

THE STATE WATER PROJECT

Extending Long-Term Water Supply Contracts to Address Financing the SWP and Impact to Ratepayers



For over 10 years, Public Water Agencies that contract with the California Department of Water Resources have acknowledged the need to extend the long-term water supply contracts to allow DWR to issue bonds beyond 2035.

DID YOU KNOW?

DWR and the Public Water Agencies engaged in 23 public negotiation sessions spanning May 1, 2013 through June 18, 2014 to reach an Agreement in Principle. DWR released for public review and comment a Draft Environmental Impact Report on August 17, 2016.

Long-Term Contracts Enable the State to:

- Obtain a Commitment for Continued Service Beyond 2035
- Provide Capital Financing Beyond 2035
- Ease Financial Compression on Water Rates Statewide
- Enhance Financial Management and Transparency

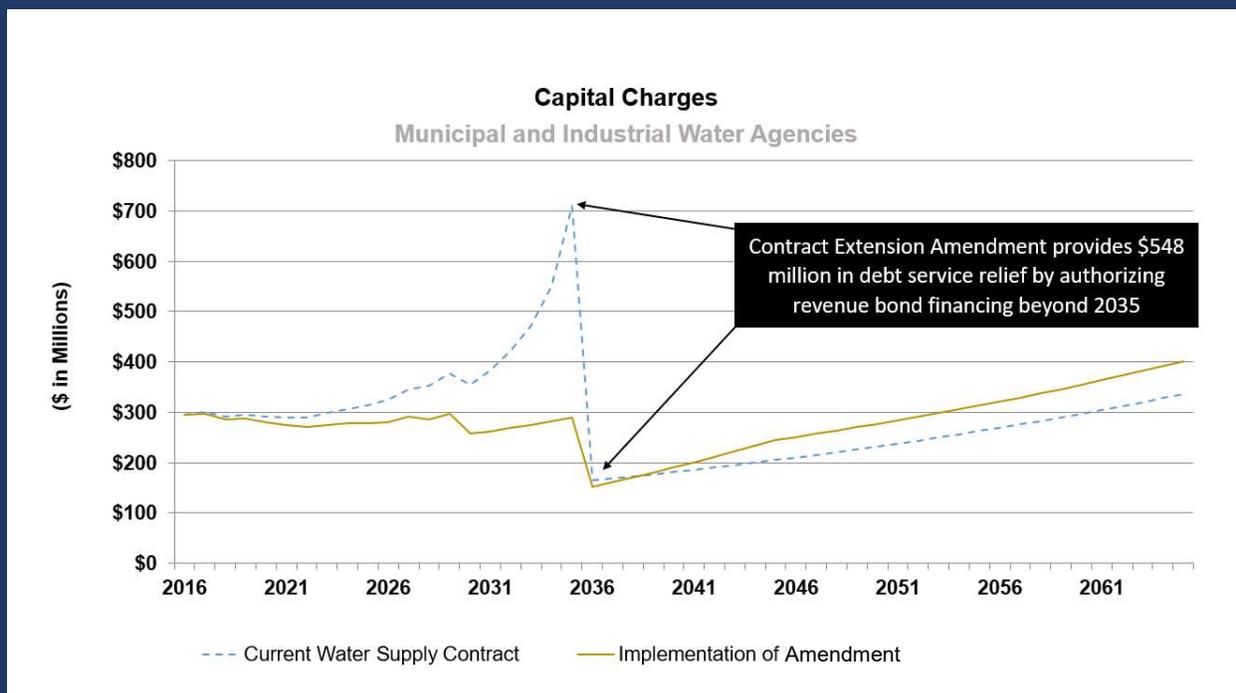
Financial Compression Will Create Higher Water Rates

Think about “financing compression” in terms of financing a mortgage. If a homeowner has a 15-year mortgage, they pay less in interest over time but their monthly payments are much higher than if they were to finance a 30-year mortgage. The contract extension is equivalent to changing from a 15-year to 30-year mortgage for ratepayers, which makes sense given the useful life of this critical infrastructure.

A Contract Extension Will Reduce the Steep Increase to Ratepayers

By extending the repayment of debt service beyond 2035, the state can avoid the steep water rate increases statewide.

FACT: Municipal and industrial public water agencies’ capital charges are projected to increase from \$300 million to \$700 million annually without the contract extension.

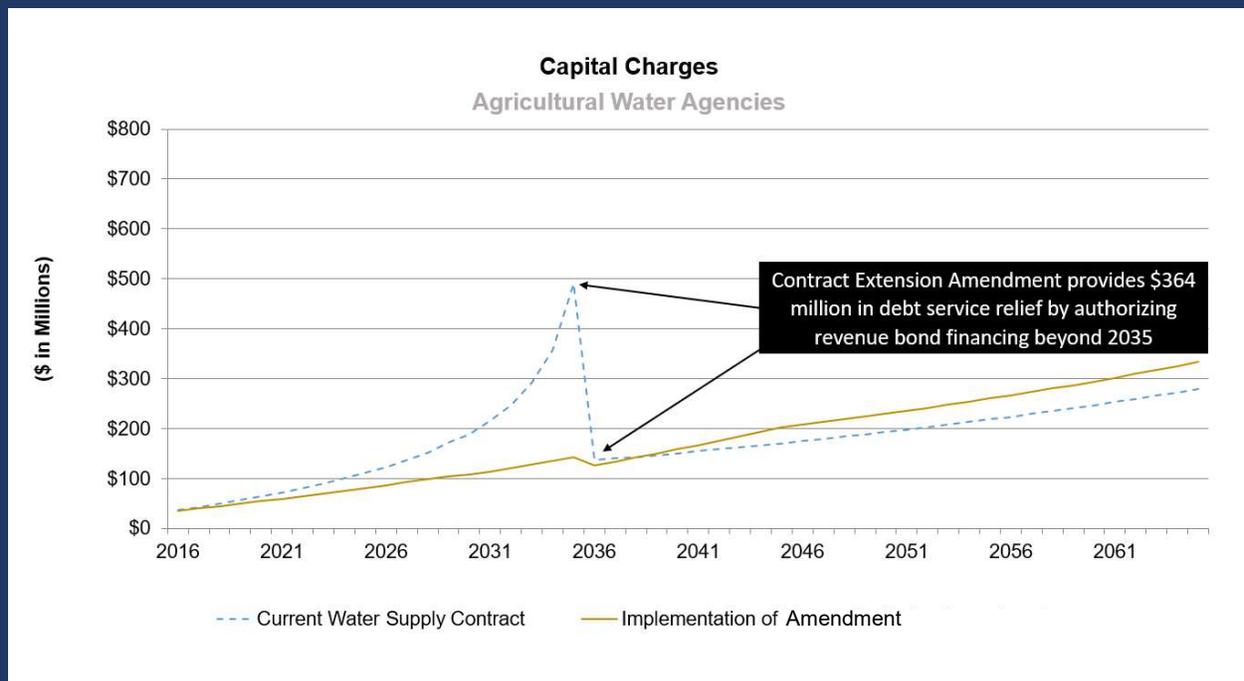


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FACT: Agricultural public water agencies' capital charges are projected to increase from \$36 million to \$490 million annually without the contract extension.



Extending long-term contracts is necessary to address DWR's current capital plan even without CA WaterFix and Oroville Spillway repairs.

The Contract Extension Process Is Nearly Complete

- ✓ Agreement in Principle was developed in 2014.
- ✓ CEQA draft environmental document has been completed and comments have been received.
- ✓ Agreement in Principle has been converted to contract language, which has been evaluated in the CEQA document.

Contract Amendments: Benefits of the New Reserve Funds

- ✓ Clearly defined as to use and purpose, providing transparency to the public and ratepayers
- ✓ Provide financial stability to the State Water Project in times of operational emergency, maintaining rate stability for ratepayers
- ✓ Help maintain high bond ratings, keeping interest costs low and leading to cost savings for ratepayers