

California WaterFix Update

Imported Water Committee
February 22, 2018



Unanswered Questions From Last Review

What guarantee do participating agencies have of stated benefits?

How much water will San Diego County receive?

What portion of the costs will San Diego be expected to pay?



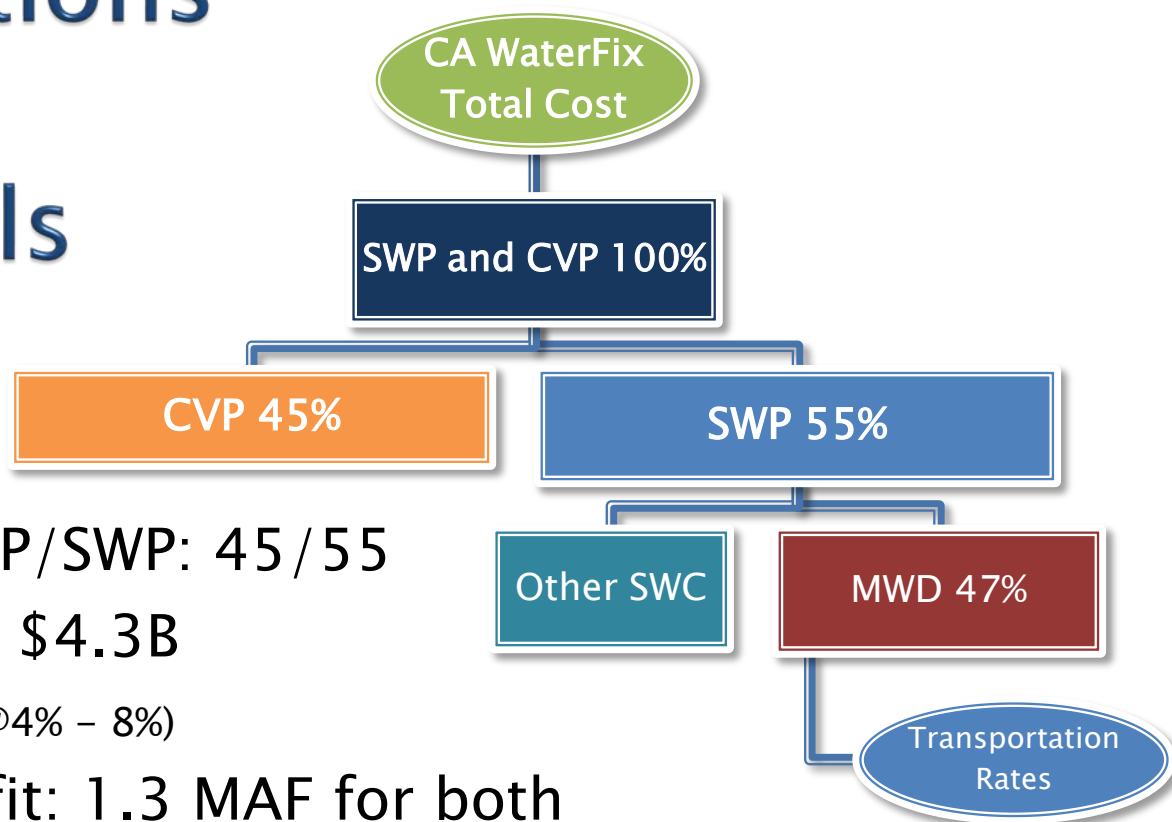
What other agencies will commit to pay for the project?

How will San Diego County ratepayers be protected from paying an unfair share?



Cost Assumptions Used by MWD – Twin Tunnels

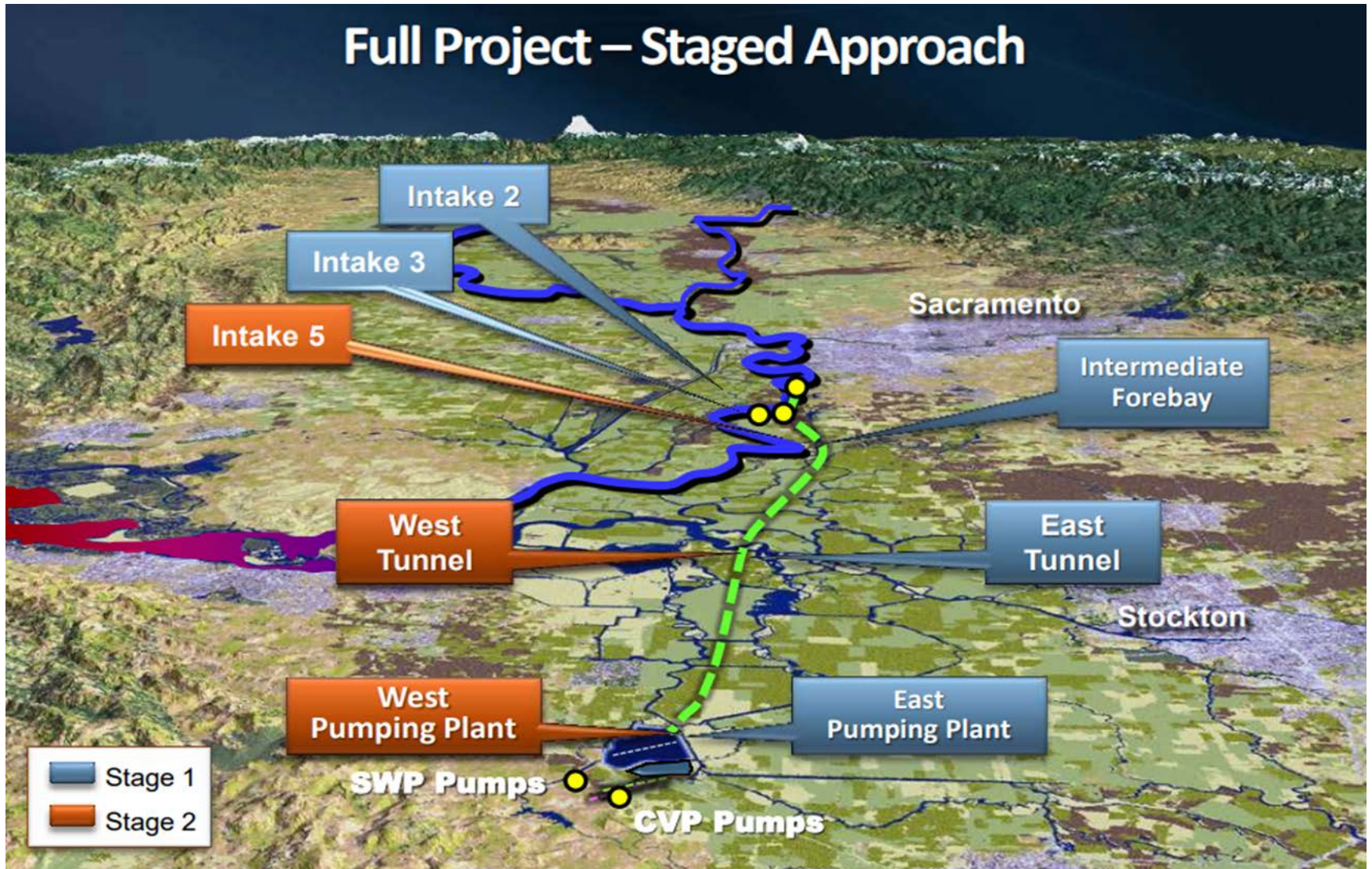
- ▶ Capital: \$16.7B*
 - O&M: \$64M/yr
- ▶ Cost split between CVP/SWP: 45/55
- ▶ MWD Share: 25.9%, or \$4.3B
 - \$207M/yr–\$334M/yr (@4% – 8%)
- ▶ WaterFix supply benefit: 1.3 MAF for both projects/ MWD Share: 337,000 acre–feet
 - \$840/af – \$1,218/af at MWD service area
- ▶ Oct 2017: MWD Board authorized participation of 25.9%, and Finance JPA



* In 2017\$

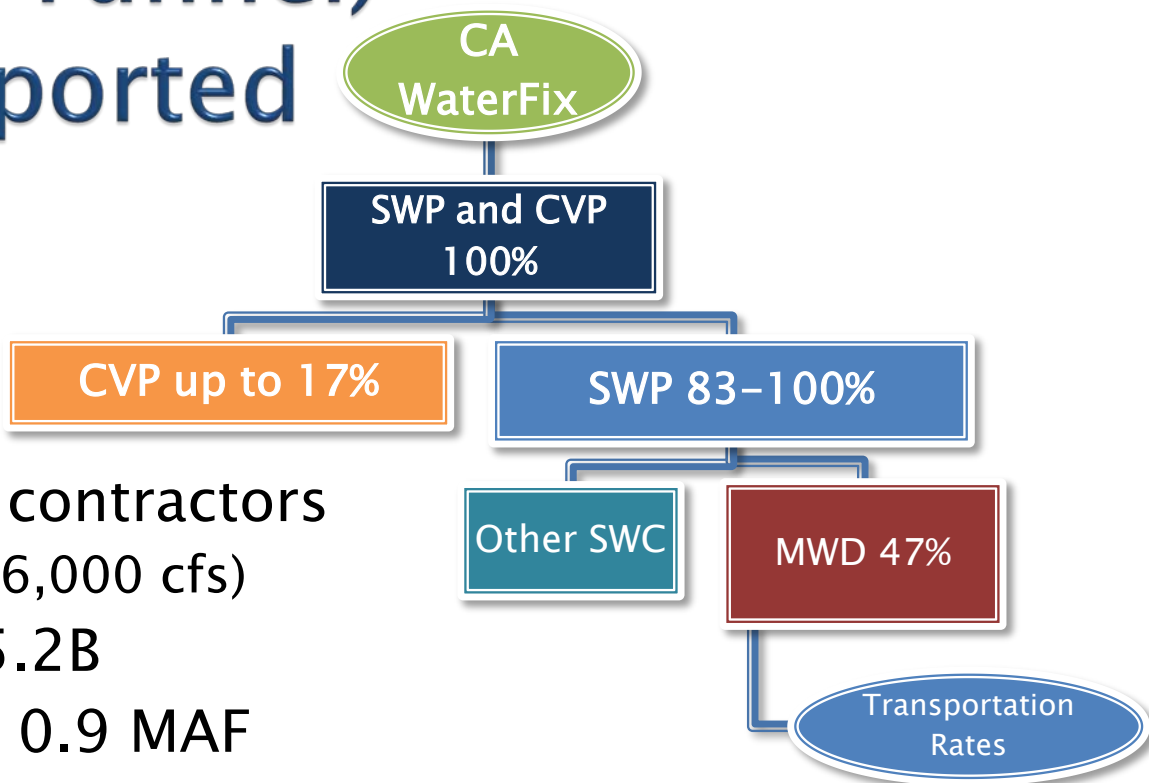


Staged Approach to WaterFix Announced: February 7, 2018



Stage 1 (Single Tunnel) Summary – Reported by MWD

- ▶ Capital: \$11.1B*
- ▶ O&M: \$49.6M/yr
- ▶ Largely funded by SWP contractors
 - CVP: up to 1,000 cfs (of 6,000 cfs)
- ▶ MWD Share: \$4.3B – \$5.2B
- ▶ Stage 1 supply benefit: 0.9 MAF
 - 400,000 AF less than full WaterFix
- ▶ SWP Delivery Capacity
 - ~2.8 MAF (“roughly unchanged between 9,000 cfs and 6,000 cfs”)
- ▶ CVP contractors negatively impacted



* In 2017\$



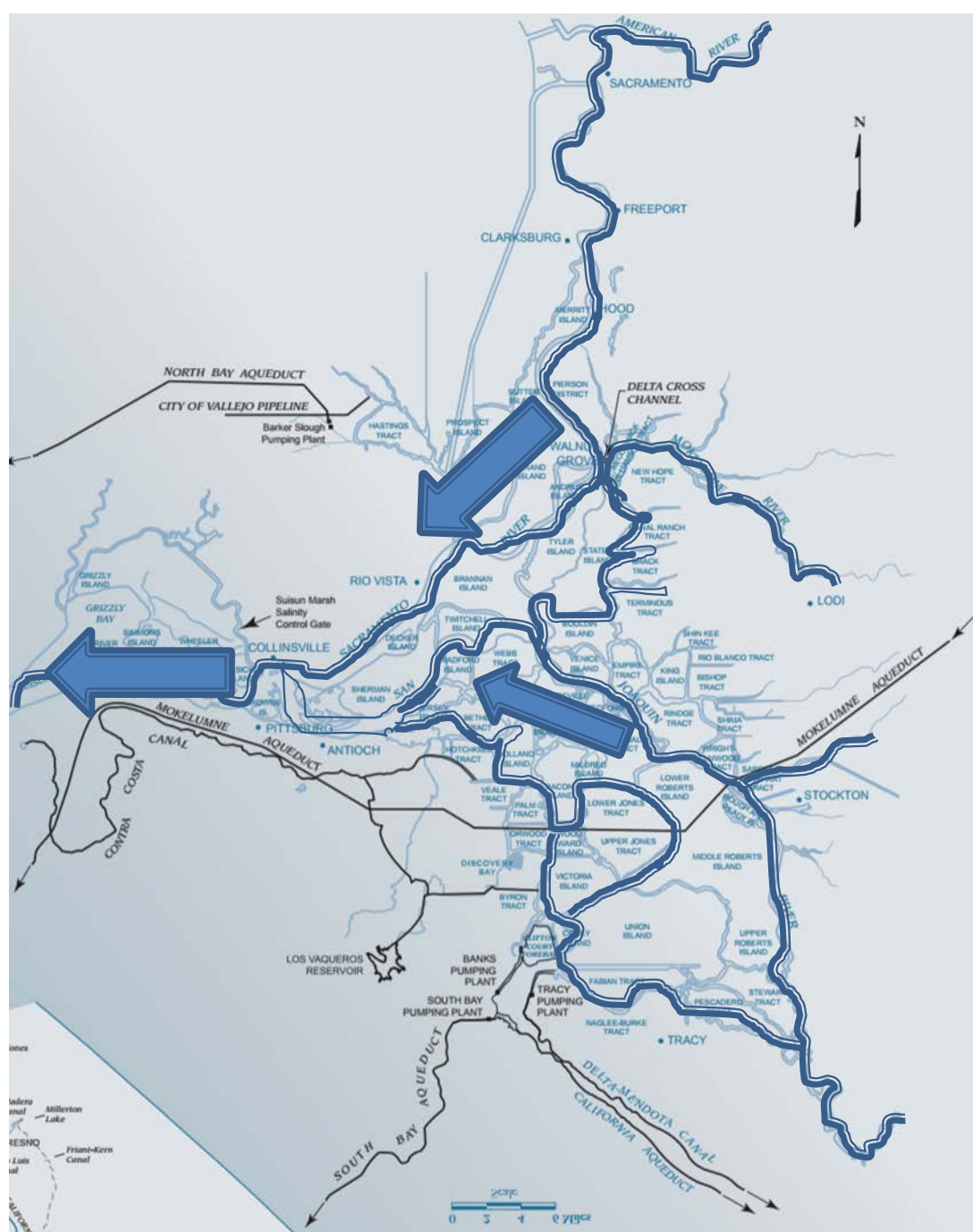
Issues: Supply Benefits

- ▶ Because CVP and SWP share same waterway, both projects have historically coordinated operations
- ▶ Incorporating WaterFix to existing CVP and SWP facilities will change how projects are currently operated
- ▶ Based on “cost follows water” principle, Stage 1 benefits will be accrued by SWP contractors leaving CVP contractors bearing the burden of reduced exports from existing facilities
 - Stage 1 benefit is 400,000 af less than full project, according to MWD (1.3 MAF vs 0.9 MAF)
 - Will CVP contractors agree to change in operations that results in reduction of their exports based on regulations that may not occur?
- ▶ State Board’s Bay Delta Water Quality Plan update may further impact water exports not addressed by WaterFix





Natural
Flow

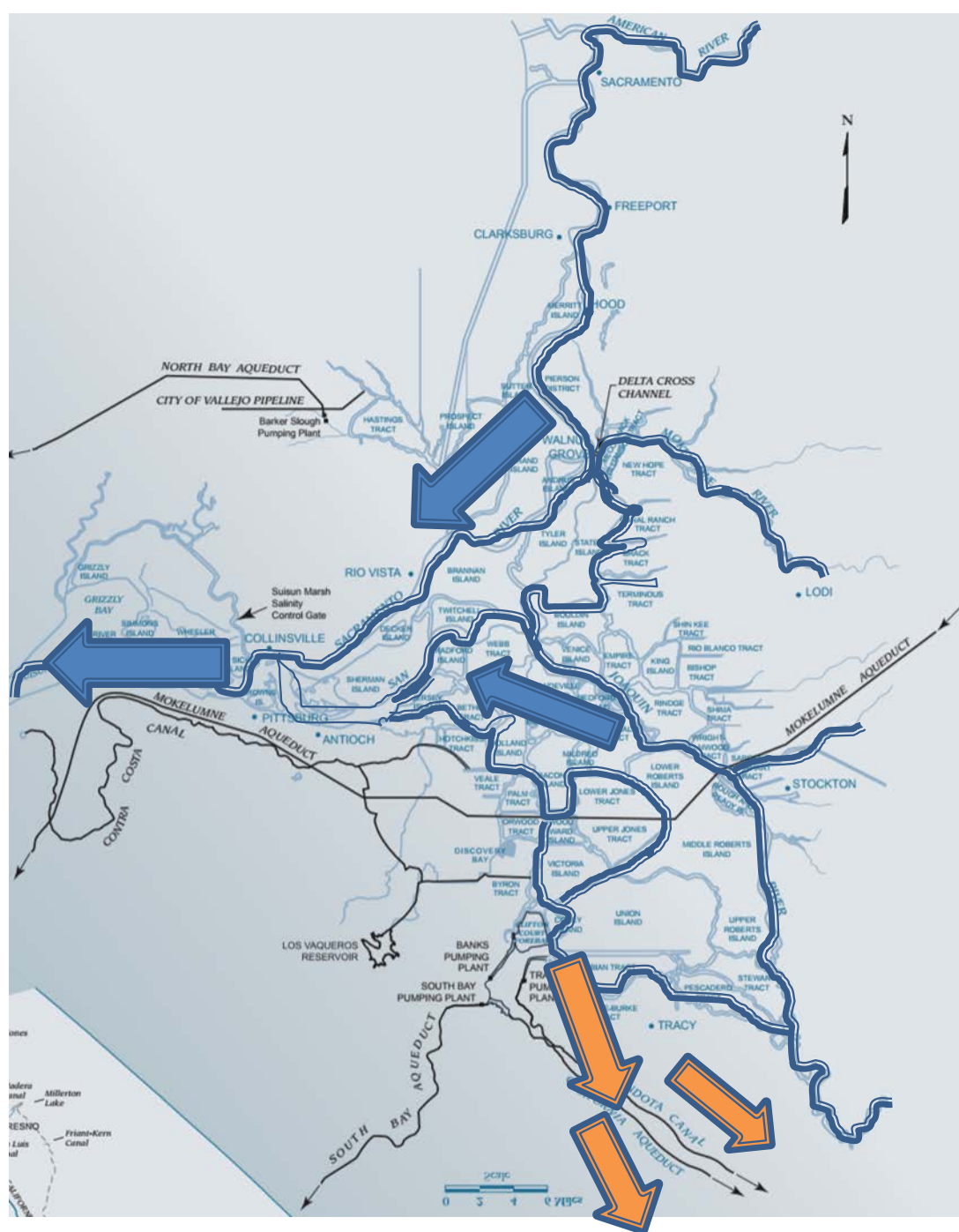




Natural Flow

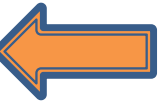


Existing Southern Delivery Systems: SWP & CVP





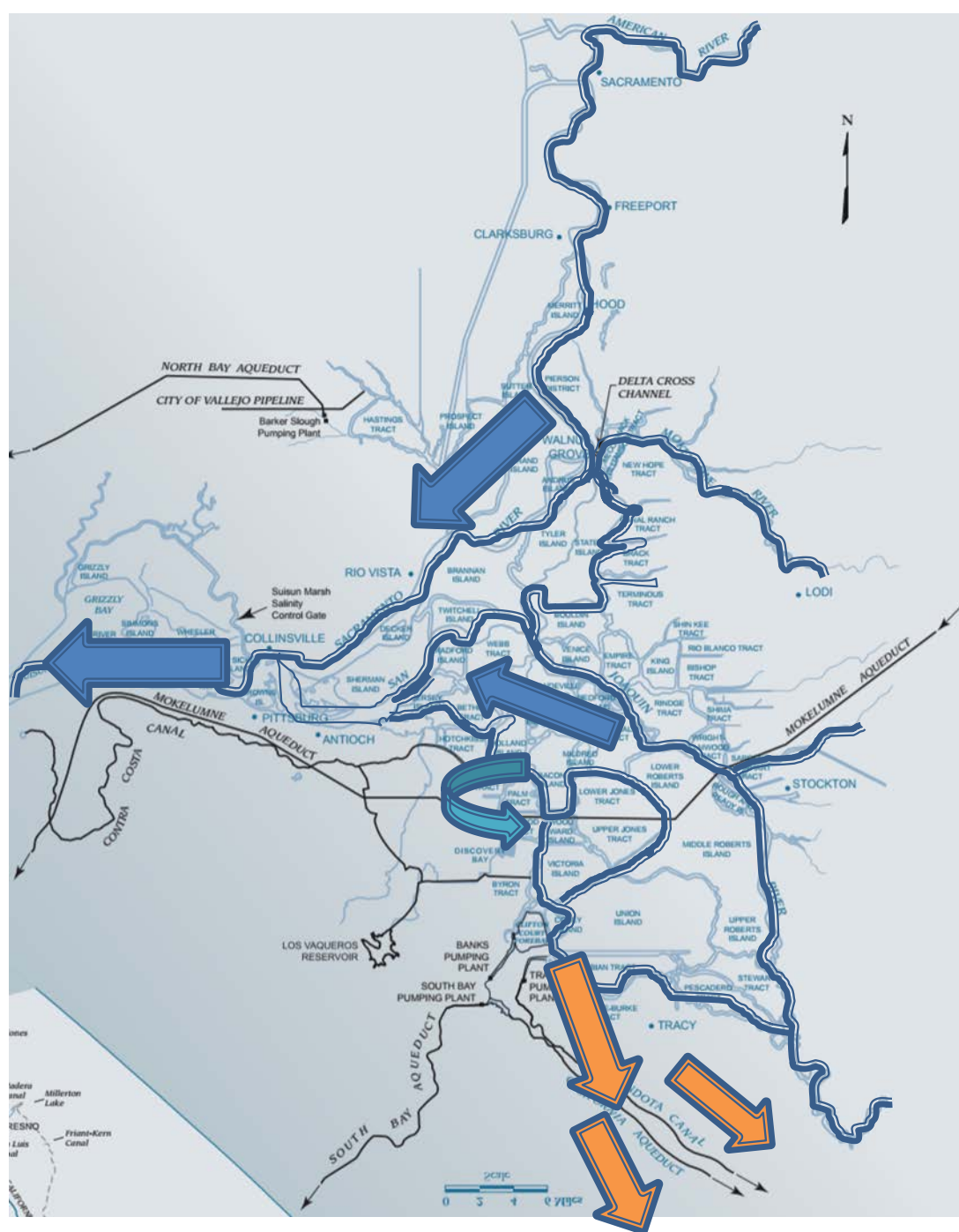
Natural Flow



Existing Southern Delivery Systems: SWP & CVP



Reverse Flow

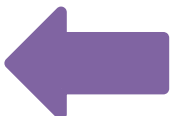




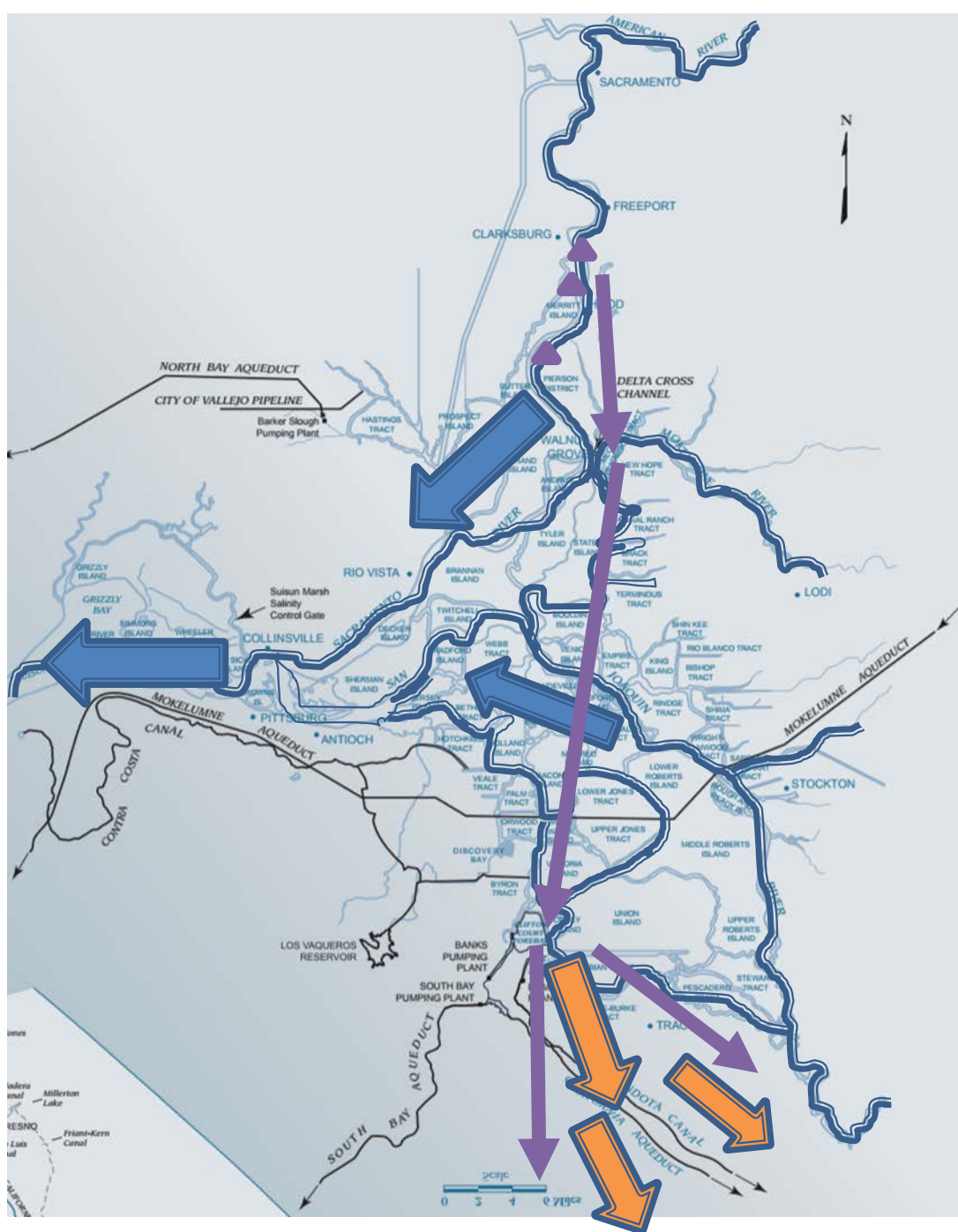
Natural Flow



Existing Southern Delivery Systems: SWP & CVP



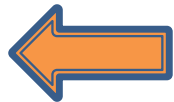
WaterFix-Original Proposal



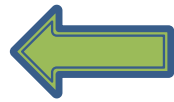
Dual Facility helps reduce reverse flow



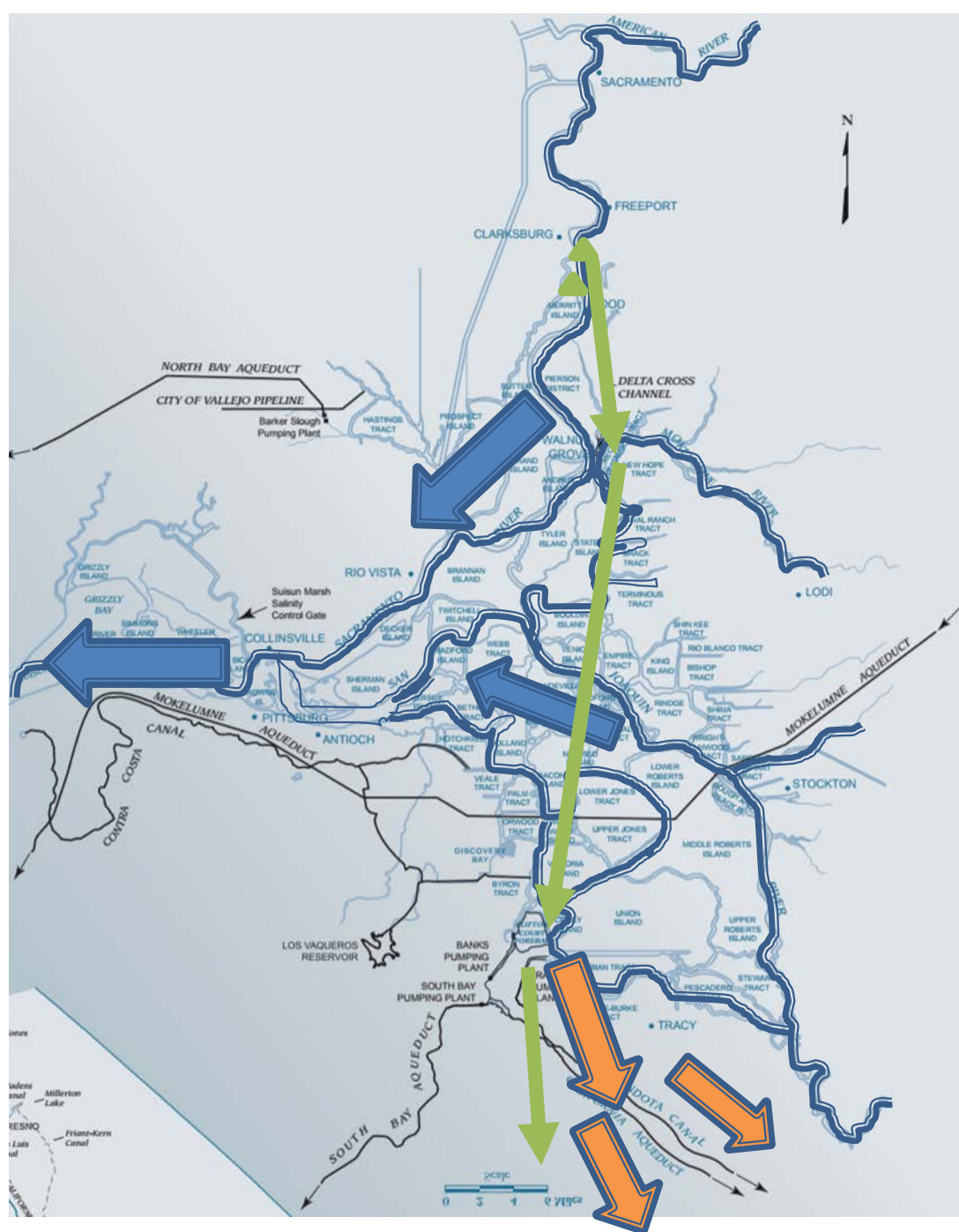
Natural Flow



Existing Southern Delivery Systems: SWP & CVP



WaterFix (Stage 1 6,000 cfs)



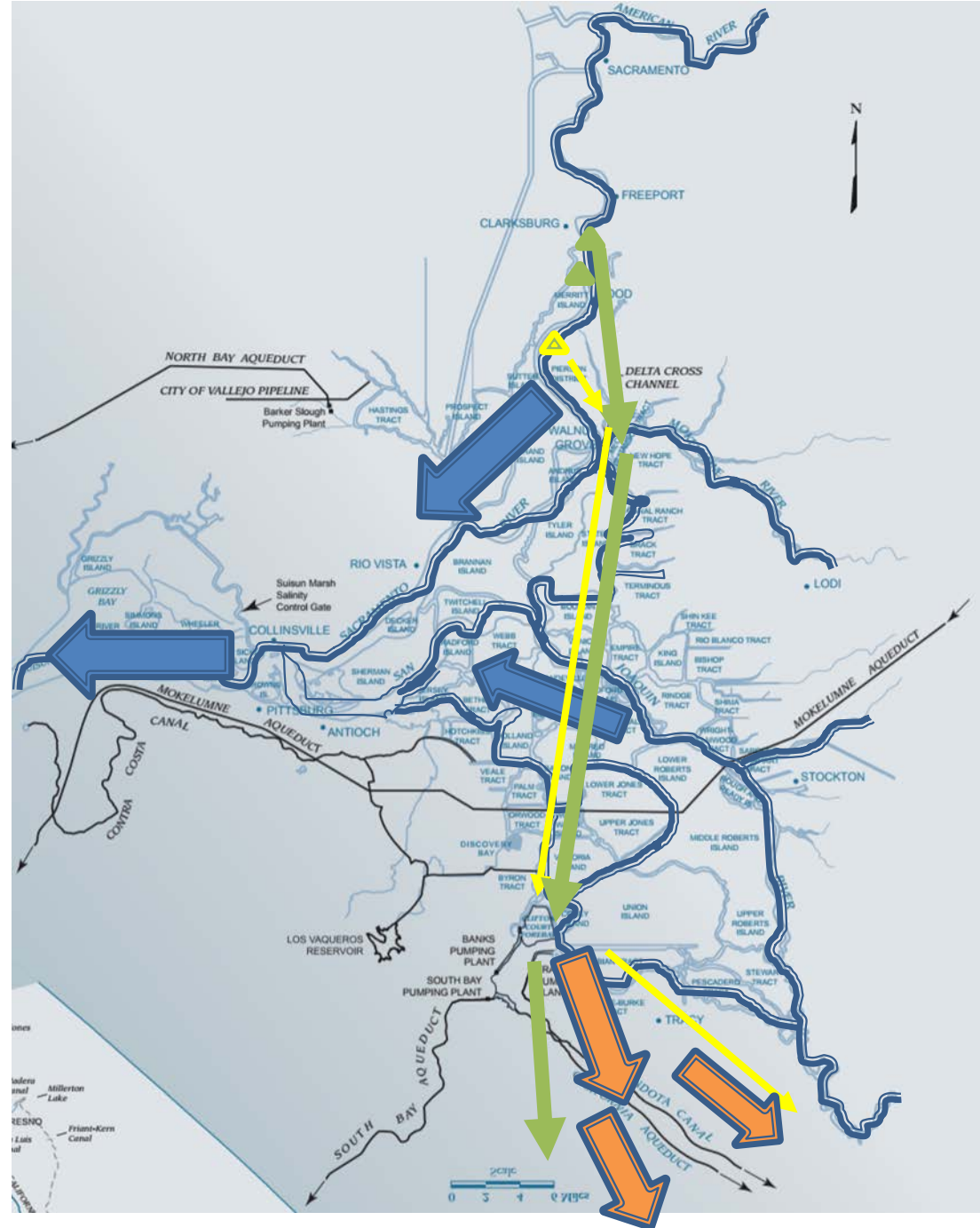
Dual Facility helps reduce reverse flow

← Natural Flow

← Existing Southern Delivery Systems: SWP & CVP

← WaterFix (Stage 1 6,000 cfs)

← WaterFix (Stage 2 3,000 cfs)



Dual Facility helps reduce reverse flow

Issues (cont.)

- ▶ MWD's participation level?
 - Stage 1: \$4.3B – \$5.2B* (1.2x more than previously authorized)
 - Water transfer agreement with SWP ag contractors
 - Full project:
 - MWD to fund CVP share: ~\$11.8B (2.7x more than previously authorized)
 - “lease capacity” to CVP contractors
- ▶ Finance JPA
 - Alternative financing for WaterFix
 - To-date, only MWD and Zone 7 signed on to participate
 - JPA debt would also be secured by the pledge of revenues from contractors who agree to finance

*4% interest



Benefits–Costs

Dr. Sunding’s Analyses

Scenario	SWP Urban	SWP Ag	CVP
California WaterFix (Nov 2015 Draft): assumed life span = 50 years			
9,000 cfs (With \$3.9B of \$13.9B paid for by others)	2.43x	0.71x	0.63x
California WaterFix Stage 1 (6,000 cfs): assumed life span = 100 years “No Trading”			
1,000 cfs SWP/ 1,000 cfs CVP	1.35x	1.04x	1.08x
6,000 cfs SWP	1.29x	1.03x	--
California WaterFix Stage 1 (6,000 cfs): assumed life span = 100 years “Trading”			
1,000 cfs SWP/ 1,000 cfs CVP	1.33x	1.17x	1.08x
6,000 cfs SWP	1.23x	1.17x	--

Next Steps

- ▶ MWD plans to present cost benefit analysis to its Board
 - 2/27/18
- ▶ MWD Board action on cost adjustments, including transfer agreements
 - 3/13/18
- ▶ SWP contractors will have to each decide funding contribution



Questions?

