

Plan of Finance Workshop Costs

Reservoir Committee and Authority Board

May, 2023



We are almost half-way through the Amendment 3 Work Plan

The Authority has advanced strategic plan objectives related to **affordability, permitability, and buildability**

The Project has made progress answering the big 3 questions for Participants: **what do we get, how much does it cost, and how do we pay for it?**

Today, we are providing an update and looking for feedback on what **your agency will need to sign a Benefits and Obligations Contract**

What do we get?

Benefits and Obligations Contract, Operating Assumptions

What do we get?

A Benefits and Obligations Contract Based on the Adopted Guiding Principles



The Authority is proposing to **construct and own certain facilities**



The **Participants will own capacity** in such facilities



The Authority will operate such facilities for the benefit of the Participants in accordance with the B&O contracts and pursuant to direction from the Participants*



The **Authority will contract to use certain facilities** for the benefit of the Participants in accordance with the B&O contracts and pursuant to direction of the Participants*



The **Authority expects to receive a water right and to provide water service** to the Participants in accordance with the B&O contracts and pursuant to the direction of the Participants*

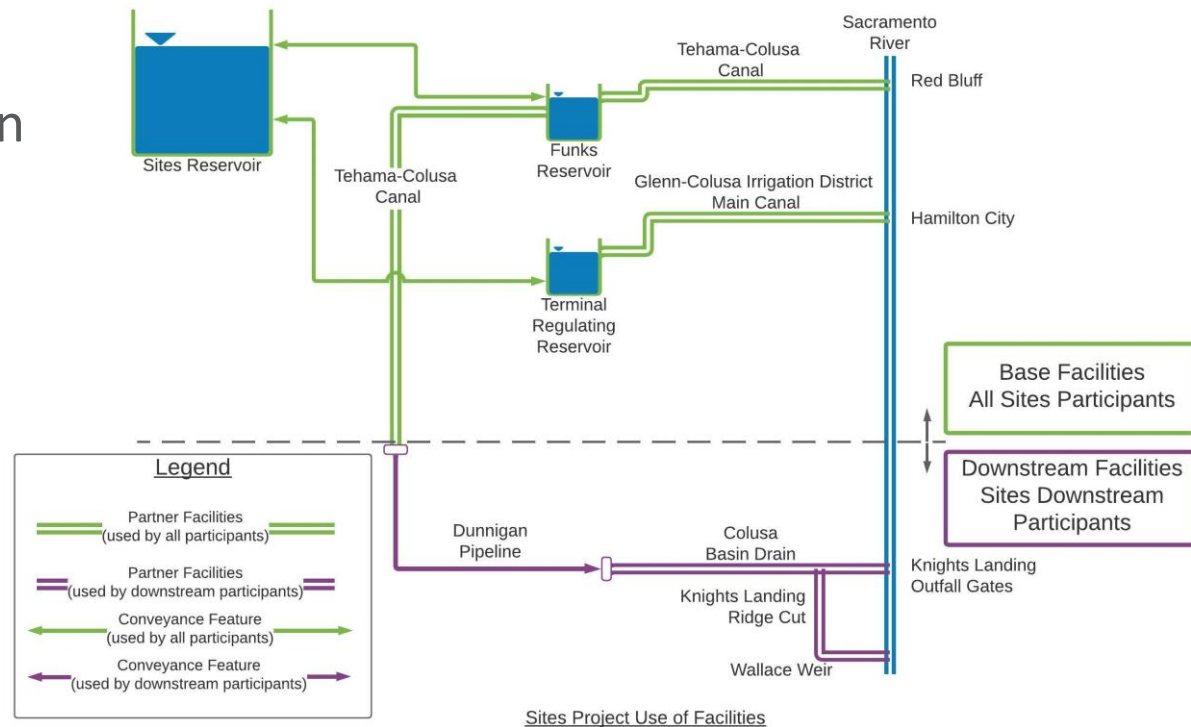
**Ongoing Governance discussion on mechanics*

What do we get?

Capacity Interest (Base, Downstream)

Proportional to **Base** and **Downstream** Capacity Interest, Participants get

- ✓ Active Storage Capacity in Sites Reservoir
- ✓ Capacity in Sites Owned **Base** and **Downstream** Facilities
- ✓ A right to receive water service (water diverted under Sites Water Right minus losses)



Benefits and Obligations Contract Next Steps

- The Contract is being drafted by Staff with adopted documents as guide (Guiding Principles, Master Resolution, Storage Principles, Etc.)
- A draft will be available for Participant review at the June RC/AB Meeting
- Terms specific to how Participants pay will be handled in a contract annex
- The final form of the Benefits and Obligations Contract approved by end 2023 to support the WIFIA loan process

The RC/AB will need to reaffirm the precedent conditions for signing contracts (investor commitment)

What do we get?

Operations Assumptions

Constraint assumptions for all Participants

- Subject to water available in storage partner account
- Subject to conveyance capacity at Sites facilities

Modeled deliveries to:

- NOD are typically limited to demand
- SOD are typically limited by delivery constraints

Operations Decisions, Current Assumptions

North of Delta – Sacramento River Settlement Contractors

- SRSC storage partners want water to make-up for settlement contract shortages in Shasta Critical years

North of Delta – CVP Service Contractors

- NOD CVP Service Contractor storage partners want water to make-up for contract shortages

North of Delta – Colusa County Groundwater

- Supplement groundwater recharge with up to 2.5 TAF/month in Jun – Sep of all years

Operations Decisions, Current Assumptions

South of Delta

- SOD storage partners want water from Sites every year
- Additional constraint assumptions:
- Water may only be delivered during the transfer window (July – November)
- Subject to available conveyance capacity at Banks Pumping Plant

Operations Decisions, Current Assumptions

State Prop 1

Yolo Bypass

- Release up to 20 TAF/month in Aug – Oct of all years

Incremental Level 4 Refuges

- Release available storage to supplement Incremental Level 4 refuge deliveries in Jan – Dec (mostly Jul – Dec)
- Additional constraint assumption:
- Subject to conveyance capacity at Banks/Jones Pumping Plants (if destined to SOD refuges)

Operations Decisions, Current Assumptions

Federal – CVP Operational Flexibility

Release water from Sites to improve:

- Anadromous fish populations (relieve CVP withdrawals from Shasta to increase cold water pool storage, support fall flow stability, and spring pulse flows)
- CVP contractor water supply
- Delta water quality

Additional constraint assumption:

- Subject to conveyance capacity at Jones Pumping Plant if delivering SOD

Discussion questions



How does your agency's demand align with the current modeled assumptions?



Where does your agency fall on the spectrum of maximizing releases and maintaining water in storage?

How much does it cost?

Plan of Finance Tables Update (Attachment A)

Actions Supporting 2023 Cost Update

- Adopted Master Bond Resolution and Guiding Principles
- Approved WIFIA Reserve Policy
- Approved Debt Management Policy
- WIFIA loan application submitted in March 2023 to fund 49% of eligible costs of the Project
- Reclamation indication for additional storage

Assumptions in 2023 Cost Update

- Project Cost in 2021 Dollars = \$3.9 billion
- Escalated Cost in Future Year Dollars = \$4.8 billion
- Construction complete in 2031
- Construction Escalation Rates:
 - 2021 to 2022 = 8.0%
 - 2022 to 2023 = 3.9%
 - Beyond 2023 = 2.0%
- Reclamation share = 9.1%
- State Contribution = \$849 million
- WIFIA interest rate = 3.5%
- Revenue Bond interest rate = 5.0%

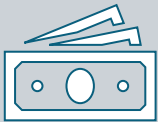
Key Takeaways

- Only one scenario – WIFIA funding 49% of costs
- No change in current cost estimate in 2021 dollars
- Escalated Cost in Future Year Dollars = \$4.8 billion and is higher than 2021 escalated cost by about \$300 million
- Model assumes interest only is paid during construction or that interest is **capitalized** during construction
- Projected costs are in future year dollars to better reflect costs that need to be recovered through rates, charges and assessments
- Cash calls to fund Liquidity Reserve as early as 2025, depending on financing scenario and schedule
- Annual Debt service in 2021 dollars is about 9% lower than in the 2021 Plan (no capitalized interest)

Discussion questions



Do you understand the project costs for your agency?



Do you understand how project costs are allocated?

How do we pay for it?

WIFIA and other financing mechanisms

Participant Progress - Securing Funding



Colusa County Flood Control and Water Conservation District and other land-based charges



Certain State Water Contractors through DWR billing



Water rates and charges



Questions?