Water Planning and Stewardship Committee

Item #6b

Subject: Oral Report on Metropolitan's State Water Project Contract

Purpose: Provide an overview of the State Water Project Contract as a foundation for future discussions regarding Delta Habitat Conservation and Conveyance Program financing /funding

Water Planning and Stewardship Committee

Item #6b

Oral Report on Metropolitan's State Water Project Contract

State Water Project Contract Review

Water Planning and Stewardship Committee
Item 6b
April 8, 2013

SWP Contract Review

- Background
- Key contract provisions
- Key benefits
- Current challenges

Brief History

- 1931: First “State Water Plan” developed
- 1933: CVP Act enacted
- 1957: California Water Plan issued
  Initial work on Feather River Project
- 1960: Burns-Porter Act passed
  MWD Contract signed
- 1972: First water delivered to MWD
- 1995: Monterey Amendment signed

Physical Features

State Water Contract

General Provisions

- Contract with State of California
  - DWR is the owner and operator
- Repayment term longer of:
  - Dec. 31, 2035,
  - 75 years, or
  - Until all outstanding bonds are paid
- Right of contract extension on similar terms

State Water Contract

Water Supply Provisions

- No guarantee to an amount of water
- Right to proportional amount of available water based on “Table A”
  - Total Table A: 4.2 MAF
  - Metropolitan Table A: 1.9 MAF
- Allocation varies from year to year

State Water Contract

Water Supply Provisions

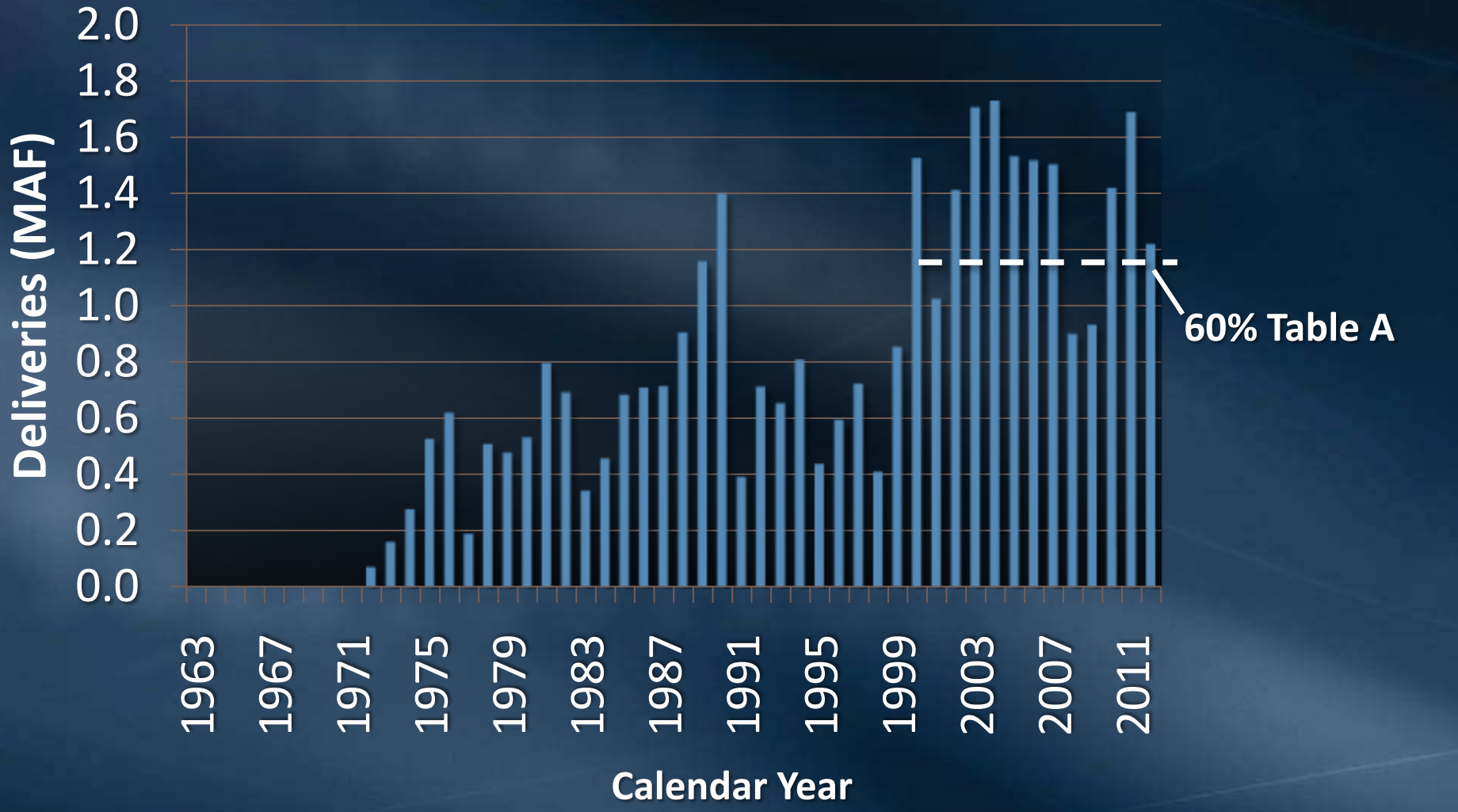
- DWR must use reasonable efforts to:
  - Perfect water rights
  - Construct facilities necessary to deliver project water to contractors
- DWR has substantial operational discretion
- DWR cannot be “arbitrary, capricious, or unreasonable”

State Water Contract

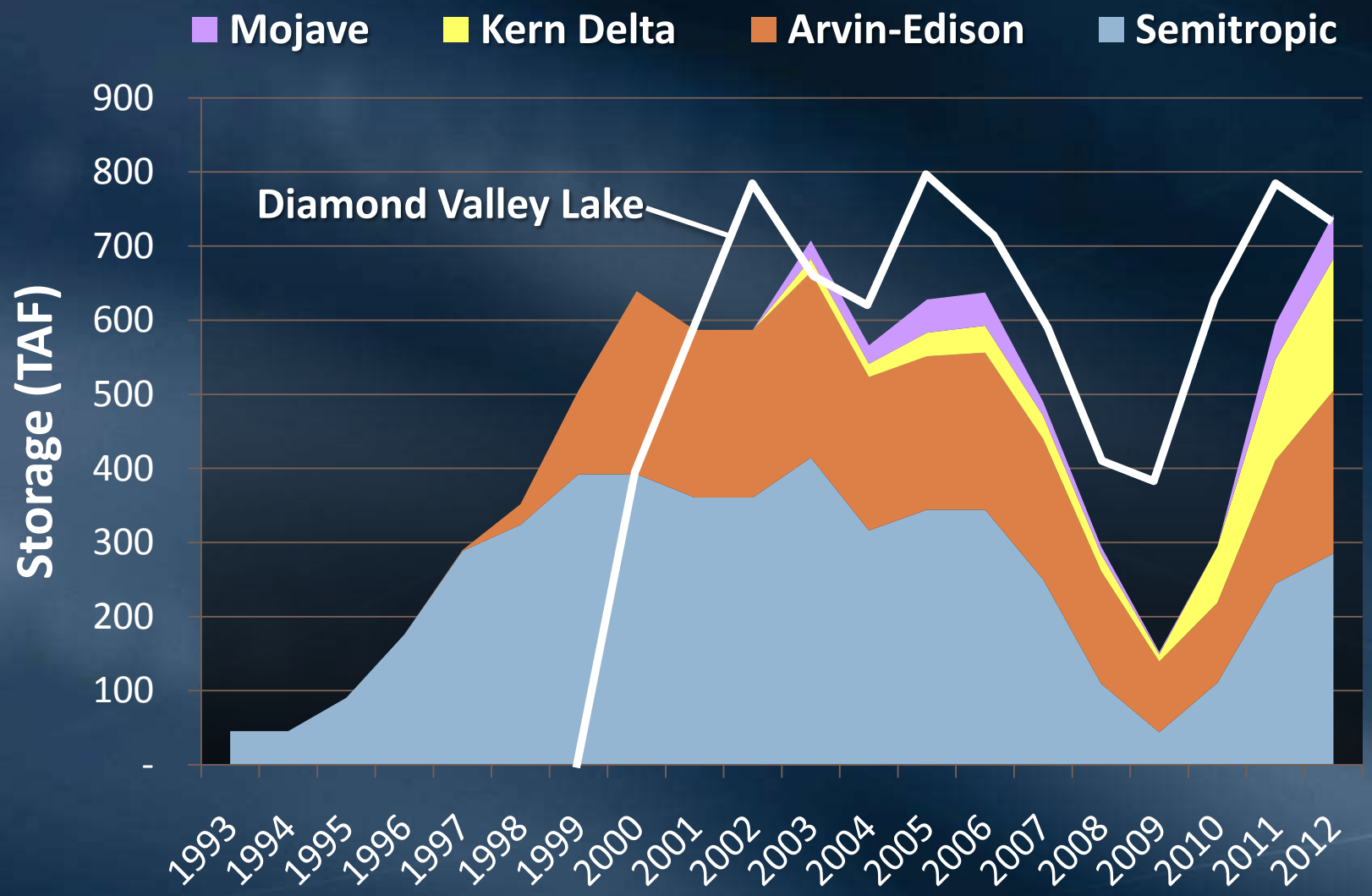
Water Supply Provisions

- Storage provisions
  - Carryover storage (100 to 200 TAF/yr)
  - Flexible storage (up to 219 TAF)
  - Groundwater programs outside of service area (unlimited)
- Provisions for transporting non-project water

MWD Supplies Conveyed through SWP



Storage Programs Along SWP



Financial Provisions

Multi-purpose

Water Supply

- Paid by water customers

Recreation, Fish and Wildlife Enhancement

- Davis Dolwig Act – State Obligation

Flood Control

- Paid by Federal Government

- Aim to recover all costs

Metropolitan's Share of SWP Water Supply Costs

Conservation

46%

Table A

Transportation

63%

Proportional Use of Facilities Factor (PUFF)

Power

70%

Energy/AF

State Water Contract

Payment Provisions

- No commodity charge for water
- Two types of charges:

Conservation Charges

- **Capital** – Amortized over contract term
- **O&M** – Amortized over contract term

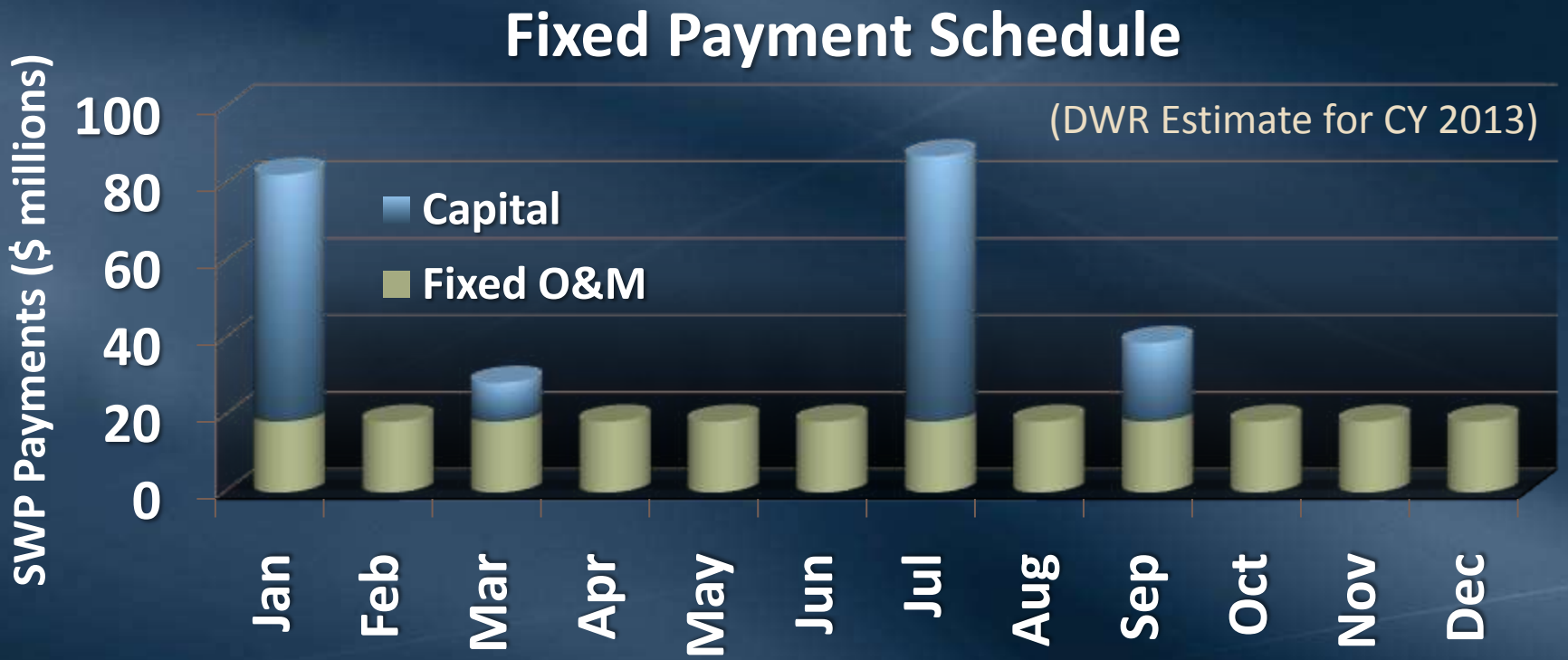
Transportation Charges

- **Capital** – Amortized over 50 years (75 for ag.)
- **O&M** – Pay-as-you-go
- **Variable Power** - Pay-as-you-go

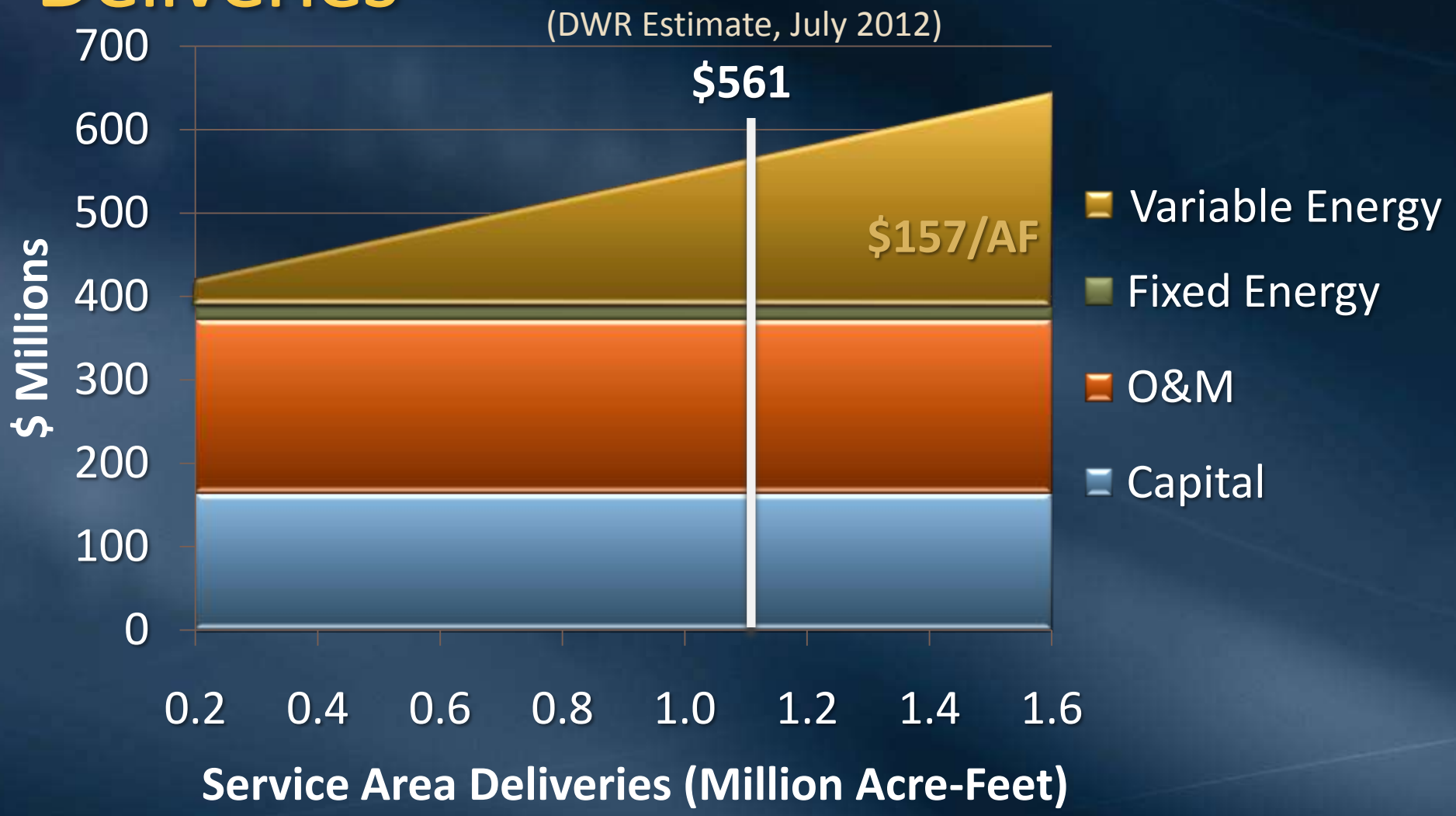
State Water Contract

Payment Provisions

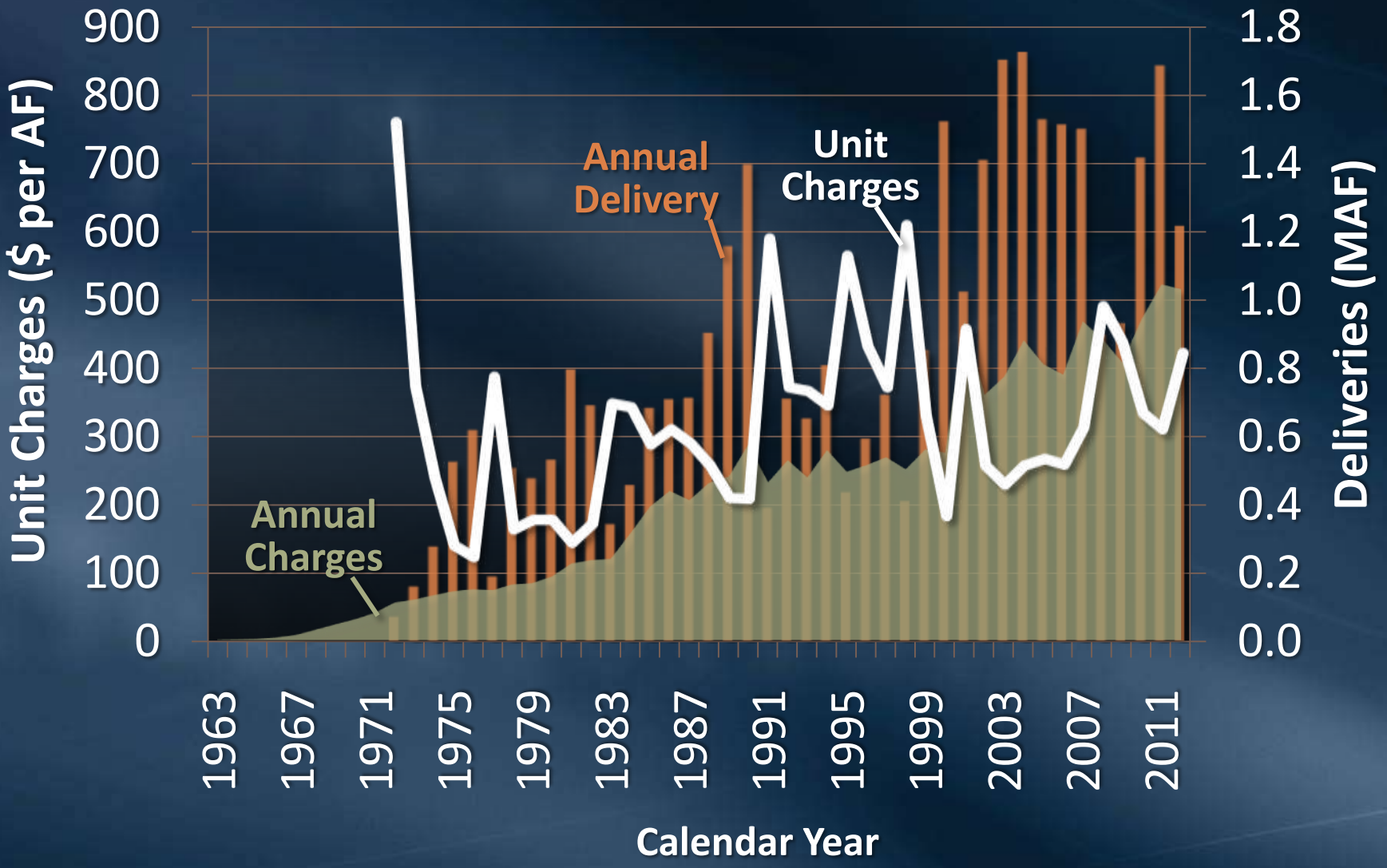
- DWR issues Statement of Charges by July 1 for subsequent calendar year



SWP Charges Vary Based on Deliveries

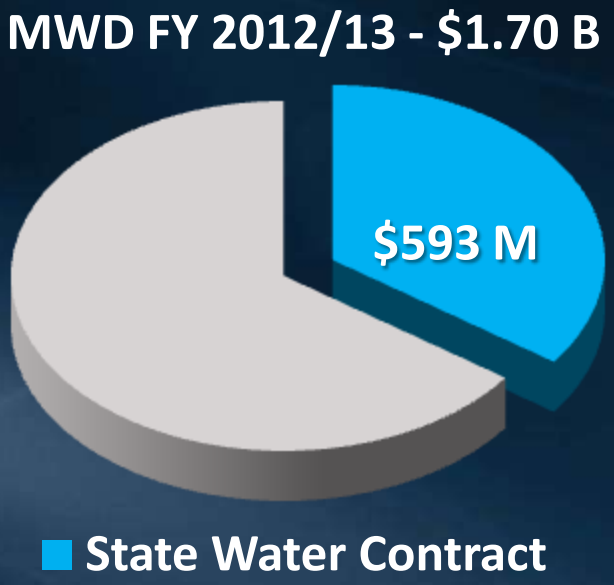


MWD's Annual Charges and Deliveries



DWR Statement of Charges vs. Budget Process

- DWR Statement of Charges
  - Assumes 60% Table A allocation
  - Does not include certain credits
- Audit of Statement of Charges accuracy
- Metropolitan SWP Budget
  - Projected supplies, energy rates, credits

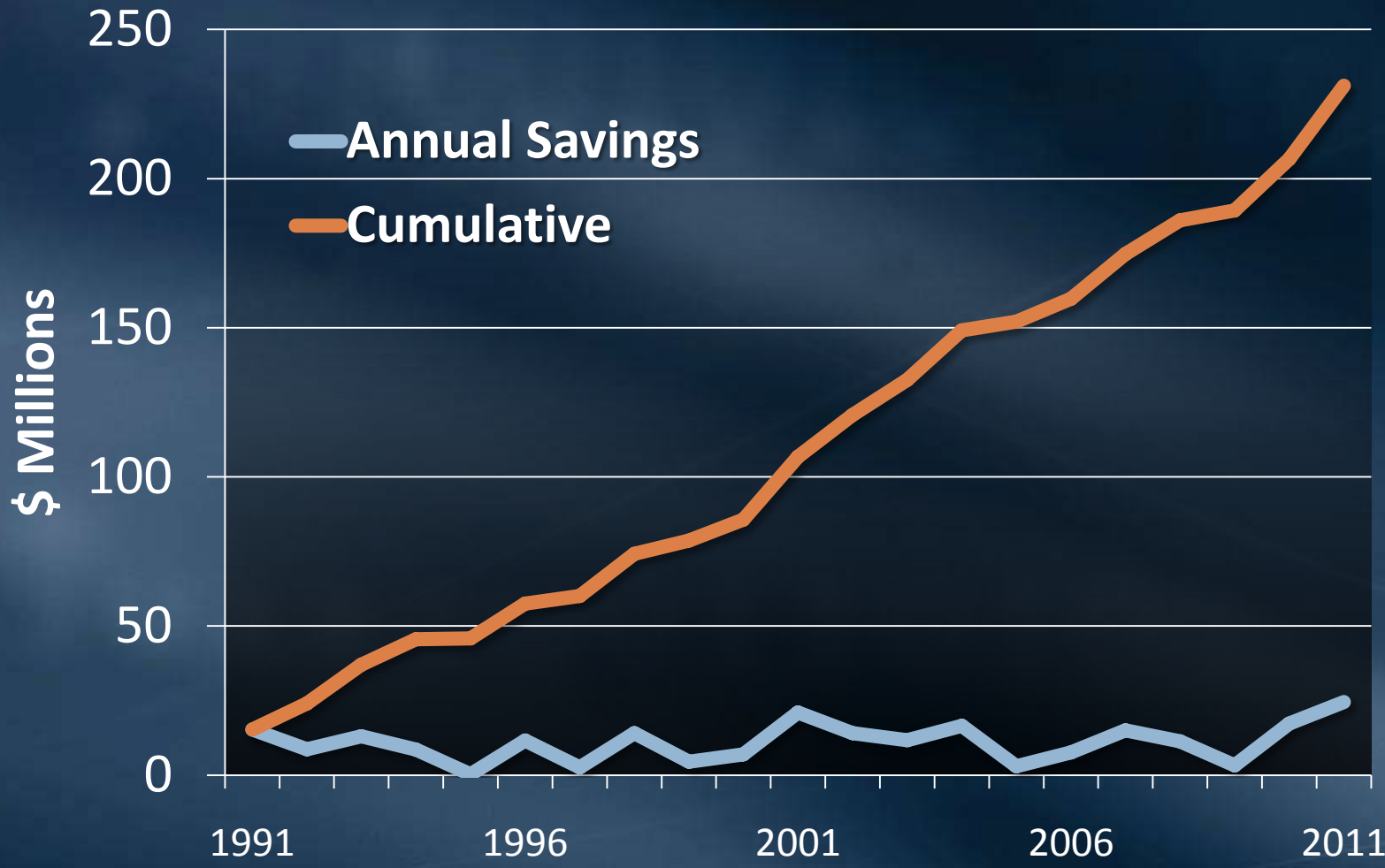


Pay and Protest Process

- Contractors must pay invoices and file protests as issues arise
- DWR manages protest process
- Contractors have right to litigate unresolved protest items

Audit of Metropolitan's SWP Charges

Audit Savings



Key State Water Contract Benefits

- Cornerstone of IRP Core Resources
- Relatively low unit cost
  - Average $314 per AF past 10 years
- Storage opportunities
  - On and off SWP system
- Salinity management
  - TDS <300 mg/L
- Delivery infrastructure for transfers
  - 332 TAF delivered 2008-2010

Current Key Challenges

- Facility reliability
- Fish constraints
- Contract extension/cost allocation

Contract Extension

- Financing window for capital getting shorter
  - DWR will only float bonds through 2035
- Cost allocation
  - Need to identify long-term source of funds to pay for recreation and environmental obligations
- Financing needs for BDCP

Next Steps

- Work with DWR to improve operational availability
- Continue engagement in BDCP and financing issues