



**CALFED
BAY-DELTA
PROGRAM**

Date: May 14, 1996
To: Lester Snow
From: Zach McReynolds
Subject: Cost Perspectives

In order to put the preliminary cost estimates for CALFED Bay Delta Program alternatives in context, I have developed an estimate of the investment that has been made in the State's two major existing water projects.

The goal of these estimates is to provide a comparison which is expressed in terms which are easily accessible and understood by the general public. In concept, these numbers represent the buying power in today's dollars of the money spent on the two projects over the course of time. The results of these two estimates are shown below, followed by an explanation of methodology.

Investment in California Water Projects
1996 Dollars

State Water Project	\$20.04 billion
Central Valley Project	\$14.02 billion
Total Investment	\$34.06 billion

Methodology

In order to give an estimate of the total investment over time in current dollar terms, it was necessary to get historical expenditures by year and then to inflate them to today's buying power. Book value of the projects is not adequate, as it reflects depreciation and does not provide an inflation adjusted estimate. Two different estimating methods were used, based on type of data available. Inflation data was represented by Consumer Price Index levels as provided by the U.S. Bureau of Labor Statistics (1967 = 100 series).

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State Water Project

State Water Project (SWP) expenditure estimates are based on the combined value of the \$1.75 billion general obligation bond issue authorized in 1960, and revenue bonds issued for water facilities purposes for the SWP over the years (refunding issues and power revenue bonds have been excluded). This information was compiled from Official Statements relating to the relevant issues.

Central Valley Project

Central Valley Project (CVP) expenditure estimates are based on the year by year changes in the Total Plant in Service entry as recorded in annual reports for the project beginning in 1950. Estimated depreciation was added back into the total each year based on the prior year's Total Plant in Service.

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