

Sites Project: Work Plan Considerations

10/23/2018

2018 Oct 22 Authority Board Meeting, Agenda Item 5-2

2018 Oct 18 Reservoir Committee Meeting, Agenda Item 3-3

Issued as informational and for discussion purposes



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Considerations for Changes to Work Plan

Goals:

1. To improve operational certainty
2. To reduce investment risk
3. Continue to meet statutory milestones tied to
 - ✓ Federal funding (WIIN Act) ~ \$1,300 million
 - ✓ State funding (Proposition 1) ~ \$ 816 million
 - ✓ Public Benefits before 2030 (WSIP regulations)
4. With competing water policy and project schedules

Disclaimer: This presentation is for informational use only. It contains working assumptions, primarily regarding costs and schedule that are subject to change.

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Considerations for Changes to Work Plan

Alternative Approaches to Plan A:

Plan B: Priority on agency coordination (including DSOD), delay finalizing EIR/S, & delay real estate activities

Plan C: Plan B w/ earlier start to finalize EIR/S and facility optimization (early funding is incrementally greater than Plan B)

Plan D: Plan B w/ non-prioritized resource agency coordination (risk assessment)

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Statutory and Policy - WIIN

Statutory

Milestones: Achieving them enables federal and state funds to be used to advance the Project

▪ **WIIN Act (§4007):**

1. Phase 2 Cost-Share: Limited to Preconstruction Activities ~ \$90 million
2. Project is deemed feasible before **Jan. 1, 2021** (By Secretary of Interior)
 - ❑ Final EIS
 - ❑ *Cost estimate ≥ Class 3*
3. Beyond pre-construction before Dec 16, 2021 (§4007 sunsets)
(Congressional appropriations needed for \$1,210 million)

- **Risk:** Level of engineering to support class 3 estimate requires significant geotechnical and design equivalent to 50%

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Statutory and Policy - WSIP

Statutory

Milestones: Achieving them enables federal and state funds to be used to advance the Project

▪ **Proposition 1:**

1. Phase 2 Cost-Share: Limited to Environmental analysis and permit acquisition \$ 40.8 million
2. §79755(a)(5)(A): \$776 million can't be encumbered until
 - ❑ Public benefits contracts executed
 - ❑ Water user contracts executed
 - ❑ Feasibility studies completed
 - ❑ EIR is complete
 - ❑ *"all ... approvals, certifications, and agreements have been obtained"*
2. §79757: Project is deemed feasible before Jan. 1, 2022 (Water Commission)

- **Risk:** Gap in state funding until permits have been acquired

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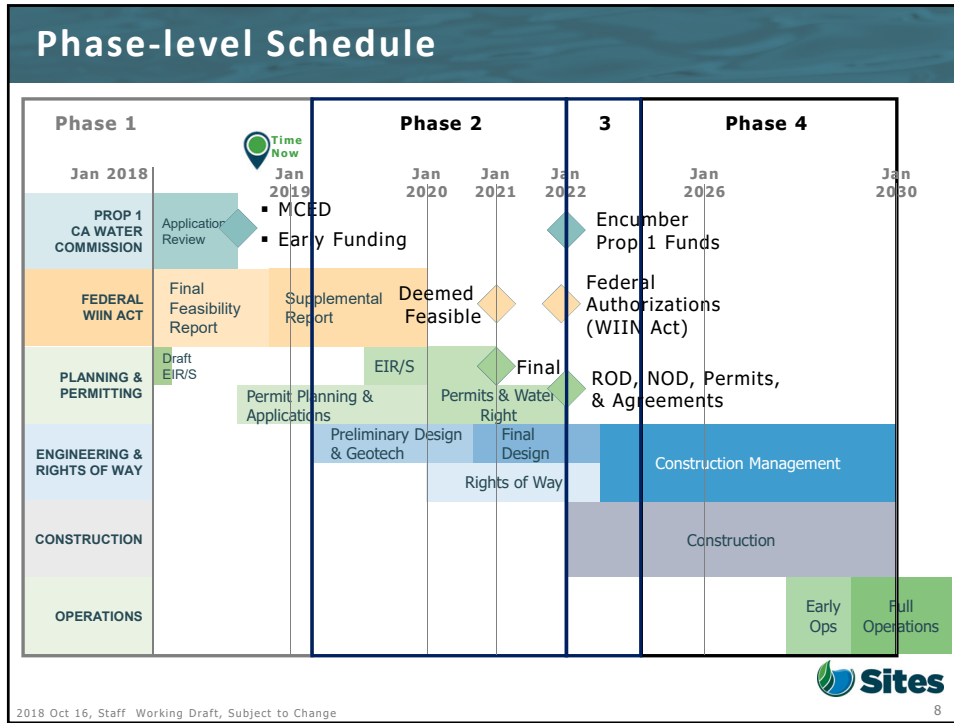
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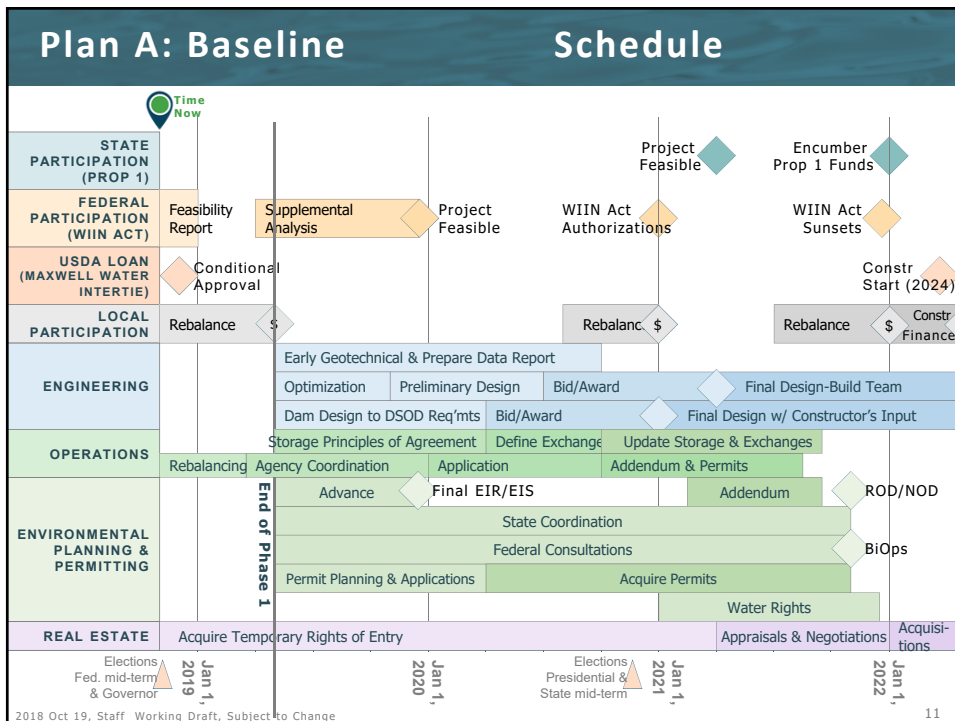
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Plan A: Baseline Overview

Scope: Greatest certainty to meet statutory milestones

- + Early start activities:
 1. Coordination with agencies to define operations
 2. Advance conversion to storage and develop participant exchanges
 3. Significant early funding to advance the engineering
 - DSOD engagement in dam design criteria and geotechnical plans
 - Geotechnical investigations
 - Optimization process (primarily non-dam facilities)
 - Grid interconnection & hydropower studies
 4. Advance the EIR/S
 5. Advance permitting to and water rights
- + 2 intermediate decision points plus material change provision
- Requires significant amount of early funding from participants

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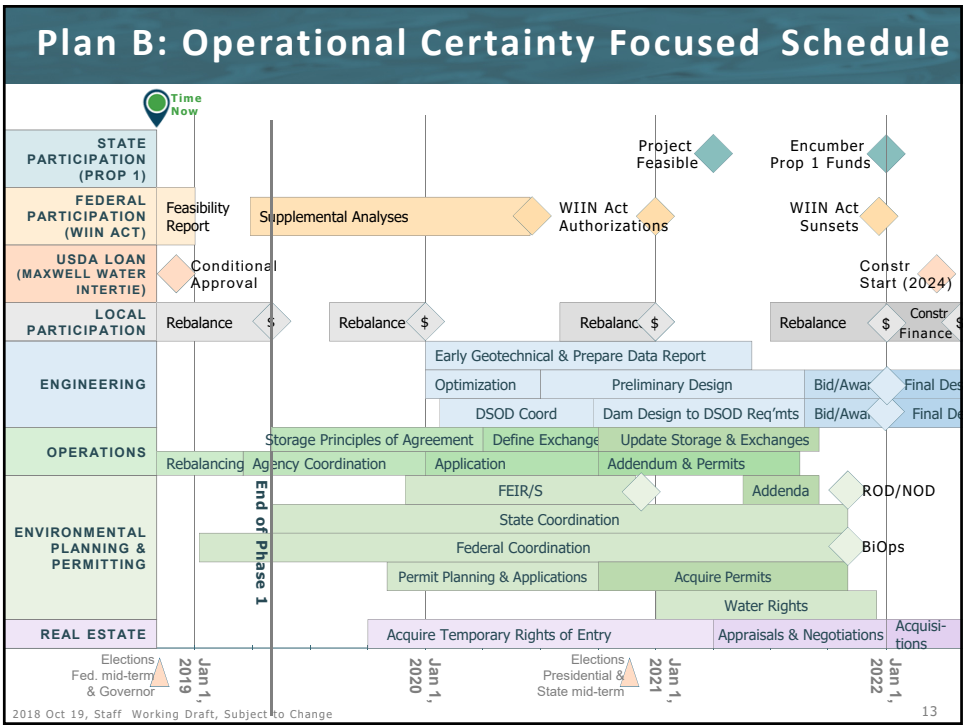
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Plan B: Operational Certainty Focused Overview

Scope: Focus on defining the project's operations.

- + Only work on targeted activities:
 1. Coordination with agencies to define operations
 2. Coordination with landowners, Reclamation, and others
 3. Conversion to storage and develop participant exchanges
- + Significantly reduced funding in FY 2019 & 2020
- + Annual decision points (on- and off-ramps)
- Increases risk to meeting statutory milestones
- Reduces annual cost-sharing (Proposition 1 and WIIN Act)
- Increases spending in subsequent years (compressed durations)
- Increases transaction costs (annual decisions & rebalancing)
- Likely to impact interim financing process

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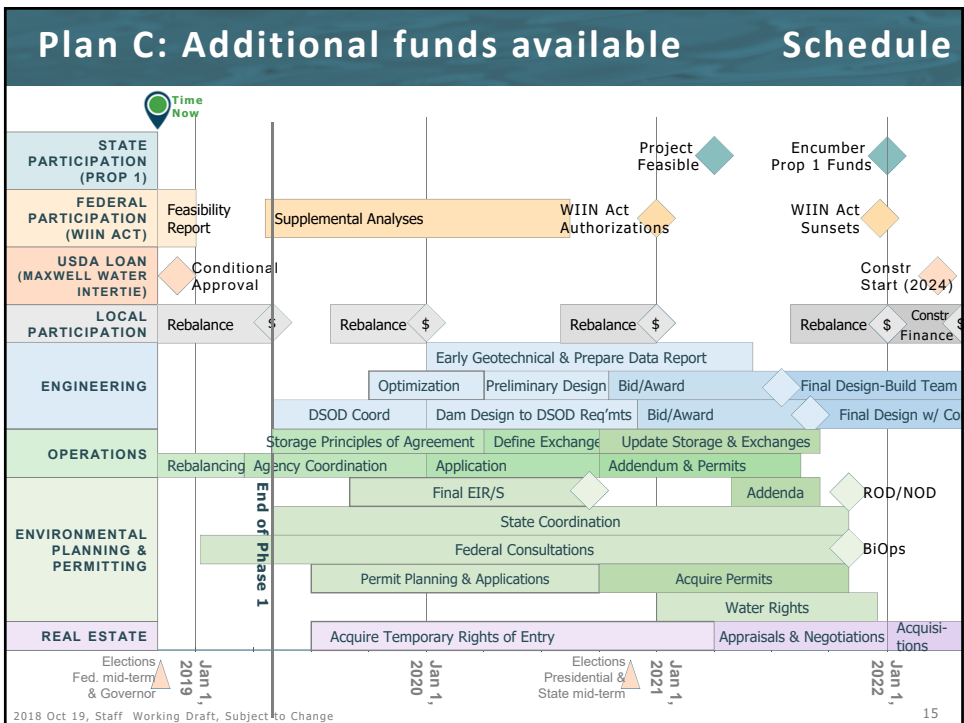
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Plan C: Additional funds available Overview

Scope: Plan B with limited increase in early funding (risk mitigation)

- + Continue to work on targeted activities:
 1. Coordination with agencies to define operations
 2. Coordination with landowners, Reclamation, and others
 3. Advance conversion to storage and develop participant exchanges
 4. Earlier start to finalize the EIR/S
 5. Start optimization of facilities
 6. Coordination with DSOD
 7. Grid interconnection and hydropower studies
 8. Temporary rights of entry
- + Annual decision points (on- and off-ramps)
 - Risk to meeting statutory milestones, but less than with Plan B
 - Incremental increase in spending (relative to Plan B)

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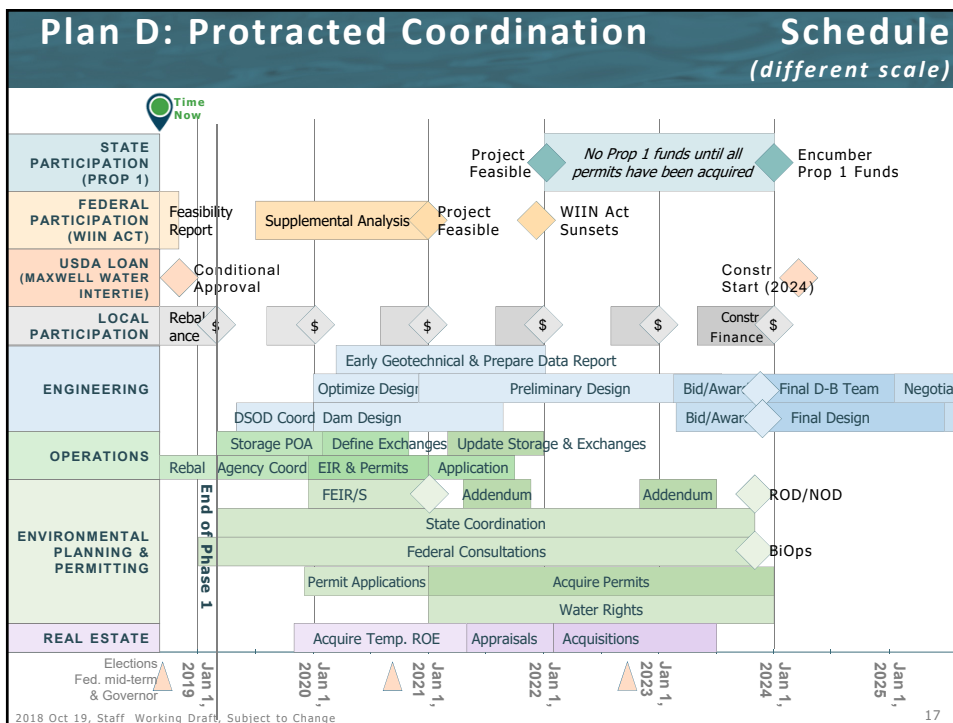
Plan D: Protracted Coordination Overview

Scope: Plan B with agency coordination taking longer to reach agreements considering impacts of external water policy/management issues

- + Annual decision points (on- and off-ramps)
- Heightened risk in ability to meet statutory milestones
- Increased spending in subsequent years (greater than Plan A)
 1. Additional changes requiring NEPA/CEQA analysis (in addenda)
 2. Additional time to obtain approvals, certifications, and agreements
- Likelihood a gap in state funding could occur (increases amount to be financed by water agencies)
- Increased transaction costs (annual decisions & rebalancing)

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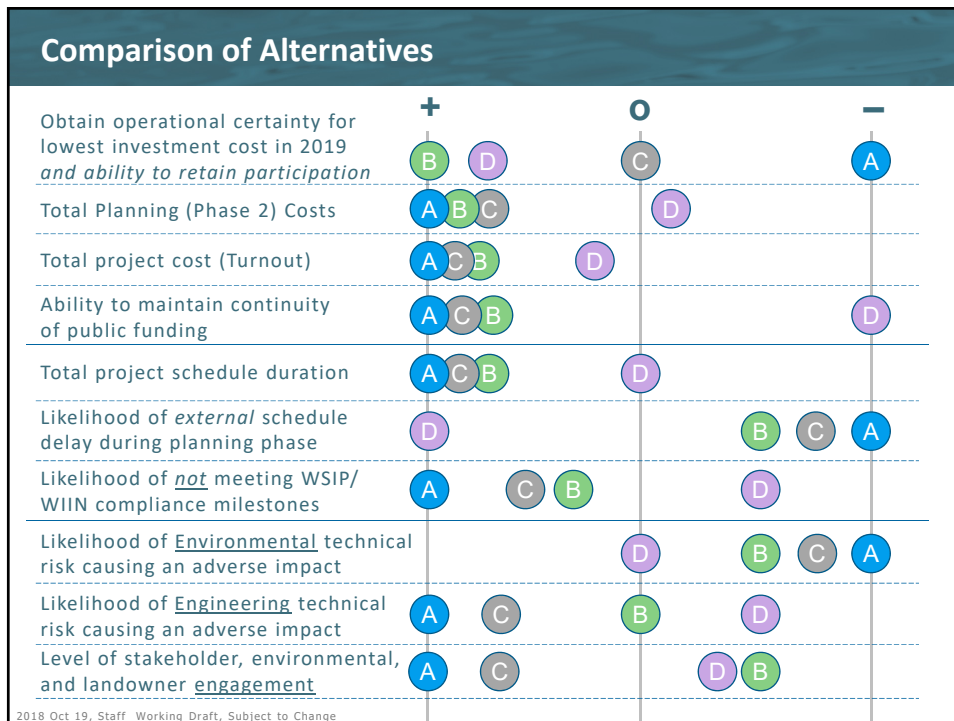
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Considerations for Changes to Work Plan - Cost Comparison							
S in Millions	2019	2020	2021	2022	2023	TOTAL	Relative Risk
Plan A	85.4	98.6	110.3	83.6		377.8 *	Lowest
Participants	43.4	72.0	88.2	66.9		261.5	
WIIN	17.1	19.7	22.0	16.7		75.6	
WSIP	33.9	6.9				40.8	
Plan B	23.2	98.0	217.7	43.9		382.7	Highest
Participants	9.7	46.4	174.1	35.1		265.4	
WIIN	4.6	19.6	43.5	8.8		76.5	
WSIP	8.8	32.0				40.8	
Plan C	40.2	103.7	180.7	43.5		368.1	Moderate
Participants	15.0	59.3	144.6	34.8		253.7	
WIIN	8.0	20.7	36.1	8.7		73.6	
WSIP	17.2	23.6				40.8	
Plan D	24.2	97.3	147.6	79.1	152.5	500.6	
Participants	10.0	46.4	118.0	63.3	122.0	359.7	
WIIN	4.8	19.5	25.5	15.8	30.5	100.1	
WSIP	9.3	31.5				40.8	

NOTE: State and Federal cost-share amounts shown are to conservatively estimate Participants' cost-share. Should additional funding become available, the work plan amounts could be increased.

* \$ 420 million is provided in the Sept 7 financial package. This included funds to keep the Project moving forward until construction financing is in place, which is the difference equal to \$ 42.2 million.

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Revised Phase 1 Funding Schedule

- Nov. 16: Approve revised Work Plan
- Nov. 22 Distribute participation agreement with lender's terms and conditions
- Feb. 15: Participants return signed agreements (Authority approves Feb. 25)
- March 18: Lender approves Line of Credit
- April 1: Phase 2 starts
- Dec. 20: Consultant Selection
- March 25: Critical path task orders approved
- April 1: Consultants issued Notices to Proceed

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