



# Update on California WaterFix

Special Committee on Bay-Delta

Item 3a

November 22, 2016

# Update

- SWRCB Proceedings
- Supporting Information on August 2013 Finance Impact Analysis
- California WaterFix Cost Allocation Discussion

# California WaterFix - Key Decisions

- USBR | DWR – Environmental Documents
  - Environmental documents and project approval under CEQA and NEPA
- USFWS | NMFS | CDFW – ESA/CESA Authorizations
  - “Section 7” Biological Opinion – Federally-listed species
  - “Section 2081” Permit – State-listed species
- SWRCB – Water Rights  
Change in Point of Diversion Permit
  - Water right permit for new point of diversion for new intakes
- USACE – Permits
  - Placement of fill in waters of the U.S. under the Clean Water Act (404)

# SWRCB Proceedings

# SWRCB Proceedings

## CA WaterFix Petition (Additional Point of Diversion)

- Part 1B
  - Protestants who are legal users of water provide evidence of legal injury
  - Presentation of protestant cases in chief will likely be completed in December
  - DWR and the water contractors have been cross examining witnesses for the protestants
  - Next phase of 1B is rebuttal
  - DWR will have an opportunity to respond to issues and to clarify their evidence
- Part 2 of the petition proceedings addressing fishery and flow issues will proceed following decisions on EIR/S and ESA Permits

# **Financial Impact of BDCP**

## **Details from August 27, 2013 Presentation**

# MWD Rate Impact of BDCP

## (Presented August 27, 2013)

### Rate impact

- \$138 to \$166 per acre feet increase
- 1.5% to 2% per year for 10 years

### Overall rate increase (including BDCP)

- ~ 3% to 6% per year

# 2013 Bay Delta Conservation Plan

## Chapter 8 – Project Costs

Improvements	Capital	O&M (Total 50 Years)	Funding Source
Conveyance	\$14.5 billion	\$1.5 billion	Water Contractors
Eco-Restoration & Other Stressors	\$5.2 billion	\$3.3 billion	Fed/State/Water Contractors/Other
<b>TOTAL Capital/O&amp;M</b>	<b>\$19.7 billion</b>	<b>\$4.8 billion</b>	
<b>TOTAL BDCP</b>	<b>\$24.5 billion</b>		

Users pay for new conveyance facility & mitigation

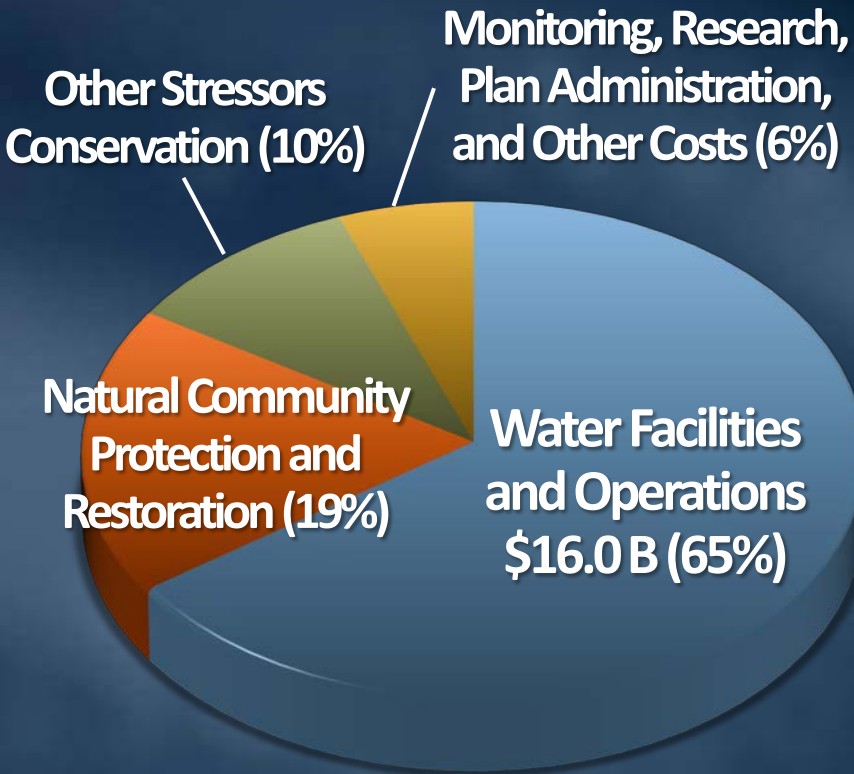
Beneficiaries pay for habitat conservation & state-wide benefits

*Information from BDCP Administrative Draft Chapter 8 (May 2013) in 2012 dollars.  
Conveyance Capital includes a 36% contingency.*



# 2013 Bay Delta Conservation Plan

(2012 Dollars)



**Total Capital & O&M**  
**\$24.5B in 2012 Dollars**

*Information from BDCP Administrative Draft Chapter 8 (May 2013) in 2012 dollars.*

# 2013 Bay Delta Conservation Plan

(2012 Dollars)

Monitoring, Research,  
Plan Administration,  
and Other Costs (6%)

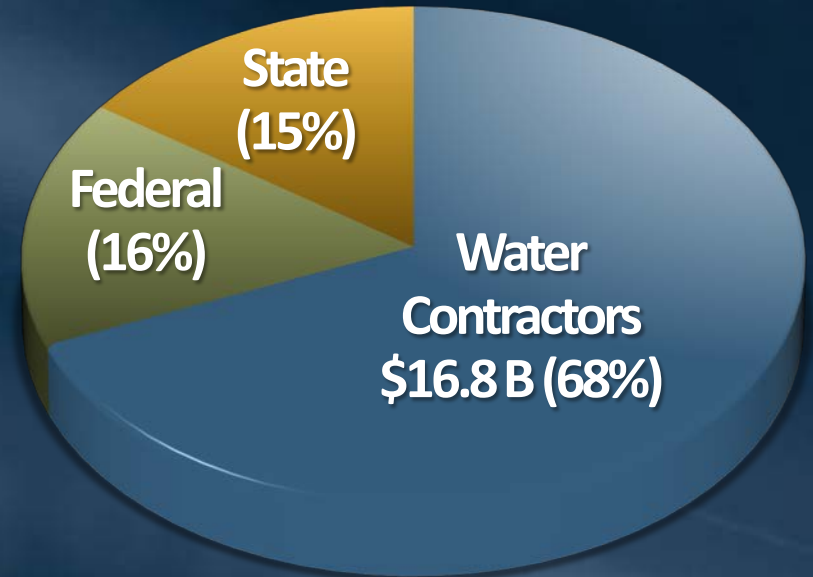
Other Stressors  
Conservation (10%)

Natural Community  
Protection and  
Restoration (19%)

Water Facilities  
and Operations  
\$16.0 B (65%)

## Total Capital & O&M

\$24.5B in 2012 Dollars



State  
(15%)

Federal  
(16%)

Water  
Contractors  
\$16.8 B (68%)

## Funding

\$24.5B in 2012 Dollars

Information from BDCP Administrative Draft Chapter 8 (May 2013) in 2012 dollars.

# 2013 Bay Delta Conservation Plan

## (2013 Dollars)

### *Water Contractors Share*

	2013 Dollars
<b>Water Facilities Capital</b>	\$15.0 B
<b>Water Facilities O&amp;M</b>	\$1.5 B
<b>Other</b>	\$0.8 B
<b>Total</b>	<b>\$ 17.3 B</b>

# 2013 Bay Delta Conservation Plan

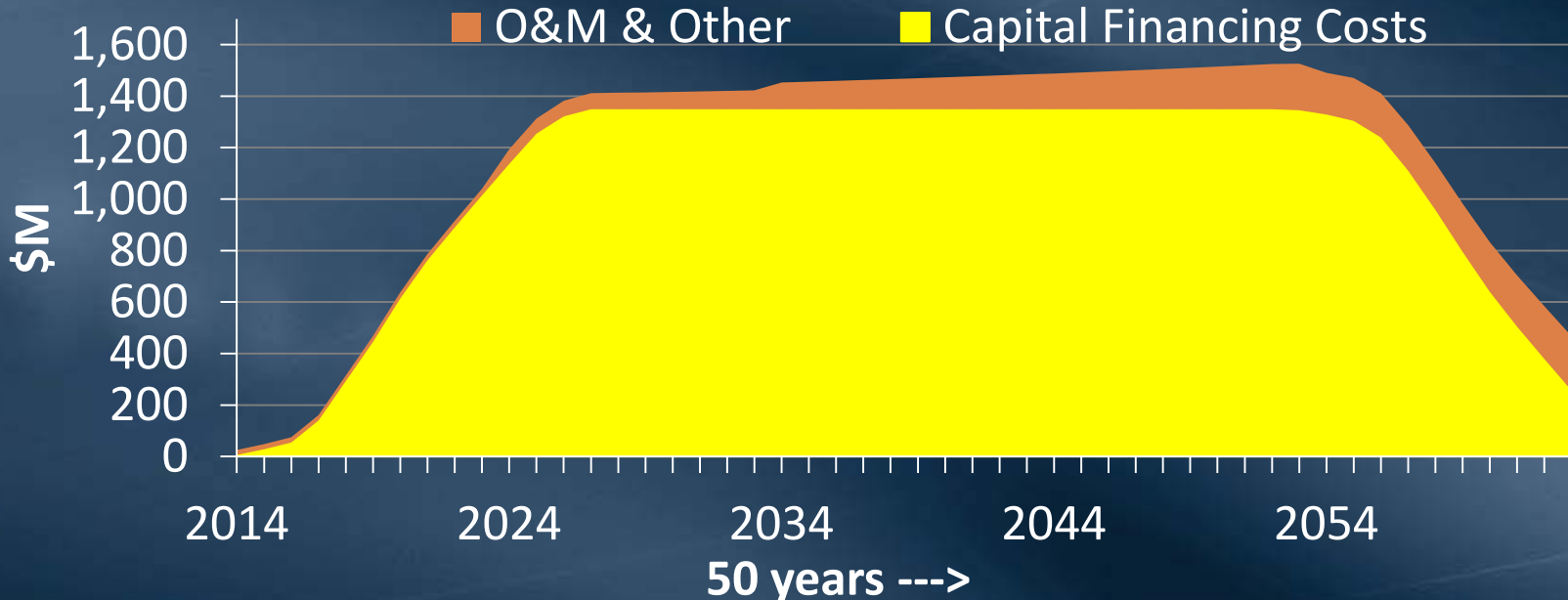
## Water Contractors Share

2013 Dollars	
Water Facilities Capital	\$15.0 B
Water Facilities O&M	\$1.5 B
Other	\$0.8 B
<b>Total</b>	<b>\$ 17.3 B</b>

## Capital Financing Terms

Term: 40 Years
Interest rate: 6.135%

## Water Contractor Share of BDCP Cost (with inflation)



Based on May 2013 BDCP Administrative Draft Chapter 8

# 2013 Bay Delta Conservation Plan

*Water Contractor Share of BDCP Cost (discounted)*



**Peak Annual Cost  
for Water Contractor = \$941M in 2013 Dollars**

# 2013 Bay Delta Conservation Plan

## Detailed Calculations

MWD Share of costs 25% (low) to 30% (high)

- $\$941\text{M} \times 25\% = \$235$  million per year
- $\$941\text{M} \times 30\% = \$282$  million per year

@ 1.70 MAF Sales and Exchange

- $\$235\text{M}/1.70 \text{ MAF} = \$138/\text{AF}$
- $\$282\text{M}/1.70 \text{ MAF} = \$166/\text{AF}$

2012/13 revenue requirement of \$1,366M

- $\$235\text{M}/\$1,366\text{M} = 17\%$  increase or  $\sim 1.5\%$  per year for 10 years
- $\$282\text{M}/\$1,366\text{M} = 21\%$  increase or  $\sim 2\%$  per year for 10 years

*Based on May 2013 BDCP Administrative Draft Chapter 8 and 2012/13 MWD Budget*

# MWD Rate Impact of BDCP

## (Presented August 27, 2013)

### Rate impact

- \$138 to \$166 per acre feet increase
- 1.5% to 2% per year for 10 years

### Overall rate increase (including BDCP)

- ~ 3% to 6% per year

# **California WaterFix Cost Allocation Discussion**

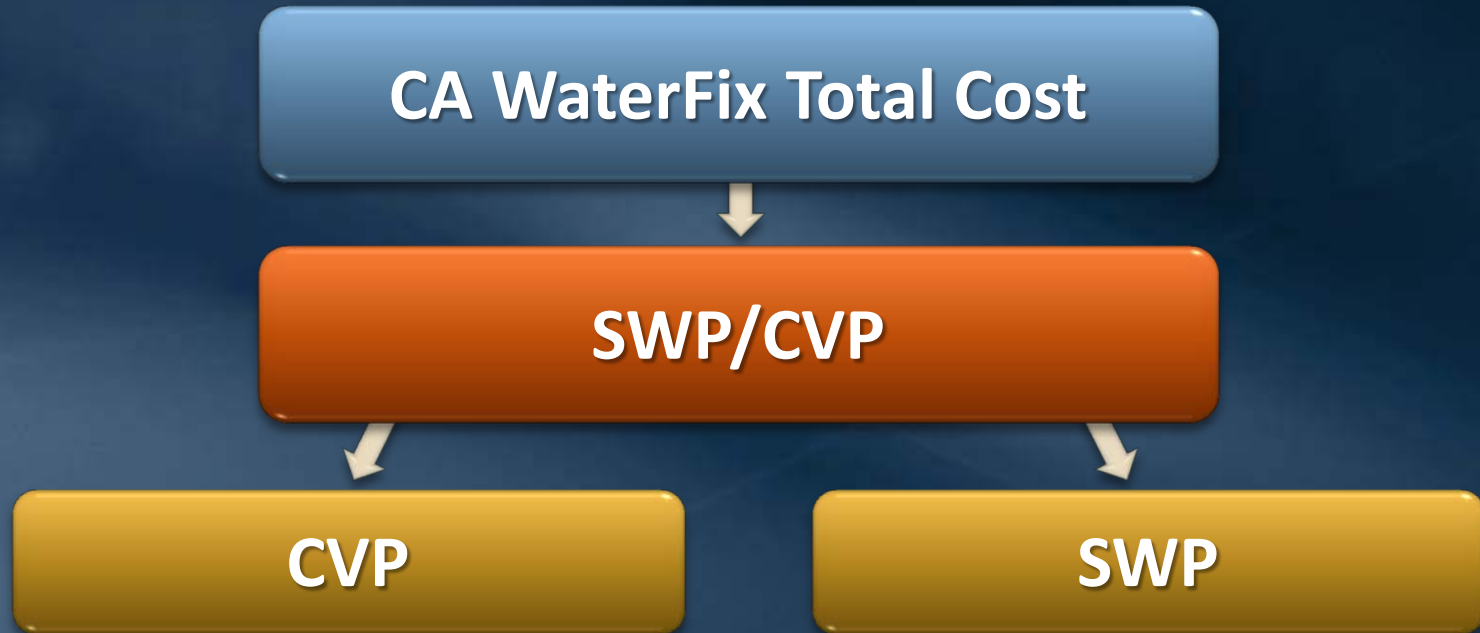
**Concepts Presented Are Under  
Discussion – Not Yet Final**



# Cost Allocation Overview

- Base Assumptions:
  - Allocation between CVP/SWP: 45%/55%
  - Allocation among contractors: Per existing delivery contracts
- Cost Allocation Discussions:
  - Explore alternative approaches to allow contractors to adjust reliability gains and cost exposure

# Conceptual CA WaterFix Cost Allocation Framework



# Step 1 – Initial Split Between SWP/CVP

- Current assumption: 55% SWP and 45% CVP
- Alternate approaches:
  - Adjust over time based on north-Delta diversions
  - Adjust over time based on total diversions
  - Use a capacity share approach
- If either project does not secure commitments for its share of CA WaterFix, then remaining share is offered to the other project

# Conceptual CA WaterFix Cost Allocation Framework



# Step 2 – Initial Split Among SWP Contractors

- Current assumption: Treat same as other SWP facilities
  - Costs split by proportionate share of Table A
  - North of Delta contractors not included
  - One supply allocation each year based on the Table A of all contractors (current approach)
- Alt approach: Two supply allocations each year
  - Baseline allocation for non-participants
  - Additional allocation for CA WaterFix participants
    - Costs split among only CA WaterFix participants
  - Defining separate allocations is problematic

# Adjustment for North of Delta Agencies

## DWR Bulletin 132-16 Appendix B - Adjusted

<b>North of Delta</b>	
City of Yuba City	
County of Butte	
Plumas County FC&WCD	
Napa County FC&WCD	
Solano County Water Agency	
<b>South Bay</b>	<b>5.49%</b>
Alameda Cty FC&WCD, Zone 7	1.988%
Alameda County Water District	1.035%
Santa Clara Valley Water District	2.465%
<b>Central Coast</b>	<b>1.74%</b>
San Luis Obispo Cty FC&WCD	0.616%
Santa Barbara County FC&WCD	1.121%
<b>San Joaquin Valley (without Kern)</b>	<b>3.72%</b>
Dudley Ridge Water District	1.118%
Empire- West Side Irrigation District	0.074%
County of Kings	0.229%
Oak Flat Water District	0.141%
Tulare Lake Basin WSD	2.156%

<b>San Joaquin Valley (Kern)</b>	<b>24.23%</b>
Kern County Water Agency-Total	24.228%
<b>Metropolitan Water District</b>	<b>47.13%</b>
Metropolitan Water District	47.125%
<b>Other So. CA (without MWD)</b>	<b>17.70%</b>
Antelope Valley- East Kern Water Agency	3.571%
Castaic Lake Water Agency	2.347%
Coachella Valley Water District	3.411%
Crestline-Lake Arrowhead WA	0.143%
Desert Water Agency	1.374%
Littlerock Creek Irrigation District	0.057%
Mojave Water Agency	2.115%
Palmdale Water District	0.525%
San Bernardino Valley MWD	2.529%
San Gabriel Valley MWD	0.710%
San Geronio Pass Water Agency	0.427%
Ventura County Watershed Protection District	0.493%

*\*North of Delta Contractors were removed and amounts reallocated to remaining contractors.*

*North of Delta contractor amounts would have been 2.79%.*

# Potential Step 3 – Contractors Buy /Sell Table A Based On Their Objectives

- Each contractor may have their own objectives
  - Buy more Table A to increase access to SWP
  - Maintain current Table A amounts
  - Sell Table A in order to reduce cost exposure
- SWP contract allows Table A transfers
  - Changes may be needed to provide additional flexibility
- Necessary agreements would be in place at time commitments are made

# Potential Step 3

## Additional Water Management Provisions

- Include in SWP contract amendment for CA WaterFix
- Provide additional water management options for SWP contractors (both short term and long term)
  - Transfers
  - Storage
  - Exchanges



# Status of Discussions

- Framework is being discussed with SWP and CVP contractors
- SWP contractors discussing optional approaches for internal splits on the SWP system
  - Similar discussions happening on CVP system
  - CVP contracts are different and may lead to a different internal CVP cost allocation approach
- Discussions to continue

