

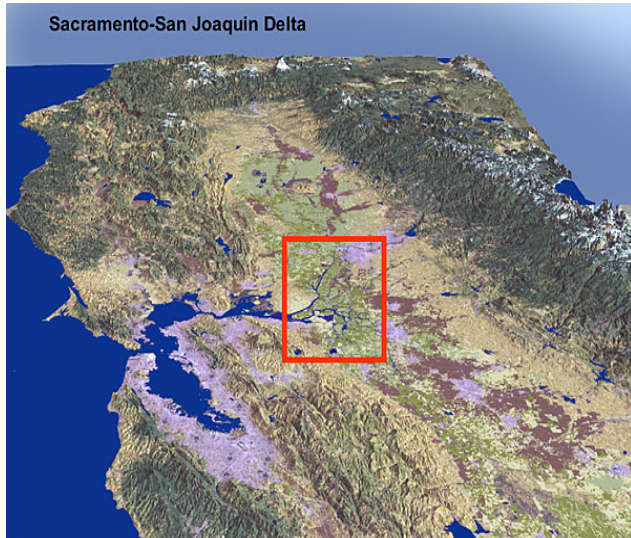
California WaterFix Update

MWD White Paper Review: Operations and Finance/Cost Allocation

Imported Water Committee
August 24, 2017



Water Authority's Support for Fixing Bay Delta



- ▶ Water Authority supports a sustainable Bay–Delta solution
- ▶ 2009 Delta Reform Act
- ▶ 2012 Delta Policy principles
- ▶ Multi–disciplinary team review of BDCP
- ▶ Board took no position on BDCP: lack of key information



Unanswered Questions From Last Review

How much will the project cost?

How much water will San Diego County receive?

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



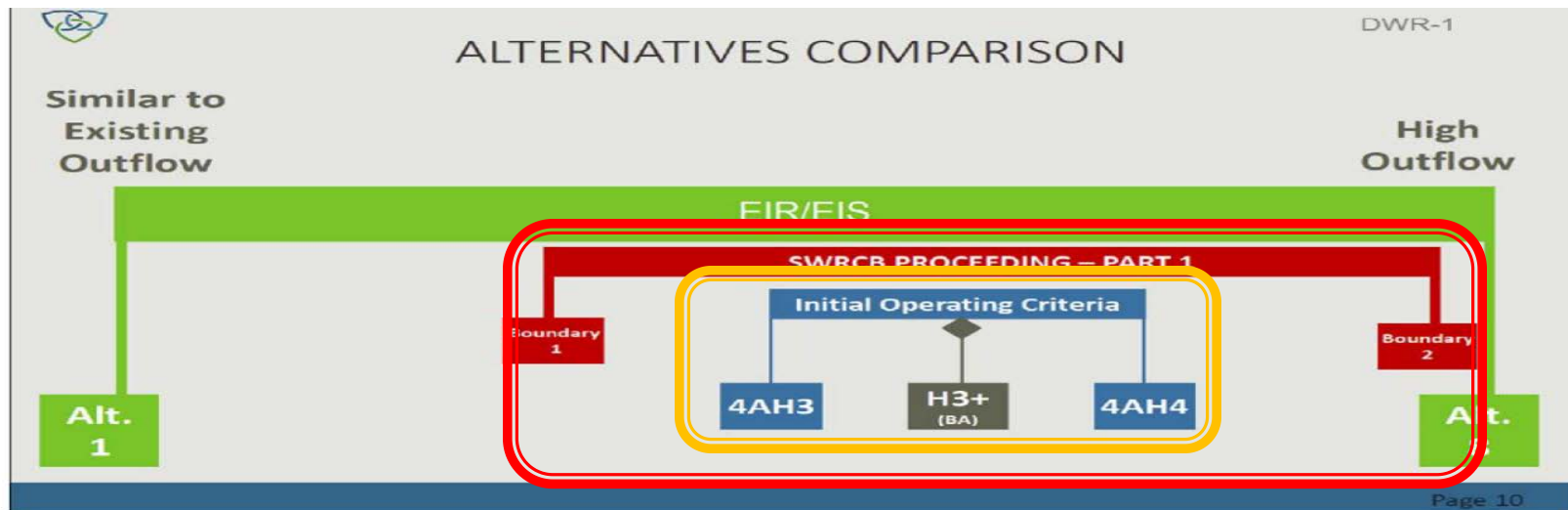
What other agencies will commit to pay for the project?

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

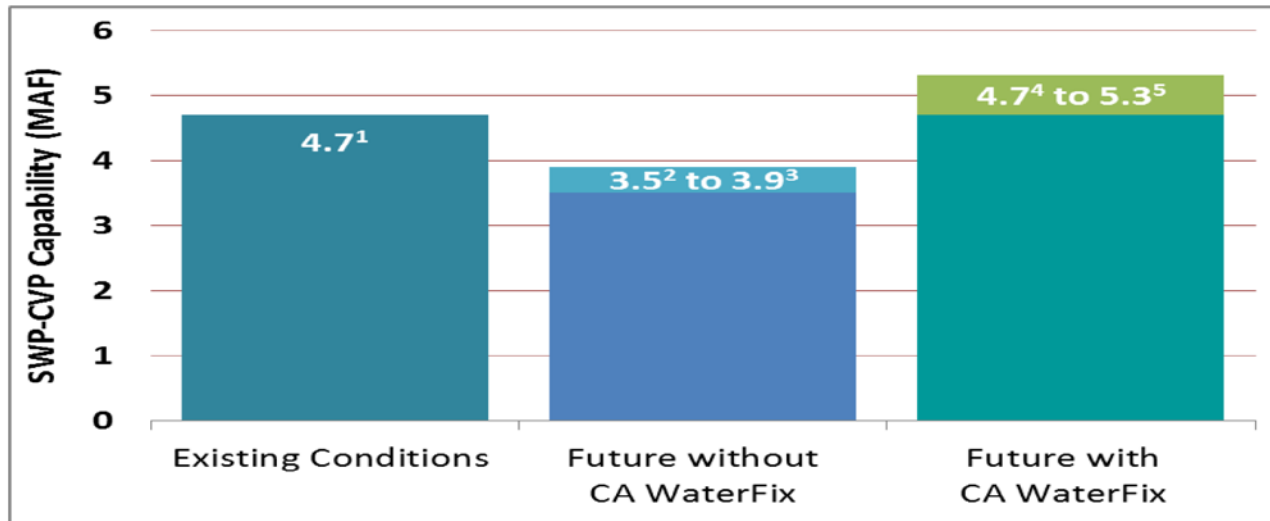


Operational Rules Have Major Impact on Supply Yield

- ▶ WaterFix supply benefit:
 - Projected supply with WaterFix – projected supply without WaterFix
- ▶ Operating rules affect water supply
 - Biological opinions; State Board's decisions; adaptive management and real-time operations; future listing of species
- ▶ Baseline: important to measure supply benefit



Baseline Critical in Determining Supply Benefit

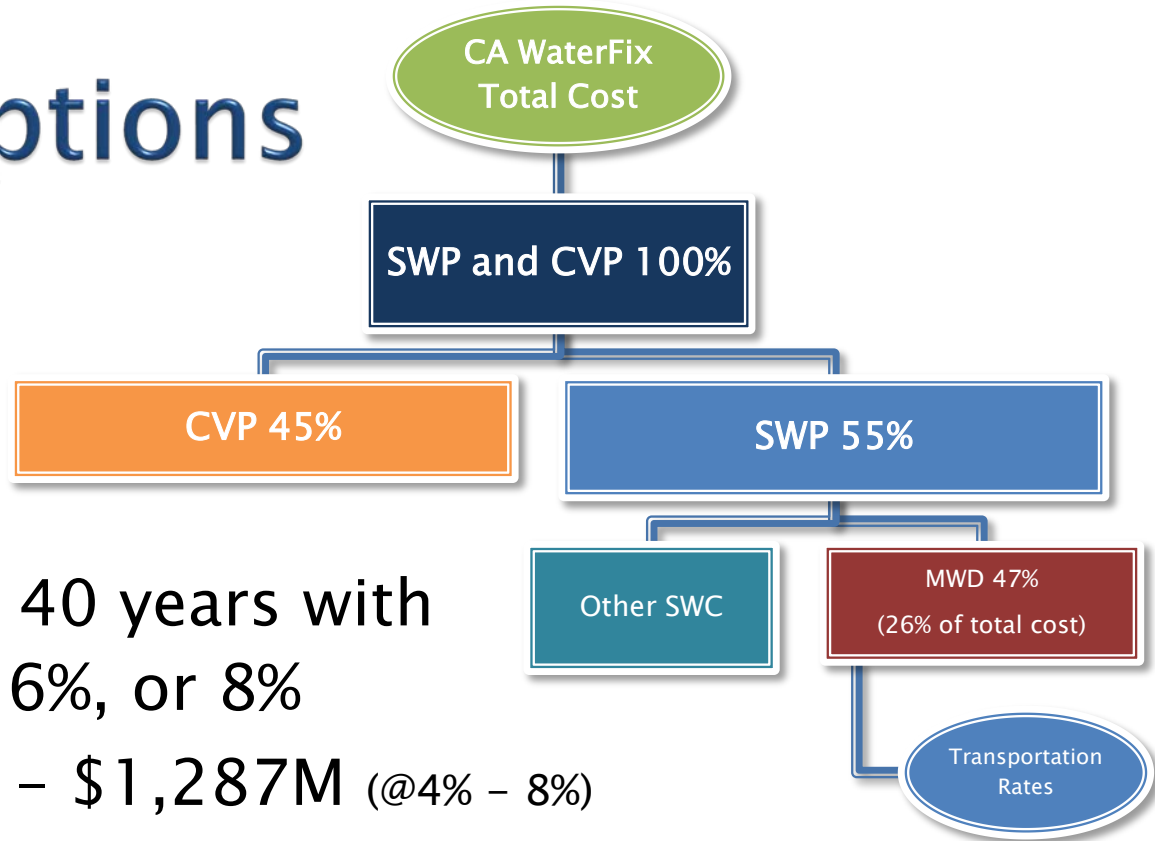


- ▶ “Future with WaterFix:” 4.7 – 5.3 MAF
 - BiOps and State Board decisions not included
- ▶ “Existing Conditions:” 4.7 MAF
 - Current regulations with climate change
- ▶ “Future without WaterFix,” (AKA “baseline”): 3.5 – 3.9 MAF
 - Increased regulations beyond current regulations
 - Leave more outflows in system
- ▶ WaterFix “benefits:” 172 TAF – 1.3 MAF
 - Depending on “baseline” chosen



Cost Assumptions

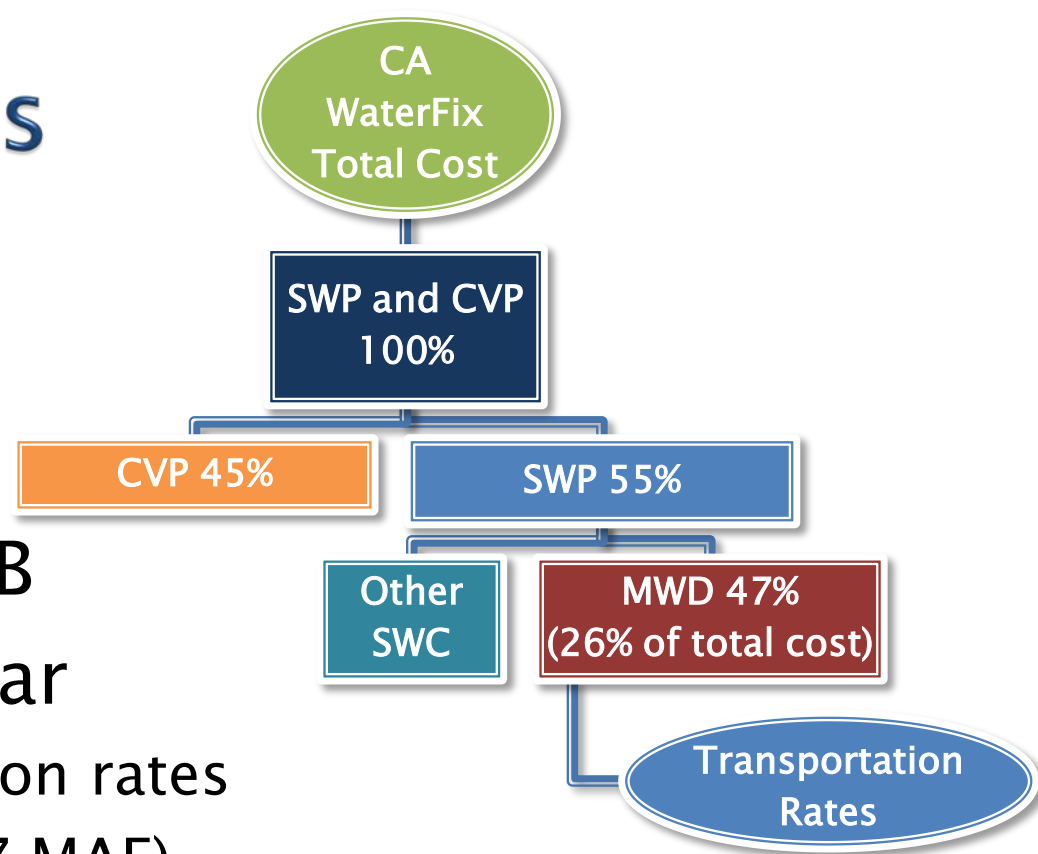
- ▶ Capital: \$16.7B*
- ▶ O&M: \$64M/yr
- ▶ 100% financed, over 40 years with interest rates at 4%, 6%, or 8%
- ▶ Annual cost: \$796M – \$1,287M (@4% – 8%)
- ▶ Cost split between CVP/SWP: 45/55



* In 2017\$



Cost Assumptions – MWD Share



- ▶ Assumed: 26%, \$4.3B
- ▶ \$207M – \$334M/ year
 - Spread over transportation rates
 - \$122/AF – \$196/AF (1.7 MAF)
 - Adds ~\$34M – \$55M on Water Authority’s QSA transfers*
 - \$146/AF – \$235/AF (1.42 MAF*), 20 % increase over MWD’s estimate

* At full QSA implementation of 280 TAF



Unresolved Issues

- ▶ Contractors' participation level
 - CVP at 45% questionable
 - Exchange Contractors and wildlife refuges
 - Participation levels of 20% – 45% being considered
 - SWP contractors
 - 55% – 80%?
 - “Permanent Table A adjustment”
- ▶ Financing
 - “Finance JPA” –unknown terms and participants
 - ”Gap” funding –terms undisclosed
 - Complete pre-construction work previously estimated ~\$1 billion
 - Continue funding project until JPA issues bonds



Unresolved Issues (cont.)

- ▶ Pending regulatory processes
 - USFWS review, State Board water rights hearings
- ▶ Marginal WaterFix cost higher, if benefit assumptions do not materialize
 - \$614/af – \$2,361/af
- ▶ MWD's application of WaterFix cost on rate
 - Spread over transportation rates disproportionately affects Water Authority



Questions	How White Papers Address Them
<ul style="list-style-type: none"> • How much will WA pay? 	<ul style="list-style-type: none"> • Does not say
<ul style="list-style-type: none"> • How much water will WA get? 	<ul style="list-style-type: none"> • Does not say
<ul style="list-style-type: none"> • Which contractors will commit to pay? 	<ul style="list-style-type: none"> • Does not say • Five north-of-Delta SWP contractors “excused”
<ul style="list-style-type: none"> • How will WA ratepayers be protected from pay unfair share? 	<ul style="list-style-type: none"> • They will not: MWD plans to charge on transportation rates (adds \$55M/yr)
<ul style="list-style-type: none"> • Will MWD require firm financial commitment from MA? 	<ul style="list-style-type: none"> • No
<ul style="list-style-type: none"> • Will cost of project hamper local supply development? 	<ul style="list-style-type: none"> • Does not address

Considerations

WaterFix addresses

- ▶ Some ESA issues
 - Reverse flows
- ▶ Salinity
- ▶ Seismic events in Delta
- ▶ Climate change

Decision considerations

- ▶ Right-sized project?
- ▶ Risks
- ▶ Impacts to local supply development
- ▶ Cost to Water Authority ratepayers

Will net supply benefits outweigh risks?



Questions?

