

# Editorial: California water contractors get a financial jolt by twin tunnels report

<http://www.sacbee.com/2014/02/20/6172884/editorial-california-water-contractors.html>

By [the Editorial Board](#)

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Call it a deep reality check. In a severe drought year, with the comment period winding down on Gov. Jerry Brown's proposed twin tunnels project to divert water from the [Sacramento-San Joaquin Delta](#), the Standard & Poor's credit rating agency has issued a sobering report.

The cost of construction would be high, the report says, and would be borne largely by those benefiting from the project, the water contractors south of the Delta, "regardless of the amount of water delivered from the Delta."

To date, financing of the construction of two 40-foot-diameter, 30-mile-long tunnels has been a big question mark. The [Feb. 13 report](#), "The High Price Of Water Supply Reliability," highlights that question mark in bold.

Regardless of other issues, there is no project if the water contractors don't pony up. They should signal their intentions before the [comment period for the plan](#) ends on April 14.

S&P assumes that the federal government would pick up 14 percent of the cost and the state 17 percent, from bonds that would require voter approval. Water contractors south of the Delta would pay the bulk – 68 percent. And agricultural contractors that get most of the water, such as [Westlands Water District](#) and [Kern County Water Agency](#) in the [San Joaquin Valley](#), would pay the most.

The S&P report reiterates earlier estimates that the biggest benefit for south-of-Delta contractors would be increased water supply reliability, assuming that the twin tunnels would increase average annual [water deliveries](#) from the Delta by between 1.3 million and 1.7 million acre-feet.

But the report notes that even with the twin tunnels, water contractors south of the Delta would "still be exposed to variability in hydrologic conditions." The amount of water diverted south would still vary from year to year depending on how much snow falls in the [Sierra Nevada](#) and the Trinity/Siskiyou mountains.

Are the benefits great enough that south-of-Delta contractors want to participate? What happens if one or more choose to opt out – as some have threatened? The S&P report raises these issues.

S&P does bond ratings for water contractors, water utilities and the state. Its realism on the heavy financial lift required by the water contractors comes at the right time. If south-of-Delta water contractors aren't on board for picking up the bulk of the cost, the current twin tunnels proposal is dead.

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