

Project Financing Action Plan Update

Reservoir Committee Item 3.2

April 16, 2021



Outline

- Financing Action Plan Update
- April 23rd Workshop
- Financing Alternatives Memo
- Contract Term Sheet Transition

Financing Action Plan Update

February Workshop

- Received input on benefits, obligations, risks, cost allocations, and the preferred finance option

Direction Received at March Meetings

- Develop a cost allocation framework based on which participants use which facilities
- No JPA financing until sufficient progress is made (i.e. water right)

April 23 Workshop Financing and Governance Alternatives

- Financing Alternatives Memo
- Guiding Principles and Preliminary Terms

Financing Alternatives Memo

Memo Key Takeaways

- Cost of Capital
- Interim and Long-term Financing
- Finance Options and Credit Drivers
- Securing Revenue
- Feasibility Hurdles / Risks

Next Steps: Continue to define the range of cost of capital and integrate information into Proforma 2.0 to inform preferred alternative for the Plan of Finance (Prop 1 75% deliverable)

Direction needed to continue outreach and better define security

Full document will be shared in advance of the April 23 workshop

Proposed Direction

Continue discussions with major banks to maintain their interest in the Project and stay informed of their likely lending requirements.

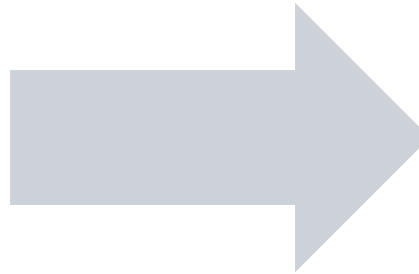
Engage in discussions on behalf of the smaller agricultural Participants with regional or specialty banks or other lenders that have a history of lending to smaller or agricultural entities to assess the availability and estimated cost of credit

Proposed Direction

Further develop and refine the concept of a Sufficiency Pledge and Liquidity Reserve and test these concepts with potential lenders.

Contract Term Sheet Approach

Contract Term Sheet



Guiding Principles and
Preliminary Terms
(GPPT)

Why the new approach?

- Emphasis on assurances necessary for next round of funding while providing flexibility moving forward
- Feedback from February Workshop and direction on the Storage Policy, now Storage Principles

Guiding Principles and Preliminary Terms Preamble

Purpose: establish principles to help guide development of a Water Storage and Supply Services Contract (Contract) between the Sites Reservoir Project Joint Powers Authority (JPA) and the Participants

Key aspects

- mutual understanding of the allocation of project benefits, costs, risks, financing obligations, and ownership obligations
- Parties will work cooperatively and in good faith to follow the principles
- Resolve issues to establish a Water Storage and Supply Services Contract by approximately Summer 2023, prior to initiating Project financing

Which guiding principles are we focusing on developing?

Roles and Responsibilities

- Risk management

Project Assets and Ownership

- Conditions for disposition of the asset rights

Beneficiary Pays

- Use of facilities
- Ongoing: State/Federal O&M and cost overrun coverage

Financing Obligations

- Group financing and pay-go
- Sufficiency pledge

Leasing of Storage and Sales of Water

- Consistent with storage principles, important for offsetting costs

Proposed Direction

Staff proceed with developing Guiding Principles and Preliminary Terms (GPPT) for the Water Storage and Supply Services Contract (formerly “Term Sheet”) to focus on the definition of principles and terms important to participant near-term decision making

Next Steps

Discuss the Financing Alternatives Memo and the Guiding Principles and Preliminary Terms at the April 23 Joint Workshop

Workshop Dates

- April 23, Finance and Governance Alternatives
- June 18, Successor Agreement and Governance
- July 23, Affordability Review
- September 2, Plan of Finance and Term Sheets

Questions?