



Meeting: **Reservoir Committee & Authority Board**  
**Agenda Item 3.2**

**April 19, 2024**

Subject: **Cost Estimate Update**

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**Requested Action:**

Review and comment on the process, assumptions and other considerations that are key to the updated 1) the estimated Sites Project Construction Cost to reflect the 30% design and current market conditions and 2) the estimated Sites Project variable and fixed operating costs. Together these estimates represent the 2024 Program Cost Forecast.

**Detailed Description/Background:**

In June 2021, the Sites Project Authority adopted a Feasibility Cost Estimate based on the Value Planning efforts to create a more affordable, buildable, and permittable project; this estimate was used in development of a State and Federal Feasibility Analysis and was used to update Participants on project costs prior to cash call decisions associated with Amendment 3 of the Project Agreement. Over the past few years the Sites Project Team has continued to collect data, initiated coordination with agencies, and advanced the project level of design. An interim update on forecasted costs was provided to the RC and AB in an updated Plan of Finance in May 2023, which mainly focused on escalating the 2021 cost estimates to 2023 dollars. The RC and AB adopted an “initial overall program baseline schedule” in Oct 2023. This represents the first approved overall schedule inclusive of Phase 3 (Final design) and Phase 4 (Construction) and serves as the basis for analyzing budget, cash flow, workforce numbers, etc. through the end of construction.

An updated estimate in 2024 dollars representing the Sites Project Construction Cost is underway. This will be the cost estimate that Storage Partners will use to make their decisions about signing on to the financial commitment to build and operate the project. The 2024 updated cost estimate will provide members with a higher degree of certainty on project affordability and annual cash flows for Participant financial planning based on current market conditions. Attachment A: 2024 Program Cost Forecast Development Process depicts the proposed process for incorporating the numerous cost components into an updated 2024 Program Cost Forecast (PCF). Staff is seeking input on this process based on the criticality of Project Costs to Home Board decision making.

The 2024 PCF will be available for RC and AB considerations prior to finalization of the Resolution to Offer Capacity and Service. The RC and AB will have several opportunities for input as the 2024 PCF is being developed. The 2024 Program Cost Forecast planned

to be completed and adopted before the end of 2024. The following committees are expected to be involved in developing the 2024 PCF components:

- WIFIA Ad Hoc Committee: Interim and Long-term Plan of Finance
- Conveyance Ad Hoc Committee: Wheeling Rates
- Operations and Engineering Work Group: Fixed and Variable O&M Estimates, Capital Cost Estimates, contingencies and risk assumptions
- (Tentative) Value Planning Work Group: Value Engineering for construction

Adoption of the 2024 PCF will be followed by several activities, mostly in 2025, which provide opportunities for cost reduction, value add, and increased affordability certainty, including:

- Advancing value engineering opportunities, particularly related to the Golden Gate Dam siting.
- Incorporating cost and schedule input from the Reservoir construction contractor (Reservoir CMAR).
- Confirming benefit projections, including diversions and releases to final permits and approvals.
- Updating the Plan of Finance based on market conditions, including interest rates and loan terms.

**Fiscal Impact/Funding Source:**

This work is budgeted within the current Work Plan and no additional fiscal impacts are anticipated.

**Staff Contact:**

JP Robinette

**Primary Service Provider:**

HDR

**Attachments:**

Attachment A: 2024 Program Cost Forecast Development Process

# Agenda Item 3.2 Cost Estimate Update Attachment A

## 2024 Program Cost Forecast Development Process

DRAFT - FOR DISCUSSION (Apr 19, 2024)

