

Agenda Item 03-01 Updated Cost Estimate

Reservoir Committee and Authority Board

October 18, 2024



Focus for today

- Program Baseline Report
- Updated Cost Estimate

Homeboards will decide to enter into Benefits and Obligations (B&O) Contracts starting in 2025

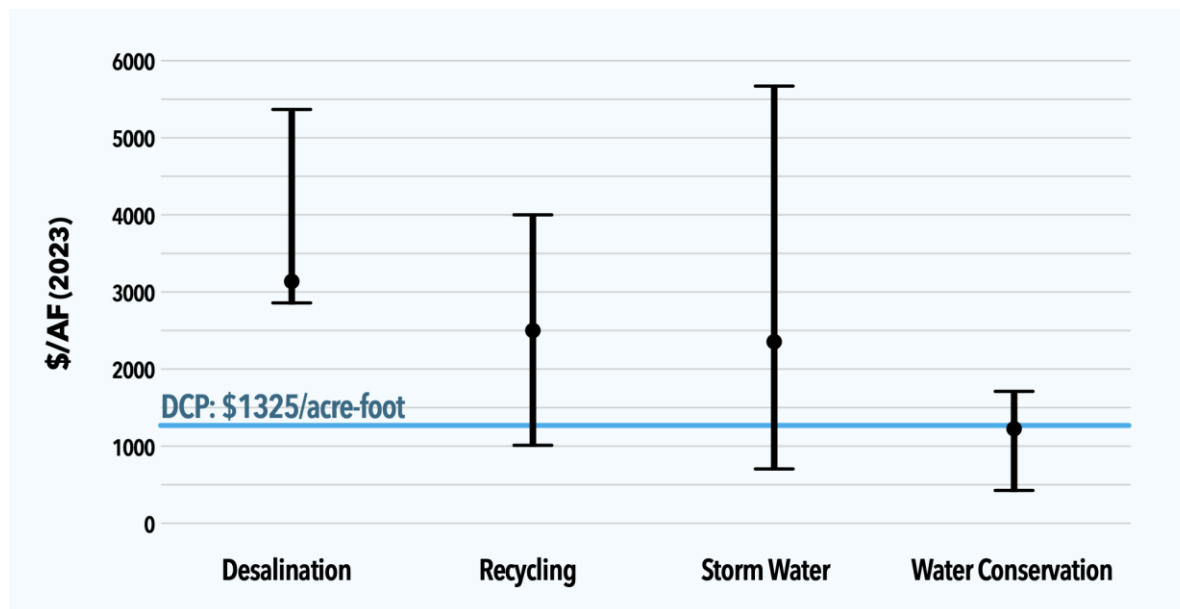
- Will serve as the **long-term commitment** of the Sites Authority to provide the Participant with its capacity rights in the Sites Reservoir system.
- Represents what each Participant will need to take to its respective home board **to secure the necessary authority** to commit to its capacity share in the Sites Project .

There are two important steps outlined in the B&O

1. Contract taking effect – requires 100% capacity commitment
 - **After this, reducing share or dropping out of the Project requires selling capacity interest.**
2. Initiating construction – requires RC/AB resolution

Homeboards will ultimately decide what is affordable

Sites water remains affordable compared to many other new supply options but is sensitive to **changes in costs and benefits**. Supporting homeboard deliberations around affordability remains the focus of staff.



Reference: Facts About the Economic Value of the Delta Conveyance Project

Project costs and benefits together drive affordability

- Project benefits will change with changes in **permit conditions** and **hydrology**
- Project costs are expected to increase due to a combination of **escalation** and **design development**

A Program Baseline Report (PBR) will support Participants and their boards build understanding on Project affordability today and provides a format for reporting on changes as the Project progresses through construction and into operations.

The Authority will need a baseline to measure against for Project costs and benefits

Program Baseline Report Example Table

What do we get?		Baseline	Actuals	Forecast	Act+Forecast	Variance (%)
Active Storage	AF					
Modeled Average Annual Diversions	AF / yr					
Modeled Average Annual Releases	AF / yr					
How much does it cost?						
Total Capital Cost	\$					
Base Facilities Cost	\$					
Downstream Facilities Cost	\$					
Change Orders	\$					
Average O&M Cost (2033)	\$ / yr					
How do we pay for it?						
Debt Service Cost (2033)	\$ / yr					
Average Annual Cost (2033)	\$ / yr					
Blended Affordability Metric	\$ / AF					

What else?

The Project Baseline Report will include the cash flow to support Participant planning

The Authority continues to improve cost certainty

2021 Feasibility Cost Estimate

- AACE Class 4 Cost Estimate
- 2021 dollars
- 1-15% Project Definition
- Accuracy Range
 - Low: -15% to -30%
 - High: +20% to +50%



2024 Preliminary Engineering Cost Estimate

- AACE Class 3 Cost Estimate
- 2024 dollars
- 10-30% Project Definition
- Accuracy Range
 - Low: -10% to -20%
 - High: +10% to +30%

*AACE - Association for the Advancement of Cost Engineering

Capital Cost factors:

1. Material quantities
2. Labor and other indirect costs
3. Material and labor present cost
4. Escalation through construction

2021 Feasibility Cost Estimate



Alternative 1: **\$3.93 billion in 2021 dollars**



Contingencies totaled about 15% of overall cost



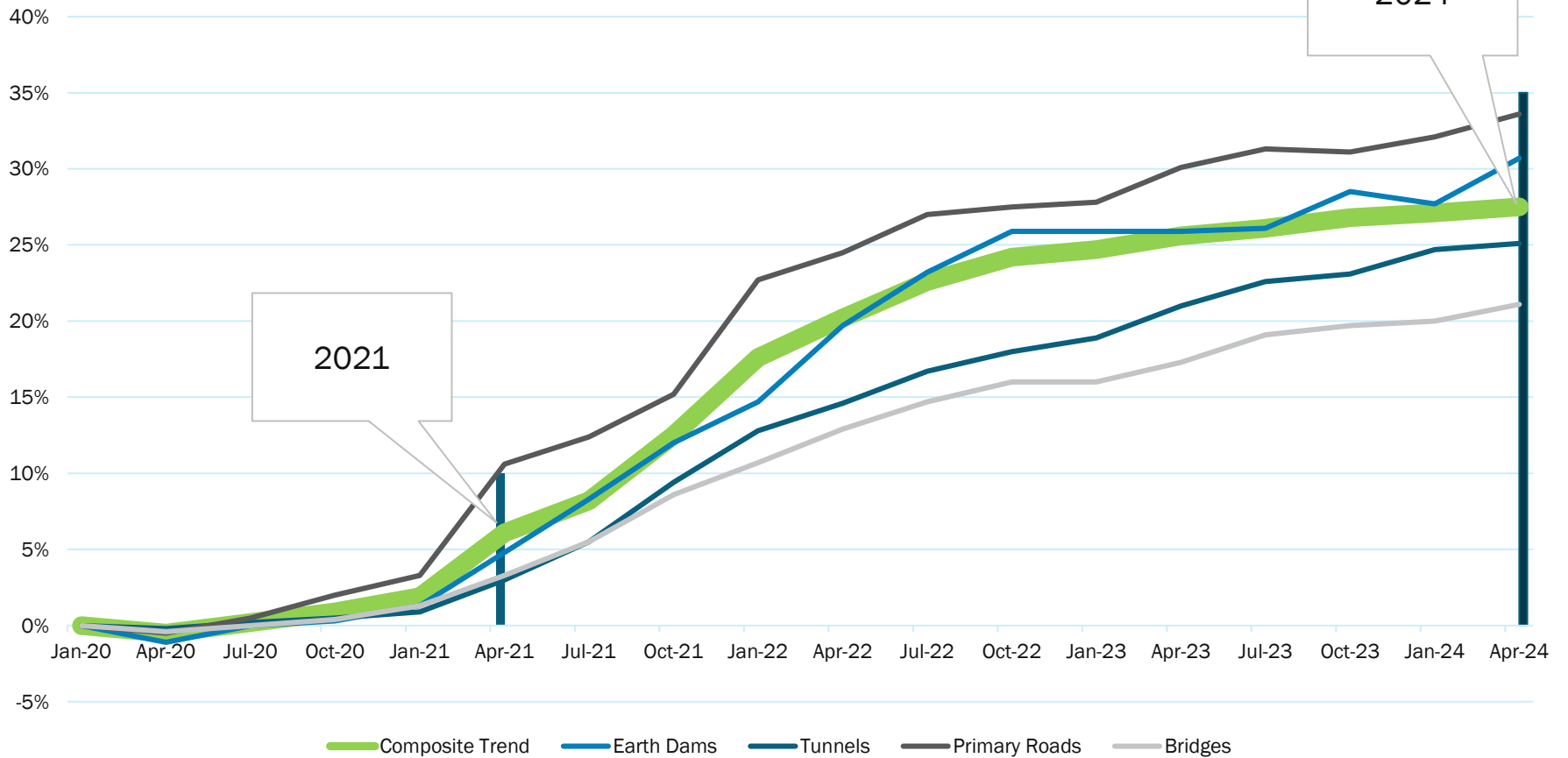
Non-contract cost is about 13% of overall cost



Environmental Mitigation is about 15% of overall cost

Market Conditions

USBR Construction Cost Trends
2020 to 2024



Design Development



Acquired additional mapping and geotechnical data



Road design updates



Validation of DSOD jurisdictional facility assumptions



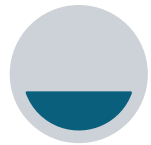
Updated construction assumptions

Cost Estimate Validation

- The updated cost estimates will be independently reviewed by MWD
- Risks and contingencies are being evaluated with considerations for cost influence that may be reduced with design progression or during construction



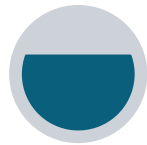
What to expect in the updated costs



Escalation

~25% ↑

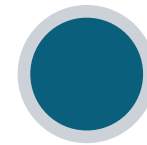
2021 to 2024



Design
Development

15-25% ↑

10%-30% design



Contingencies

TBD

Ongoing work



There will be opportunity for Participants to provide input as the Program Cost Forecast is developed. This is the Authority's estimate.

Schedule and next steps

