



- **Board of Directors**
Business and Finance Committee

9/14/2010 Board Meeting

9-1

Subject

Review budget for Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Program

Description

A request was made by the Water Planning and Stewardship Committee at its July meeting to provide a review of the near-term planning budget for the Bay Delta Conservation Plan (BDCP) and long-term implementation costs for the Delta Habitat Conservation and Conveyance Program (DHCCP). This report provides a summary of the overall Delta planning budgets for the near-term planning efforts and the projected future costs for the implementation of the long-term solution.

Near-Term Delta Planning Budget

In 2006, the Board authorized execution of a Planning Agreement and Cooperation Agreement for the preparation of the BDCP. The BDCP is the regulatory mechanism for improving the ecological conditions to provide multispecies regulatory protection in the Delta under the state and federal endangered species acts. Metropolitan's interest is securing the regulatory protection for State Water Project (SWP) operations and restoring water supply reliability. The Board authorized execution of amendments to these agreements in November 2009 and July 2010. With the Planning Agreement extended through December 2011 and the Cooperation Agreement through January 2011, Metropolitan's total cost share to support development of the BDCP is estimated to be up to \$6.9 million within a total budget of \$27.5 million. This funding covers consulting services, fishery agency staffing, and California Department of Water Resources (DWR) services provided in support of certain BDCP activities, such as conducting technical analyses, developing alternative physical and operational features, and drafting agreements and documents.

In December 2008, under a separate action for the preparation of the BDCP, the Board authorized execution of the DHCCP Funding Agreement with DWR. The DHCCP Funding Agreement supports environmental analysis and documentation, preliminary engineering designs, geotechnical field studies, and other necessary feasibility evaluations for Delta water conveyance and related habitat conservation measures for the BDCP. In July 2010, the Board authorized execution of a DHCCP Supplemental Funding Agreement that increases the overall program budget from \$140 million to \$226 million, pending board approvals of other participating SWP and Central Valley Project (CVP) signatory agencies. This funding will allow for completion of a final Environmental Impact Report/Environmental Impact Statement (EIR/EIS). Once the agreement is fully executed, the SWP contractors' share of program costs based on the agreement would be \$113 million (50/50 split between SWP and CVP) and is allocated among SWP contractors in proportion to SWP Table A contract amounts. Metropolitan's share is estimated at \$56.5 million. A similar funding agreement addresses the federal CVP contractors' half of the DHCCP costs.

The DHCCP Funding Agreement establishes uniform terms between participating SWP contractors and DWR to fund their collective half of DHCCP costs. The DHCCP Funding Agreement provides program costs to be included in each participating SWP contractors' annual Statement of Charges. Table 1 captures the BDCP and DHCCP program budgets and identifies Metropolitan's share that would be applied to its annual SWP Statement of Charges. Metropolitan's share of these planning costs is incorporated into its annual budget for SWP supplies. Metropolitan's overall share of planning costs are consistent with previous estimates.

TABLE 1
Near-Term Planning Budget (BDCP & DHCCP)
 (\$ Millions)

Program	Total Program Budget ⁽¹⁾	MWD Share to Date ⁽²⁾ (2007-2010)	Remaining Projected MWD Obligation (2011-2012)
BDCP	\$ 27.5	\$ 4.4	\$ 2.5
DHCCP	\$ 226.0	\$ 30.5	\$ 26.0
Total	\$ 253.5	\$ 34.9	\$ 28.5

(1) Program budget includes projected costs for DWR & DFG staffing.

(2) Costs included in Metropolitan’s SWP Statement of Charges through 2010.

Long-Term Delta Implementation Costs

Metropolitan is currently working with state and federal fishery and water management agencies, water project contractors, and stakeholders in the BDCP process to develop a long-term plan for Delta conveyance and habitat restoration. The BDCP is being prepared through a voluntary collaboration of state, federal, and local water agencies; state and federal fish agencies; environmental groups; and other interested parties.

The BDCP is currently analyzing four major water conveyance approaches. Three of the alternatives include a dual-intake approach, and one alternative employs through-Delta conveyance improvements only. The dual-intake approach is based on use of the existing south Delta intake facility and the addition of a north Delta intake connected through an isolated canal or tunnel. Three alignment locations have been proposed for the isolated facility including a canal/tunnel on the west side of the Delta, a canal on the east side of the Delta, and an all-tunnel approach through the center of the Delta.

In December 2009, DWR released an initial estimate of the cost of the three dual-intake approaches. These estimates include the cost of construction, footprint land acquisition, and mitigation land acquisition. Table 2 summarizes the long-term implementation budget estimate for the DHCCP and Metropolitan’s estimated share.

TABLE 2
Long-Term Implementation Budget Estimate (DHCCP)

Conveyance	Obligations ⁽¹⁾	
	Total Program	Metropolitan Share
Capital	~\$8 billion - \$13 billion	~\$1.8 billion - \$3 billion
O&M (annual)	~\$14 billion - \$18 million/yr	~\$3 million - \$4 million/yr
Energy (annual)	~\$16 billion - \$55 million/yr	~\$4 million - \$12 million/yr

(1) Costs based on estimates from DWR (Jan 2010). Metropolitan share is estimated based on a 50/50 SWP/CVP split and its share of SWP Table A contracted water supply.

Metropolitan’s fiscal year revenue requirement includes estimates for Metropolitan’s share of conveyance facility capital (including mitigation) and operating charges (including operations, maintenance, replacement, and energy) as shown in Table 3. Starting in 2013, the estimated revenue requirement is \$25.5 million and increases steadily

each year to reach a peak of \$160 million in 2021 and each year thereafter through 2055. These projected implementation costs and replacement period will be refined as more information is developed during the remaining planning process. Updated costs will be reflected in Metropolitan's future revenue requirement projections.

TABLE 3

	Metropolitan Budget & Revenue Requirements ⁽¹⁾								
	(\$ Millions)								
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021-2055
Annual Budget	\$25.5	\$41.2	\$57.9	\$74.6	\$100.4	\$124.7	\$124.9	\$141.2	\$160.0

⁽¹⁾ Metropolitan's fiscal year revenue requirement includes estimates for Metropolitan's share of conveyance facility capital, mitigation, operations, maintenance, replacement, and energy.

A risk assessment workshop was conducted in January 2010 with outside experts to ensure elements critical to meeting project implementation timelines and budgets are accurately estimated. The risk assessment reviewed the following major categories: environmental permitting, engineering design, operations and maintenance, procurement and construction, construction management, land use and real estate issues, and legislative and legal issues. In February 2010, an independent cost estimate was conducted by an outside consulting firm, which confirmed the initial DWR cost estimates.

In addition, the BDCP participants are involved in developing conservation actions that would restore natural habitat and expand habitat to mimic natural conditions. The objective is to improve the availability of food and habitat locations for spawning and rearing. The BDCP activity involves investigating four physical habitat types for restoration: floodplain habitat, intertidal marsh habitat, riparian habitat, and river channel margin habitat. These proposed habitat actions would be implemented over a 40-year period and would include monitoring and adaptive management programs to assess the effectiveness of the restoration in achieving desired ecological benefits. In addition, the BDCP will include actions that address other non-water project impacts, or "other stressors". The cost of implementing these habitat and other stressor actions is roughly estimated at about \$5 billion to \$6 billion in 2009 dollars. These actions are proposed to be financed largely through federal and state funds, although the SWP and federal CVP contractors will be expected to pay for a portion of these costs. These costs have not been included in the estimates shown in Table 3.

Schedule

The current schedule calls for a preliminary draft BDCP in November 2010 and a full draft BDCP and EIR/EIS to be released in Spring 2011. The final BDCP and EIR/EIS are scheduled to be completed by mid-2012. Completion of construction of the isolated conveyance component and initial operations is projected for 2022.

Policy

By Minute Item 46843, dated October 10, 2006, the Board authorized execution of the Planning Agreement for the Bay Delta Conservation Plan.

By Minute Item 46878, dated November 14, 2006, the Board authorized execution of the Bay Delta Conservation Plan Cooperation Cost-Share Agreement.

By Minute Item 47135, dated June 12, 2007, the Board adopted the proposed Delta Action Plan.

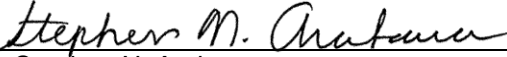
By Minute Item 47735, dated December 9, 2008, the Board authorized execution of the Delta Habitat Conservation and Conveyance Program Memorandum of Agreement and three related funding and management agreements.

By Minute Item 48117, dated December 8, 2009, the Board authorized execution of amendments to the Planning Agreement for the Bay Delta Conservation Plan and the Cooperation Agreement Among Potentially Regulated Entities for Preparation of the Bay Delta Conservation Plan.

By Minute Item 48333, dated July 13, 2010, the Board authorized execution of an amendment to the Delta Habitat Conservation and Conveyance Plan Funding Agreement to commit up to an additional \$21.5 million for Metropolitan's share of costs to prepare the environmental documentation and associated preliminary engineering design for the Bay Delta Conservation Plan.

Fiscal Impact

None



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9/1/2010

Date



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General Manager

9/1/2010

Date

Ref# eo12607286