



State Water Project Briefing: Water Supply Contract Extension and Construction Updates

Introduction

The final State Water Project (SWP) briefing of 2022 will consist of two topics: an update on the Water Supply Contract extension, and a review of the key construction activities undertaken in the past year to manage and maintain the SWP.

Water Supply Contract

The State of California entered into long-term water supply contracts (Contracts) with water agencies in the 1960s. Under the contract terms, the Department of Water Resources (DWR) provides water service to these public agencies, known as State Water Project Contractors, from the SWP in exchange for payments that will recoup all costs associated with providing this water service over the life of the SWP. The Contracts originally included 75-year stated terms with ending dates that ranged from November 2035 to August 2042, depending on when each specific contract was executed.

The majority of the capital costs associated with the development and maintenance of the SWP is financed using revenue bonds. These bonds have historically been sold with 30-year terms, but bonds have not been sold with maturity dates that extend beyond the year 2035, the year the contracts begin to expire. The issuance of bonds for shorter time periods (15-year bonds versus 30-year bonds, for instance) compresses the timeframe for bond repayment and results in higher annual costs.

DWR and the SWP Contractors need to extend the contract termination date to ensure debt service remains affordable to the SWP Contractors. Contract extensions will also allow DWR to sell bonds with 30-year terms or longer, commensurate with the economic life of the project being financed. Longer bond terms ensure the debt service on these bonds remains affordable to SWP Contractors and their water customers.

Construction Update

DWR manages the SWP to ensure adequate water supplies are available under various hydrologic and legal conditions while maintaining SWP operational flexibility. Construction and refurbishment projects occur across the entire length of the SWP and include all major facility types – dams, canals, pipelines, pumping and generating plants. These projects represent DWR's efforts to modernize fire and life safety programs, to identify and implement needed repairs, and to refurbish aging infrastructure. This briefing will provide updates on:

- SWP Fire and Life Safety Modernization.
- SWP Physical Security Upgrades.
- Salmonid Habitat Restoration and Fish Passage (Big Notch).

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- California Aqueduct Canal Liner and Embankment Repairs.
- California Aqueduct Radial Gate Maintenance and Repairs.
- Montezuma Slough Radial Gates Refurbishment.
- Bethany Dams Restoration and Rodent Burrow Prevention.
- Clifton Court Forebay Initial Burrow Remediation and Maintenance.
- Oroville Dam River Valve Outlet System rehabilitation project.
- Gianelli Pumping-Generating Plant Unit Refurbishment.
- Dos Amigos Unit Refurbishment.
- Emergency Drought Barrier – West False River.
- SB 626 – New SWP Construction Delivery Authorization.

Background

The California State Water Project consists of 36 water storage facilities and 700 miles of rivers, pipelines, and canals. It supplies water to 27 million people and irrigates 750,000 acres of farmland. The system includes 21 pumping plants, powered by a system of power-generation and power-recovery plants. DWR also operates the world's tallest water lift – the Edmonston Pumping Plant – which pumps water more than 1,900 feet over the Tehachapi Mountains into Southern California.

Goal Two of the Commission's Strategic Plan directs the Commission to remain apprised of the operations and construction activities of the State Water Project, focusing on how the SWP adapts and responds to hydrological extremes expected with climate change, restores critical ecosystems, and addresses aging infrastructure. As required by Water Code section 165, the Commission conducts an annual review on the progress of the construction and operation of the SWP and reports its findings and recommendations to DWR and the Legislature. This series of briefings will inform the Commission of SWP activities in preparation for the Commission's 2022 annual review.

Meeting Overview

At the November meeting, SWP Financial Manager Hong Lin will provide an update on DWR's plan for Contract Extension Amendment implementation. Sergio Escobar, DWR Division of Engineering Acting Manager, will brief the Commission on the status of major SWP investigative, construction, and refurbishment efforts for 2022.

This is an informational item.

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