



Meeting: **Reservoir Committee & Authority Board
Agenda Item 3.5**

March 20, 2026

Subject: **January 2026 Plan of Finance Update – Final Draft**

Requested Action:

Review and comment on Participant comments on the January 2026 Plan of Finance Update.

Detailed Description/Background:

An update to the Plan of Finance was presented to the Board and Reservoir Committee in January 2026. That update to the financial forecast and cash flows was based on estimated construction costs from 2027 thru 2034 and provided to assist Participants as they determine their commitment to the Sites Project (Project) and approve the Benefits and Obligations Contract (B&O Contract).

The January 2026 Plan of Finance Update incorporated refinements to project cost estimates (updated June 2025), construction schedules (updated January 2026), revised escalation assumptions, and expected terms for the WIFIA loan and financing structure (updated November 2025). The Plan also included revised interest rate assumptions, updated State and Bureau cash flows, and a standardized method of illustrating Participant costs using a one-percent Base Capacity Interest.

The updated analysis included three construction financing scenarios: (1) interest-only during construction, (2) capitalized interest through construction, and (3) pay-as-you-go (self-funding) options.

Staff requested that Participants review and provide comments by March 1, 2026. These comments and suggestions will be incorporated in the final draft of the POF to be included in the Program Baseline Report. Generally, the comments addressed the following:

- a. Escalation assumptions. Participants use different escalation rates for construction and operating costs than were used in the update. In addition, some Participants suggested that the escalation rate for power costs was too low. While the cash flow forecast in the January 2026 draft includes previously revised escalation rates, a sensitivity analysis will be included in the Baseline Report and the associated Plan of Finance to show the effects of different escalation rates.

- b. Interest rates. Some Participants suggested the interest rate assumptions may be too low (in particular, the assumption for the WIFIA loan). Interest rates in the final draft were based on historical averages and as discussed above regarding escalation rates, a sensitivity analysis will be included in the Baseline Report to show the effects of different interest rates on annual debt service.
- c. Miscellaneous typos and other clarifications. Several helpful suggestions were provided to clarify the language that has been incorporated in the final draft.

Consistent with Participant input, the January 2026 POF Update presents costs using a standardized 1) one-percent Base Capacity Interest and 2) one-percent Base Capacity Interest with Down Stream allocation. This approach allows Participants to evaluate multiple participation levels and financing paths. It is important to note that the one-percent Base Capacity Interest equals one percent of the capacity of the reservoir and other Base Facilities, not one percent of the cost of construction. The Participants are obligated under the B&O to fund all costs that remain after the payments made by the State or the Bureau.

The Plan of Finance will be incorporated as part of the Baseline Report to include updated operations, capacity reassignments among Participants and the Bureau, contracted values in the State and Federal contracts, and to examine the effects of different escalation and interest rate assumptions.

Prior Action:

January 16, 2026: Reviewed and discussed the 2026 update to the Draft Plan of Finance and projected cash flows.

May 19, 2023: Reviewed and discussed the 2023 Draft Plan of Finance.

Fiscal Impact/Funding Source: The Amendment 3 Work Plan includes sufficient funds to cover required resources and activities in support of the Plan of Finance and ultimately, the Benefits and Obligations Contract development.

Staff Contact:

Shayleen O'Connell

Primary Service Provider:

Montague DeRose

Attachments:

None