

## COMMENTS on Nov. 13, 2023, NID Staff Report: Plan for Water...

To: Nevada Irrigation District Board of Directors (Please Distribute To!)

From: Gary Zimmerman, Economist, Nevada City, CA

Date: January 24, 2024 (By email)

Subject: COMMENTS on Plan for Water – Strategy Options Discussion

Thank you for the opportunity to comment on this Staff Report. As an economist who has previously commented on the Cost of NID's earlier Infrastructure Proposals, as well as many other non-NID proposed projects, as a university professor who has taught graduate seminars in Environmental Economics that included the analysis of the costs and benefits of proposed projects, and finally, as an NID Ratepayer, I would like you to seriously consider my comments and questions on the Nov. 13, 2023, Plan for Water Staff Report.

**FIRST**, I must ask a very serious question based on my review of the Staff Report.

**Do the NID Directors believe in "SANTA CLAUS ECONOMICS?"**

**Would this be a Santa that pays for NID construction & infrastructure projects?**

The Staff Report, for example, on Page 7, Heading Operations, # 3. Develop New Storage Facility Ac-ft... (proposed Centennial Dam): The analysis **IGNORES / DISMISSES the COST of BORROWING to finance the \$584 Million COST of CONSTRUCTION for Centennial. Where does the MONEY to build come from?**

**NOT FEASIBLE WITHOUT BORROWING with BONDS or FREE \$\$ from CA or USA!**

**\$\$ UNDERSTATING TOTAL COSTS: BORROWING \$584 Million over a period of 30 years (or perhaps longer) to FINANCE the proposed construction of Centennial Dam likely would (depending on future inflation & interest rates & cost overruns) likely would DOUBLE the COST of the Centennial OPTION to WELL OVER \$1 BILLION.** (Note: ***This SERIOUS FLAW in the ANALYSIS (not including interest costs) is true for the 3 other New Storage "options & alternatives" included in the Staff Report, because they also FAIL to INCLUDE the SIGNIFICANT COST of BORROWING over 30 years to finance the proposed construction!***)

**\$\$ EXAMPLE: STAFF REPORT UNDERSTATES YEARLY 30-Year COST INCREASE for RAW WATER & TREATED WATER CUSTOMERS of Proposed Centennial Dam, by **NOT INCLUDING INTEREST COSTS!** Adding interest costs (+cost overruns too) could about double the yearly customer costs of this New Storage Option:**

Table 1 - YEARLY Increase (for 30-Years)	<i>(from Staff Report)</i>	<i>(estimated as double cost)</i>
In Water COST to NID Customers	<u>Construction Only</u>	<u>Construction &amp; Interest</u>
RAW WATER Customers	\$3,502 per year	<b>\$7,004 per year</b>
TREATED WATER Customers	\$59 per year	<b>\$118 per year</b>

**\$\$ FEASIBILITY? DOUBLING the COST of WATER, to \$7,004 a year, especially for Agricultural Users, SHOULD MAKE THIS PROPOSAL NOT FEASIBLE, if, as the Report indicates, it is described as difficult by just including construction costs,!**

**\$\$ FEASIBILITY? Annual Cost increase estimates USED in the STAFF REPORT for each of the NEW STORAGE OPTIONS likely understates the Yearly Cost to RAW & TREATED WATER CUSTOMERS... Yearly costs for each would about double when INTEREST COSTS (should include cost overruns too) are included in the estimates.**

Table 2 – Interest Costs May Double Water Rates	<u>Estimated Project COSTS</u>		<u>30-Year Annual Increase</u>	
	<u>Only</u>	<u>Construction</u>	<u>RAW Water Cost</u>	
<u>Potential New Storage</u>	<u>Construction</u>	<u>Plus Interest</u>	<u>Const. Only</u>	<u>+ Interest</u>
Rebuild Rollins (+53 feet)	\$290 Million	<b>\$580 Mil.</b>	\$1,740.	<b>\$3,480.</b>
New Rollins Dam	\$710 Million	<b>\$1,420 Mil.</b>	\$4,254.	<b>\$8,508.</b>
New Dam Just Below Rollins	\$926 Million	<b>\$1,852 Mil.</b>	\$5,553.	<b>\$11,106.</b>
Proposed Centennial Dam*	<b>\$584 Million*</b>	<b>\$1,168 Mil.</b>	\$3,502.	<b>\$7,004.</b>

**\$\$ FEASIBILITY: The Staff Report should EXPLAIN to the BOARD HOW NID CAN Borrow from \$300 Mil. up to \$1 Bil. WITHOUT PAYING INTEREST on the DEBT?**

**\$\$ BORROWING CAPACITY: NONE of these Options or Alternatives are FEASIBLE if NID IS NOT ABLE TO ISSUE BONDS to PAY FOR THE PROJECT CONSTRUCTION!**

**\* Staff Report does not explain why costs of this proposal are so low compared to other 3.**

**\$\$ FEASIBILITY & FUNDING SOURCES: WHAT OTHER FUNDING SOURCES for PAYING CONSTRUCTION COSTS has NID Identified or arranged, if NID does NOT INTEND to Issue BONDS at market interest rates in the Bond Market?**

**\$\$ FEASIBILITY: BORROWING CAPACITY SHOULD BE AN ISSUE FOR NID.**

*NID has a limited number of customers, in the range of 25,000, who would have to pay water rates that provide funding for NID to make regular payments for Bond Interest Due & Bond Repayments. How is this addressed in the Staff Report? Can NID's Water Customers afford to Pay Off \$300, or \$500, or \$600 Million, or \$1 Billion in NID Bonds? How much DEBT would be issued per each NID Water Customer for each of the four New Storage options?*

**\$\$ FEASIBILITY: BOND RATINGS! What are NID's Current **BOND RATINGS** from the major bond rating agencies? The Report doesn't address cover this.**

*What is NID's existing **OUTSTANDING BOND DEBT**? Have the Bond Rating agencies set limits on the \$\$ amount NID can borrow at its current bond rating?*

*Why isn't information on bond ratings and capacity discussed in the STAFF REPORT, since FEASIBILITY of several of the projects or strategies discussed in the report would require massive borrowing to finance construction of the projects?*

**\$\$ FEASIBILITY & RISK: As the amount of borrowing rises, the **RISK PREMIUM** borrowers like NID pay is LIKELY to RISE, especially if NID were to be borrowing amounts in the range of \$300 Million-to-\$1 Billion to finance construction! This IMPORTANT ISSUE is NOT ADDRESSED in the STAFF REPORT!**

**\$\$ RISK NOT ADDRESSED in the STAFF REPORT for BORROWING \$300 Million-to-\$1 Billion in BONDS: **BANKRUPTCY & its impact on NID Customers** caused by the inability to raise NID water rates and / or NID Revenues enough to make BOND PAYMENTS as they come due in the future. This customer wishes to know!**

**Thank You!**

CC: Media & Other Interested Groups...