



Update on State Water Project Water Supply Contract Extension

Background

Carl Torgersen, Department of Water Resources Deputy Director for the State Water Project (SWP), will update the Commission on the current activities related to the extension of SWP water supply contracts.

The State of California entered into long-term contracts with water agencies in the 1960s. Under terms of the contracts, the Department of Water Resources provides a water service to these 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 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 that extend to the year 2035, the year in which most of the Contracts expire.

It is becoming more challenging each passing year to affordably finance capital expenditures for the SWP since bonds used to finance these expenditures are limited to terms that only extend to the year 2035, less than 30 years from now. In order to ensure continued affordability of debt service to SWP Contractors, it is necessary to extend the termination date of the Contracts. The extension of the Contracts will allow DWR to continue to sell bonds with 30 year terms, thus ensuring the debt service on these bonds remains affordable to SWP Contractors and their water customers. The negotiations are occurring in a public forum to comply with obligations under the California Environmental Quality Act and the Monterey Settlement Agreement.

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