California WaterFix Update


Imported Water Committee
August 24, 2017

Amy Chen, Director of MWD Program
Water Authority’s Support for Fixing Bay Delta

- Water Authority supports a sustainable Bay–Delta solution
- 2009 Delta Reform Act
- 2012 Delta Policy principles
- Multi-disciplinary team review of BDCP
- Board took no position on BDCP: lack of key information
Unanswered Questions From Last Review

- How much will the project cost?
- How much water will San Diego County receive?
- What portion of the costs will San Diego be expected to pay?
- What other agencies will commit to pay for the project?
- How will San Diego County ratepayers be protected from paying an unfair share?
Operational Rules Have Major Impact on Supply Yield

- WaterFix supply benefit:
  - Projected supply with WaterFix – projected supply without WaterFix
- Operating rules affect water supply
  - Biological opinions; State Board’s decisions; adaptive management and real-time operations; future listing of species
- Baseline: important to measure supply benefit
Baseline Critical in Determining Supply Benefit

- **“Future with WaterFix:”** 4.7 – 5.3 MAF
  - BiOps and State Board decisions not included
- **“Existing Conditions:”** 4.7 MAF
  - Current regulations with climate change
- **“Future without WaterFix,”** (AKA “baseline”): 3.5 – 3.9 MAF
  - Increased regulations beyond current regulations
  - Leave more outflows in system
- **WaterFix “benefits:”** 172 TAF – 1.3 MAF
  - Depending on “baseline” chosen
Cost Assumptions

- Capital: $16.7B*
- O&M: $64M/yr
- 100% financed, over 40 years with interest rates at 4%, 6%, or 8%
- Annual cost: $796M – $1,287M (@4% – 8%)
- Cost split between CVP/SWP: 45/55

* In 2017$
Assumed: 26%, $4.3B

$207M – $334M/ year
- Spread over transportation rates
- $122/AF – $196/AF (1.7 MAF)
  - Adds ~$34M – $55M on Water Authority’s QSA transfers*
- $146/AF – $235/AF (1.42 MAF*), 20% increase over MWD’s estimate

*At full QSA implementation of 280 TAF
Unresolved Issues

- Contractors’ participation level
  - CVP at 45% questionable
    - Exchange Contractors and wildlife refuges
    - Participation levels of 20% – 45% being considered
  - SWP contractors
    - 55% – 80%?
    - “Permanent Table A adjustment”

- Financing
  - “Finance JPA” – unknown terms and participants
  - ”Gap” funding – terms undisclosed
    - Complete pre-construction work previously estimated ~$1 billion
    - Continue funding project until JPA issues bonds
Unresolved Issues (cont.)

- Pending regulatory processes
  - USFWS review, State Board water rights hearings
- Marginal WaterFix cost higher, if benefit assumptions do not materialize
  - $614/af – $2,361/af
- MWD’s application of WaterFix cost on rate
  - Spread over transportation rates disproportionately affects Water Authority
<table>
<thead>
<tr>
<th>Questions</th>
<th>How White Papers Address Them</th>
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<tbody>
<tr>
<td>• How much will WA pay?</td>
<td>• Does not say</td>
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<tr>
<td>• How much water will WA get?</td>
<td>• Does not say</td>
</tr>
<tr>
<td>• Which contractors will commit to pay?</td>
<td>• Does not say</td>
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<td>• Five north–of–Delta SWP contractors “excused”</td>
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<td>• How will WA ratepayers be protected from pay unfair share?</td>
<td>• They will not: MWD plans to charge on transportation rates (adds $55M/yr)</td>
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<tr>
<td>• Will MWD require firm financial commitment from MA?</td>
<td>• No</td>
</tr>
<tr>
<td>• Will cost of project hamper local supply development?</td>
<td>• Does not address</td>
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Considerations

WaterFix addresses

- Some ESA issues
  - Reverse flows
- Salinity
- Seismic events in Delta
- Climate change

Decision considerations

- Right-sized project?
- Risks
- Impacts to local supply development
- Cost to Water Authority ratepayers

Will net supply benefits outweigh risks?
Questions?