DCP) as outlined by the Benefit Cost Analysis (BCA) [released by the Department of Water Resources' \(DWR\)](#). The report from Dr. Jeffrey A. Michael, Director of Public Policy Programs at the University of the Pacific, finds that DWR's BCA is flawed and inflated, with questionable assumptions, overvalued benefits and a failure to consider major project risks and financial implications.

At an estimated cost of [\\$20.1 billion](#), the DCP represents a substantial financial commitment for water agencies amidst growing financial constraints. The DWR's BCA claims a benefit-cost ratio of 2.2, suggesting the project's economic viability. However, Dr. Michael's review concludes that this ratio is inflated and unreliable due to unjustified optimistic assumptions underlying the analysis.

Key findings of Dr. Michael's review include:

- **Inflated benefit-cost ratio:** The DWR's 2024 BCA's benefit-cost of 2.2 is inflated and unreliable and relies on broad assumptions, such as assuming dramatic urban water demand growth and overlooking cost increases and it does not consider alternatives.
- **Optimistic assumptions:** The analysis relies on extreme projections of urban water demand growth and an unusually optimistic 100-year project lifespan

assumption with low discount rates, which significantly inflate projected benefits.

- Environmental impact omissions: The BCA omits significant environmental costs, particularly impacts on salmon and other threatened and endangered fish species, which could have substantial social and financial implications.

The review also critiques the economic assumptions made in the DWR's 2024 BCA, arguing that it over-values benefits while downplaying risks and externalities. Dr. Michael emphasizes the importance of a holistic approach to project evaluation, one that accounts for the impacts on all stakeholders over the long term.

The report finds that because of minimal agricultural benefits, farmers are also likely to opt-out of the water project, meaning the DCP would effectively be an urban project in which the Metropolitan Water District (MWD) is expected to bear 75% of its costs instead of the planned 47%. Additionally, Dr. Michael further emphasizes that the seismic risk reduction the DCP would provide is too small to be adequate justification, given that there are less costly alternatives available to address earthquake risk.

Dr. Michael's findings are expected to contribute to the already-controversial reputation of the Delta Conveyance Project, sparking further debate amongst policymakers and stakeholders involved in California's water management – challenging the adequacy of current decision-making frameworks, and urging a reevaluation that incorporates broader social and environmental considerations.

Restore the Delta's Executive Director Barbara Barrigan-Parrilla released the following statement:

“Dr. Michael's report underscores the narrow focus and deficiencies of the DWR benefit-cost analysis of the Delta Conveyance Project. It highlights the need for a comprehensive assessment that includes the broader impacts on California tribes, Delta communities and economies, fishing communities, and environmental and public safety concerns. Such an analysis is essential for accurately gauging the true costs of this enormous and costly project. To ensure sustainable and beneficial outcomes for those impacted, California must instead explore alternatives like investing in regional water solutions.”

Sierra Club California Chapter Organizing Manager, Molly Culton released the following statement:

"The Benefit-Cost Analysis (BCA) greatly exaggerates the benefits of the Delta tunnel while downplaying the costs. The BCA excludes the costs of the project's impacts to cultural, paleontological, and Tribal resources, which were determined to be "significant and unavoidable" in the Environmental Impact Report. The \$20.1 billion cost estimate is likely to increase over the decades of construction- saddling future generations of ratepayers with debt for a risky project that is unlikely to deliver what it promises."

Interview contact: Alexandra Nagy, alexandra@sunstonestrategies.org, 818-633-0865.