

Plan of Finance Workshop: Sites and the Agricultural Business

Reservoir Committee and Authority Board

August 13, 2021



Questions on our minds...



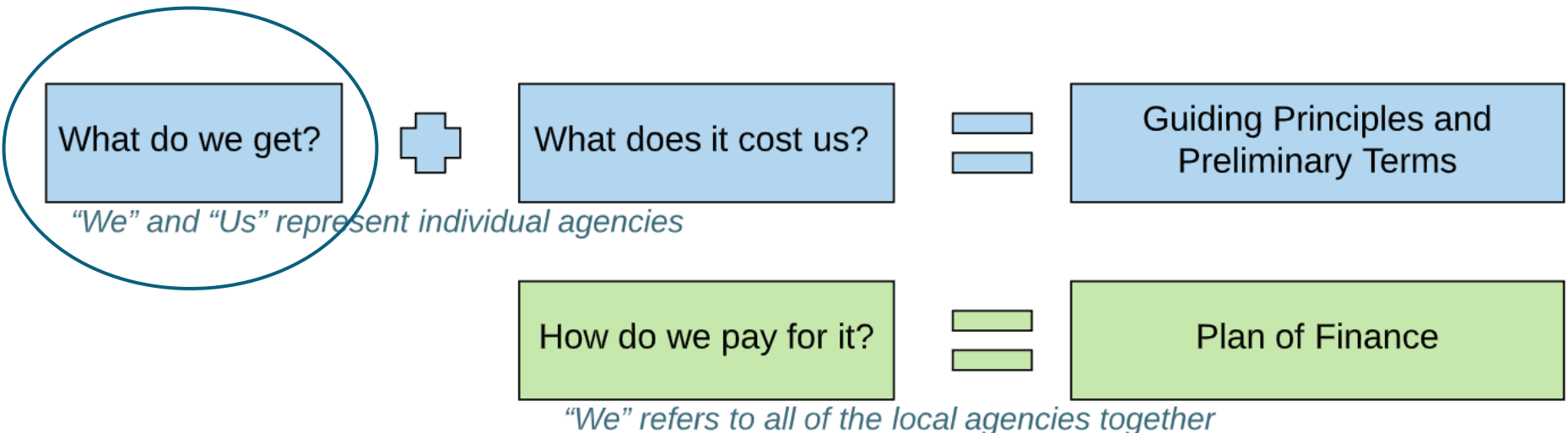
Today we will address:

- What kinds of decisions can my agency make?
- How does Sites fit in the agricultural business?

Workshop objectives

Objectives

- Begin to understand potential operating scenarios to achieve various agency goals
- Understand what "moves the needle" on benefits and affordability

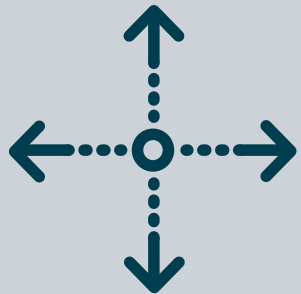


What do we get?



Storage space: your own bucket

Proportion of diversions to storage until your bucket is full



Ability to manage your storage to meet your district's needs

Total Storage: 1.5 MAF

North of Delta Participants
257 TAF

South of Delta Participants
788 TAF

Bureau of Reclamation
91 TAF

State of CA
244 TAF

Normal Operating
Dead Pool
0-120 TAF

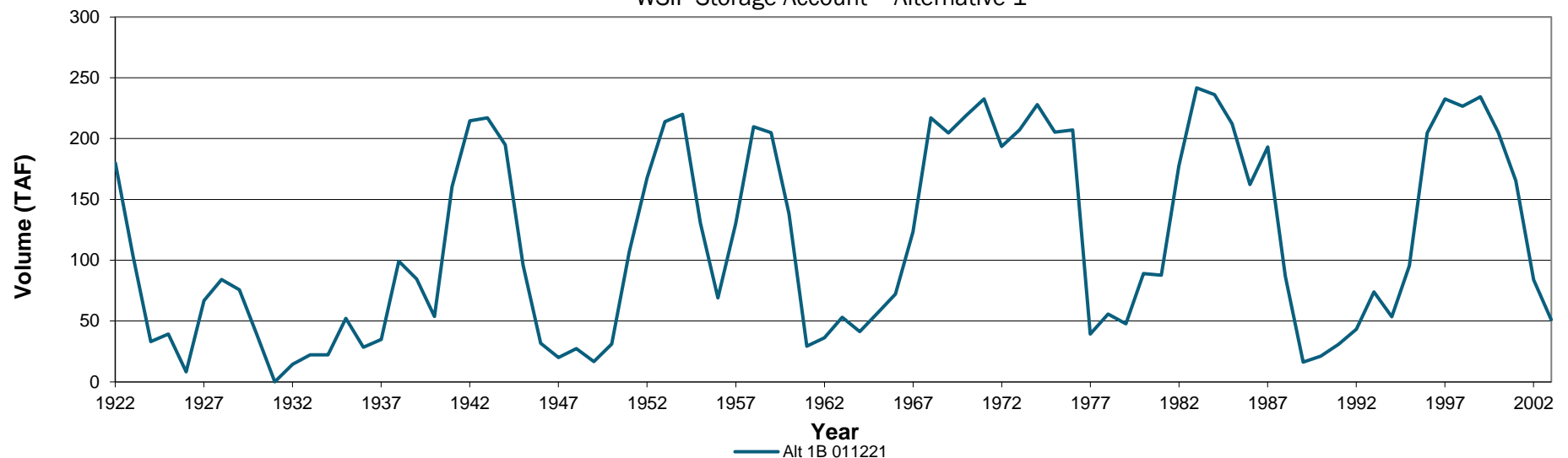
What Does the Environment Get?

- Storage account size = 244 TAF
- Releases to Yolo Bypass: 41 TAF
- Releases to Refuges: 29 TAF (5 TAF NOD)
- State allocated storage based on amount needed to deliver benefits

Outstanding Questions

- ? O&M Payment
- ? Benefit monitoring and requirements
- ? Use of water after the Bypass
- ? Management of storage account in Sites

WSIP Storage Account – Alternative 1



Melded way of looking at affordability

Melded, project-wide affordability metric:

$$\frac{\$}{AF} = \frac{\text{average project costs}}{\text{average project deliveries}}$$

This is a useful metric, but it...

- is not how you will pay
- does not answer “what does it cost?” for your agency
- assumes “average” operations

Agency way of looking at affordability

Annual costs

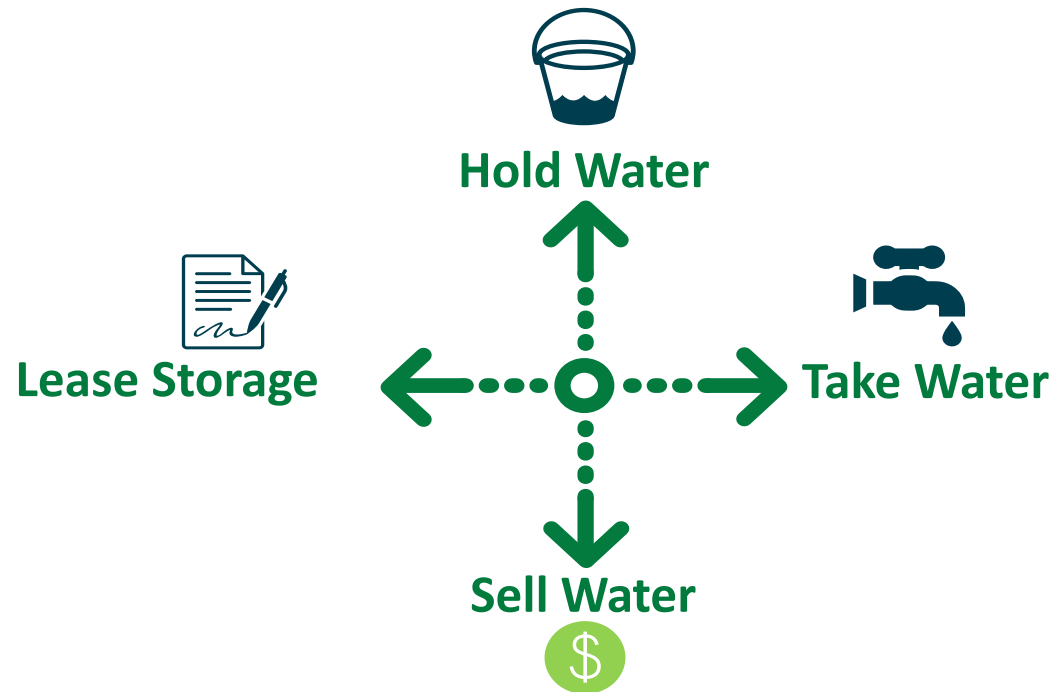
- Fixed costs
- Variable costs

Annual revenues

- Water sales
- Storage leasing
- Avoided costs

Annual benefits

- Storage: hydrology-based
- Deliveries: **operating decisions-based**



You decide.

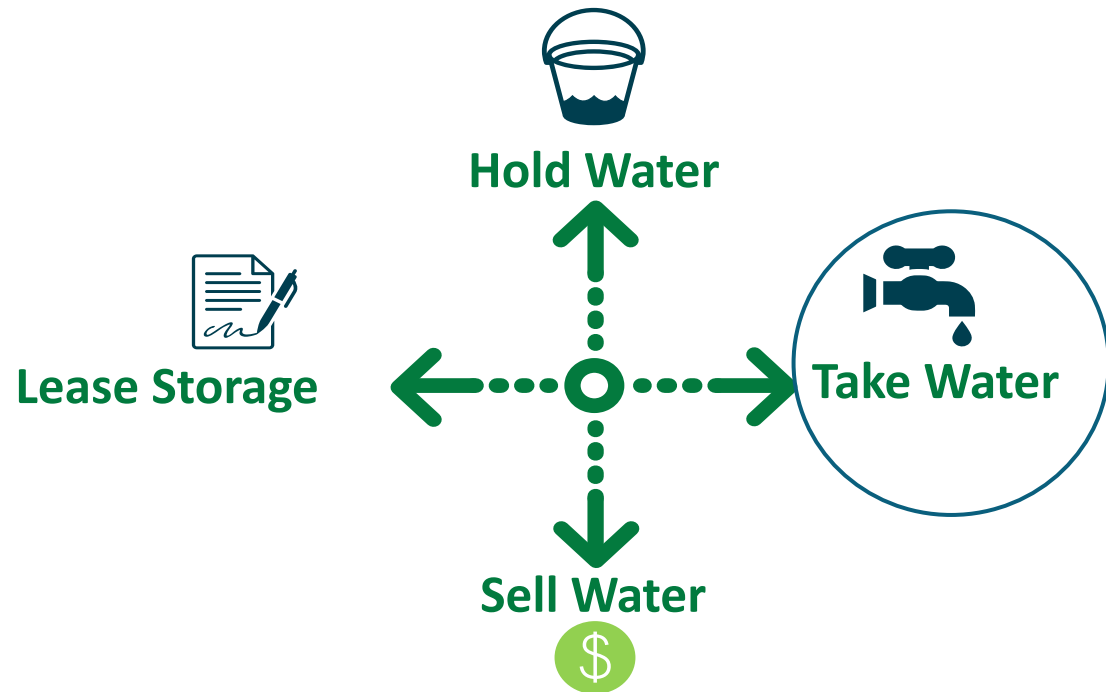
Project Benefits

Deliveries: operating decisions-based

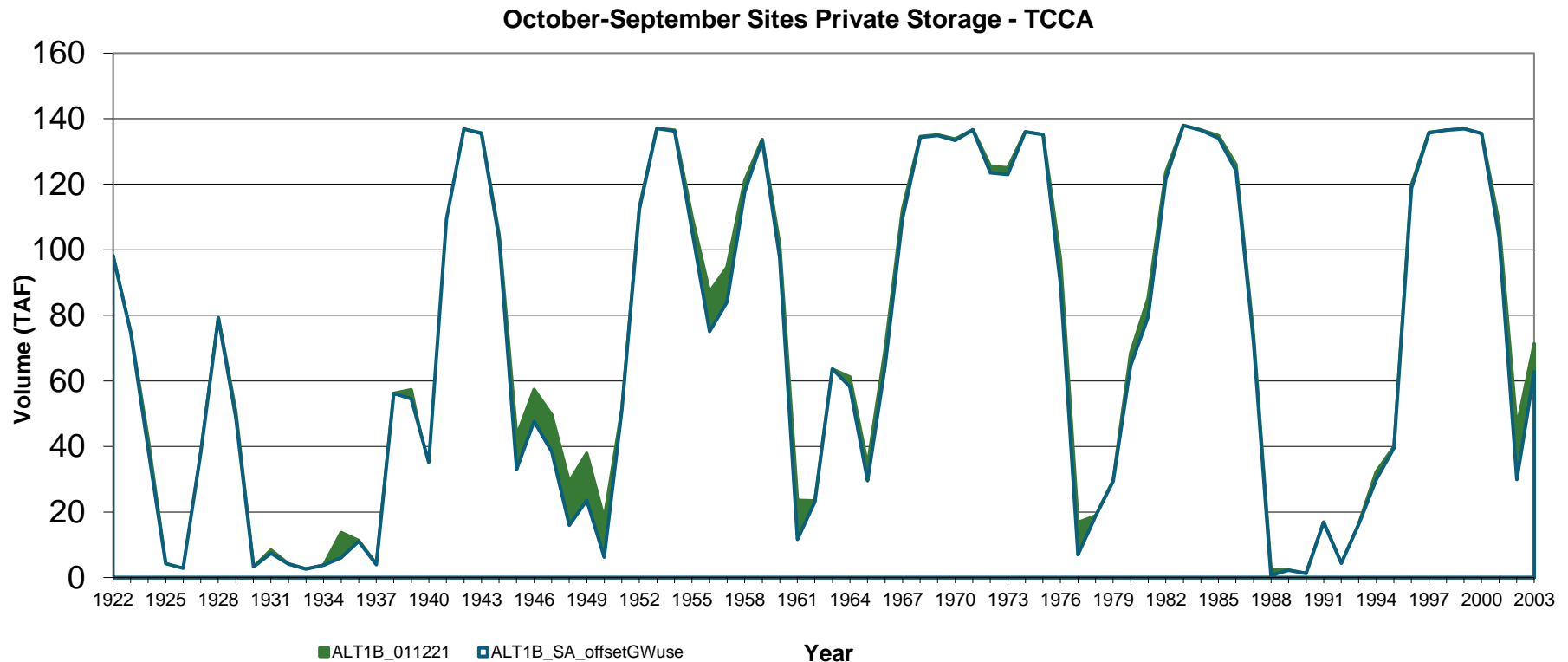
Case Study:

Groundwater offset in drier years → higher use of Sites water by TCCA members

TCCA used as example, similar results expected for any other NOD participant



Deliveries: operating decisions-based



Green area represents additional water released from storage

TCCA deliveries increase in 28 years and increase by 5 TAF in dry years

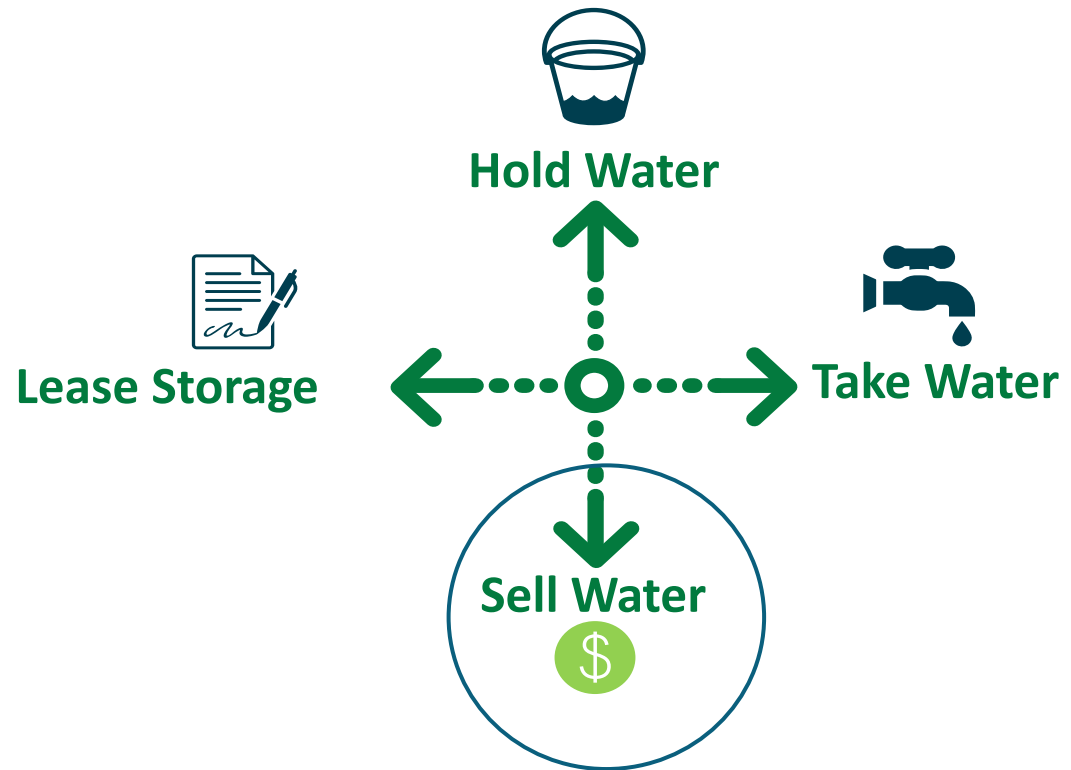
Long-term increase of 3.5%, increase of 10% in dry years

Deliveries: operating decisions-based

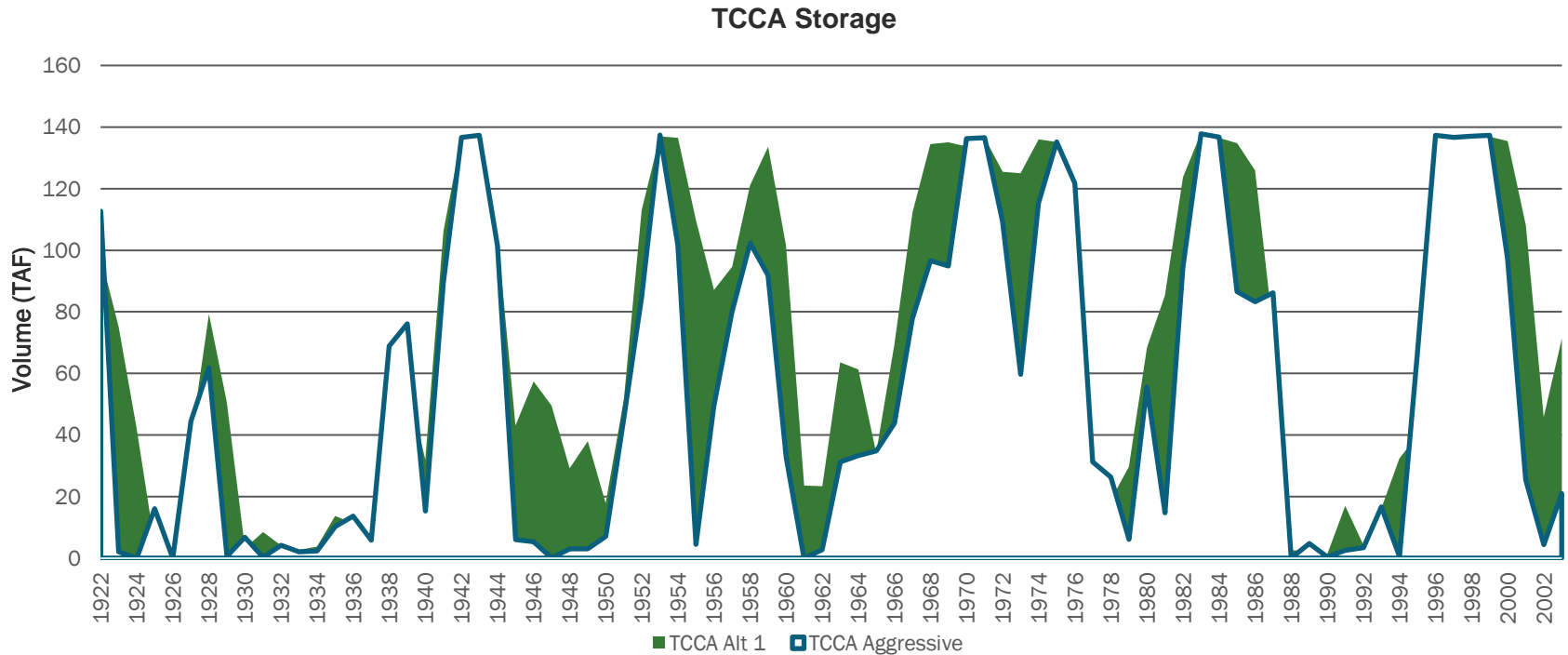
Case Study:

Aggressive release operation, including sale of water in wet and above normal years

TCCA used as example, similar results expected for any other NOD participant



Deliveries: operating decisions-based



Green area represents additional water released from storage

TCCA deliveries **nearly double** over the long-term

But, storage is empty more frequently and releases decrease by 20% in critically dry years

What moves the needle on benefits?

Amount of Storage

- Storage allocated to your district determines proportion of diversions you receive

Operating Decisions

- Operating for long-term average versus dry-year supply
- Finding ways to use or sell water in wet and above normal years



Discussion questions



Do you understand your options for how to use your storage?



Are there other ways you might want to utilize your storage?

Project Costs

Sites cost components

Fixed Costs

Every year, regardless of water supply benefits (\$/yr)

- Debt service (**finance participants**)
- Admin and General
- Operations and Maintenance
- Replacements
- Sufficiency reserves

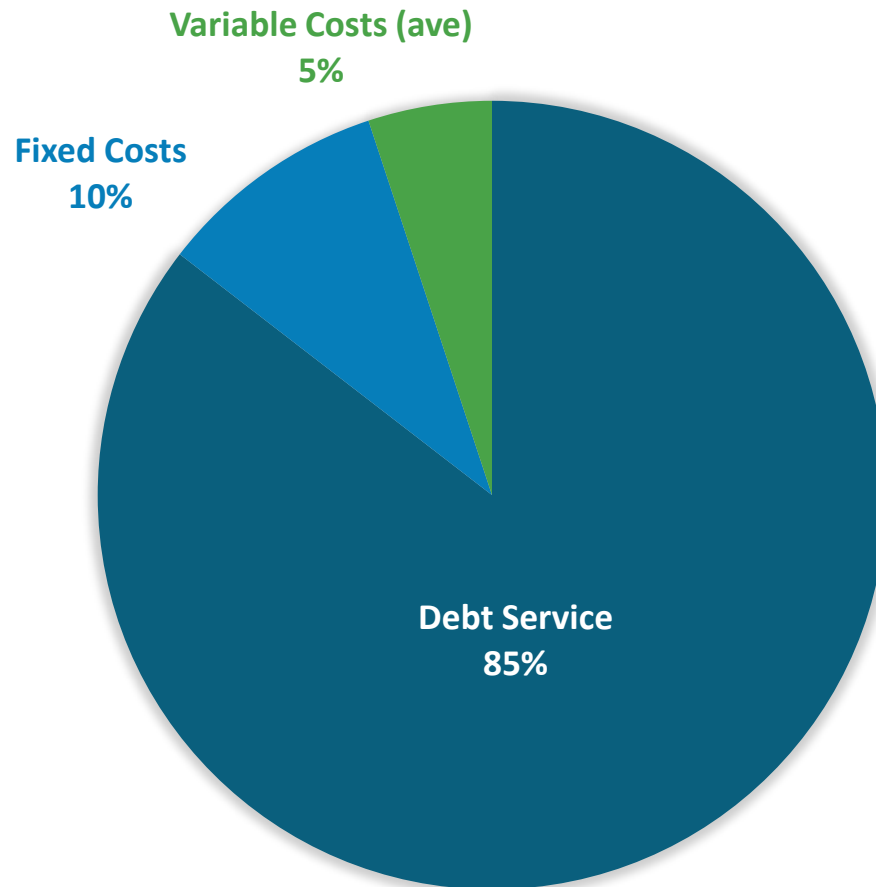
Variable Costs

Varies based on water supply benefits (\$/AF)

- Power consumption (pumping)
- Power generation (releasing, revenue)
- Wheeling costs

Debt service is the biggest annual cost

FINANCING PARTICIPANTS ANNUAL PROJECT COSTS



Affordability

Sample agency affordability

Westside Water District Example

1. A2 participation $5,375\text{AF} * 6.234 =$ storage account: **33,510 AF**
2. Share of base facilities, 2.4% of \$4.2B: **\$99.4M, annual debt service \$3.8M**
3. Average annual costs (financed): **\$4.5M**
4. Average delivery target: **5,375 AF**

Westside Water District does not use Downstream Facilities (i.e. Dunnigan Pipeline)

Debt service based on case 3, all costs are in future \$

The long-term average cost for water for Westside Water District is about **\$835/AF**

Sample agency affordability “optimized”

Westside Water District Example

1. Average annual costs (financed): **\$4.5M**
2. Average annual deliveries (use): **5,375 AF**
3. High-end annual NOD transfer water: **4,500 AF**
4. Price for NOD transfer wet year water: **\$200/AF**
5. Cost offset: **\$900,000/yr, Westside out of pocket cost \$3.6M**

**The long-term
average cost for
water for
Westside Water
District is about
\$670/AF**

Higher risk of running out of water in storage!

What moves the needle on affordability?

Operating Decisions: Increased Demand

- Transfers: delivered and within reservoir
- Use of water in wetter year types

Costs

- Debt service
- Avoided costs

Revenues

- Transfer pricing
- Leasing storage



Panel Discussion

Questions and Answers

Discussion questions



How does Sites compare to your agency's other supply options?



Is your agency interested in a managed marketplace for water within Sites?

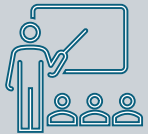


Where is your agency in the decision-making process for participation beyond 2021?

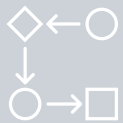
Discussion questions, continued



What information do you need to better define the business case for Sites?



What should the Sites team understand about your business to better serve your agency?



What is the path for your agency to secure revenue to pay project costs?

Next Steps

Activities and Workshops



What are the next big steps?

Aug

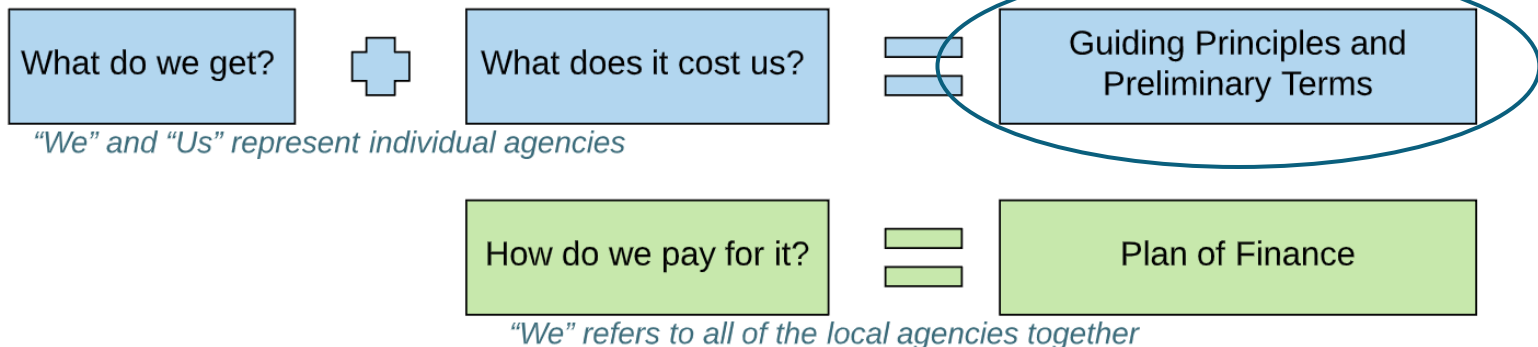
What do we get?

- Sites and the ag business
- Sites and the municipal water agency
- Sites and the environment
- Understand the value of the asset

Sep

How do we pay for it?

- Plan of finance
- Contract guiding principles
- Amendment 3 agreement and work plan



Save the dates

August: Benefits and Costs Informational Sessions to be Scheduled

✓ August 13th: Sites and the agricultural business

☐ August 20th: Sites and the municipal water agency

September 2nd Workshop: Plan of Finance and Guiding Principles

September 22nd Joint Meeting: 2021 Draft Approvals

☐ Plan of Finance, Guiding Principles, Amendment 3

October: Submit 75% Non-Public Cost Share Resolution to CWC



Questions?