



Replenish Big Bear Project

Securing our Future



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— *Big Bear* —

Updated 9/28/2022

Project Update - Foreword

- The information presented is PRELIMINARY.
 - It is based on information available today.
- The information presented WILL CHANGE due to the status of the Project.
 - The Project will need to go through piloting and preliminary/final design phases.
 - As we move through these phases, the Project will become more refined and the costs more certain.

Project Update - Foreword

- The Agency will continue to diligently seek and secure offsetting funds in an effort to provide the lowest cost to its ratepayers.
 - The Agency is actively seeking grant funds, low-interest loans, and other revenue to offset costs to its ratepayers.
 - The information presented includes expected grant funds and other revenue that is subject to negotiation and final agreements.
- Throughout this process the public's input and patience are highly valued especially at this stage where costs and offsetting revenues are still uncertain.
 - An open and public dialogue will occur regarding the process, progress and impact of the Project on the Agency's ratepayers.

Project Update



Permitting

- Additional Treatment Requirement
- Discussions with Regulators Continue

Timeline

- Permitting, Piloting Delayed

Pilot Facility

- Recommend Moving Forward

Project Costs

- Additional Treatment
- Inflation

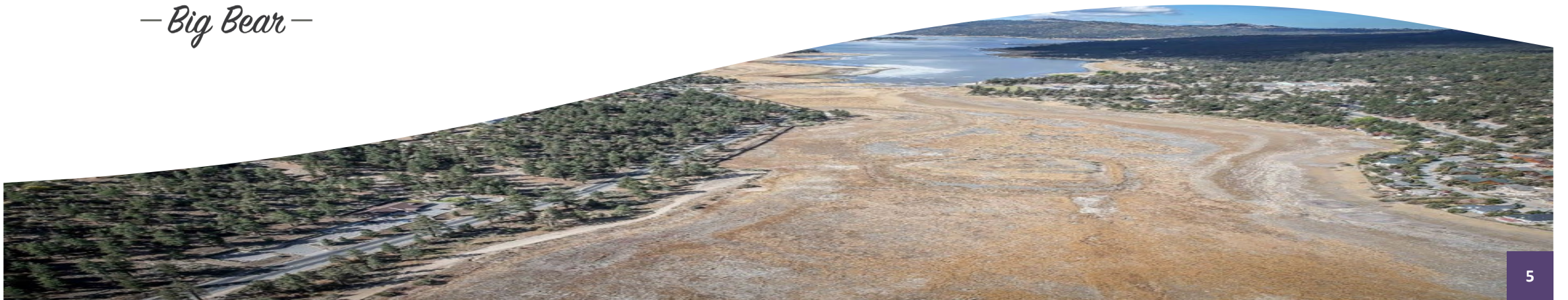
Funding & Financing

- Grants and Loans
- Cost Share MOU
- Negotiations with Project Beneficiaries

Permitting and New Timeline



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Permitting – the NPDES Permit

- BBARWA must receive permitting from the Santa Ana Regional Water Quality Control Board – the “Regional Board”
 - Discharge of the Project water to Shay Pond, Stanfield Marsh (Lake), and within the Treatment Plant
 - DWP will be responsible for the DDW permit to discharge Project Water to Sand Canyon for recharge

Date	
February 2022	-Initial application
June 2022	-BBARWA provides supplemental letter -Agrees to full advanced treatment and additional monitoring suggested by Regional Board
August 2022	-Regional Board provides comments -Labels Project as a Surface Water Augmentation Project -Asks questions related to lake discharge and lake water quality
September 2022	-BBARWA submits letter to the Regional Board to clarify that the Project is not a Surface Water Augmentation Project

Timeline



Program Management & Preliminary Engineering

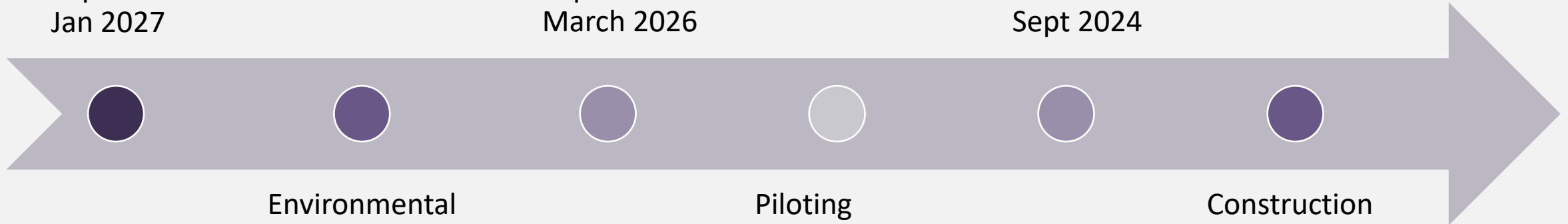
- Sept 2018 – Jan 2027

Permitting

- Sept 2018 – March 2026

Final Design

- Jan 2023 – Sept 2024



Environmental Work

- Sept 2018 – April 2024

Piloting

- Oct 2022 – Sept 2023

Construction

- Sept 2024 – Jan 2027

2018



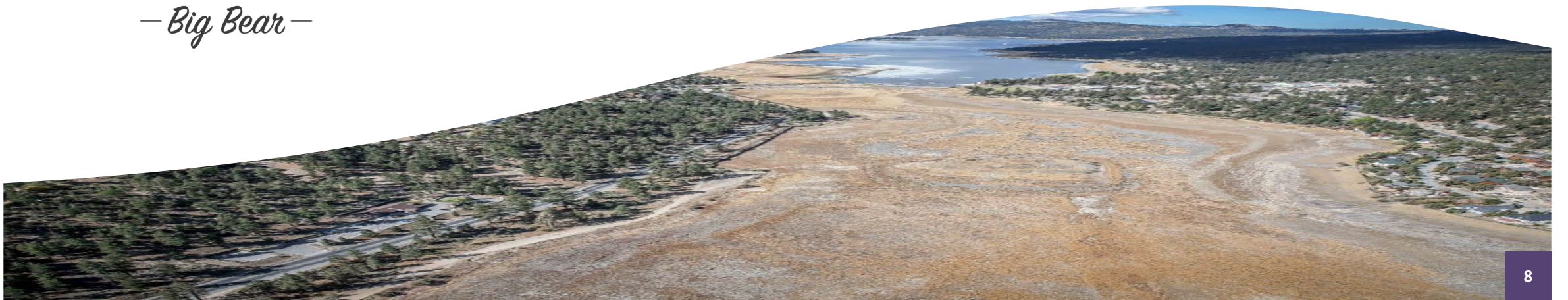
2027

* Project delivery strategies to expedite the schedule will be evaluated, including design-build

Pilot Facility



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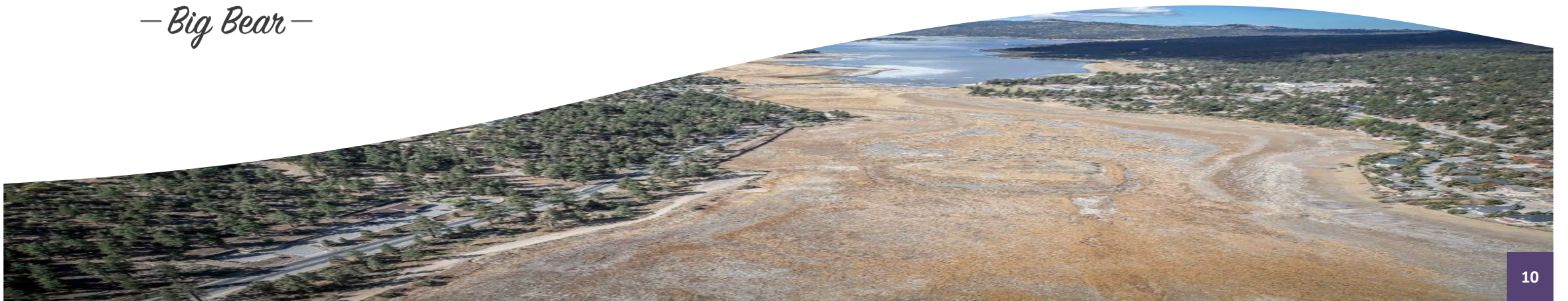
Pilot Facility is the Next Step

- The Pilot Facility
 - Includes biologically active denitrification filters (nutrient removal sand filters), ultrafiltration and reverse osmosis membrane filtration, pellet reactor (brine minimization process), and ultraviolet disinfection with advanced oxidation
- We recommend moving forward
 - Ideally after clear permitting path identified, lower financial risk
 - Estimated costs are approximately \$740,000
 - We believe permitting is likely
 - Stay on project timeline
 - Continued delays are likely to result in higher costs

Project Costs



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Project Capital Costs

Advanced Oxidation Treatment

- Capital costs - \$1.1 million

Inflation

- Estimate uses the midpoint of construction methodology (through November 2025)
- Previous cost estimates were January 2021
- Inflation assumptions for January 2021 – November 2025
 - Jan 2021 – Aug 2022 – Actual inflation CCI (ENR 20-City)
 - Aug 2022 - 2023 – **7%**
 - Aug 2023 – 2024 – **5%**
 - Aug 2024 – November 2025 – **3%**

Project Cost Estimate (\$ millions)

Cost Item	Previous	New	Change
Capital Costs			
Construction	\$44.0	\$59.4	\$15.4
Implementation Costs	<u>11.7</u>	<u>15.6</u>	<u>3.9</u>
Total Capital Costs	\$55.7	\$75.0	\$19.3
Grants			
Non-Federal	\$5.1	\$5.1	
Federal Awarded	0.0	1.6	
Federal Recommended	0.0	\$10.2	
Federal Other	<u>0.0</u>	<u>\$6.9</u>	
Total Grants Expected	\$5.1	\$23.8	\$18.7
Net Cost After Grants	\$50.6	\$51.2	\$0.6

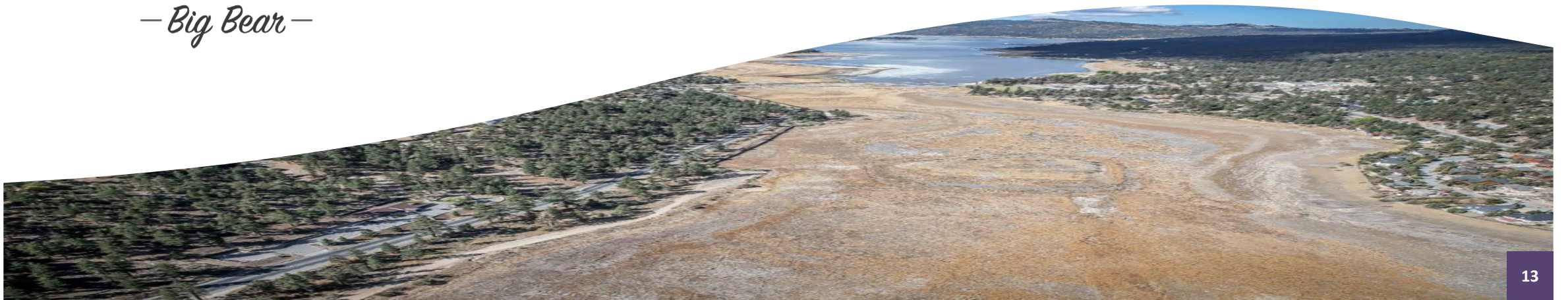


Covering this cost increase with federal grants is highly likely

Funding and Financing

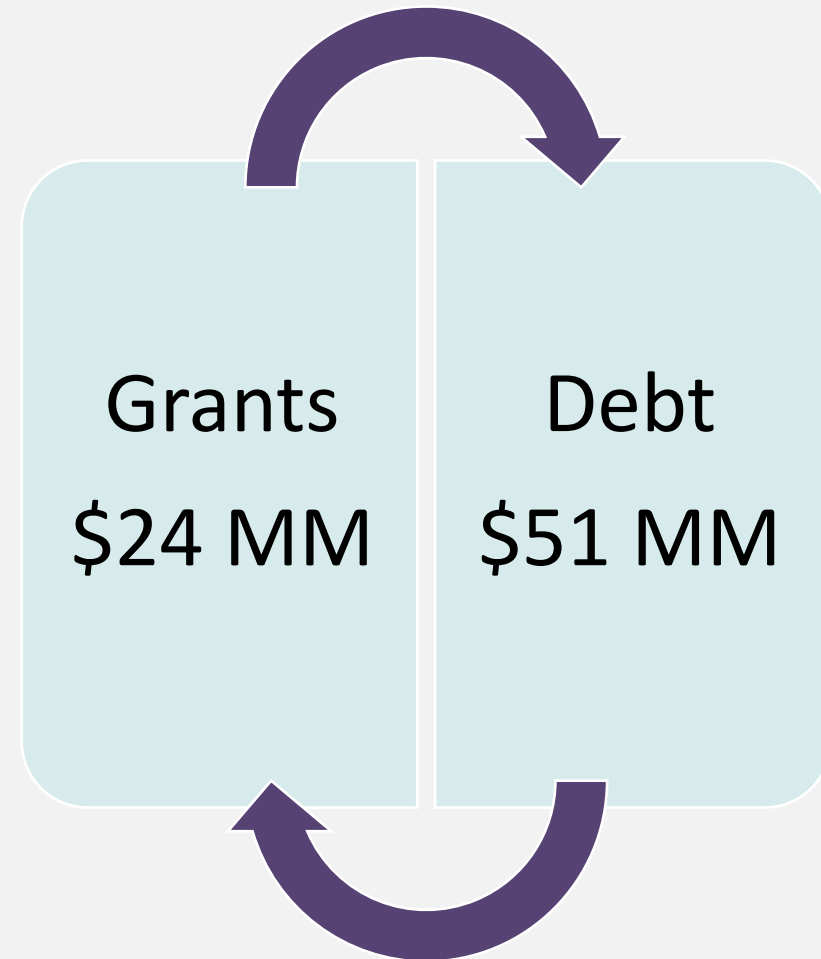


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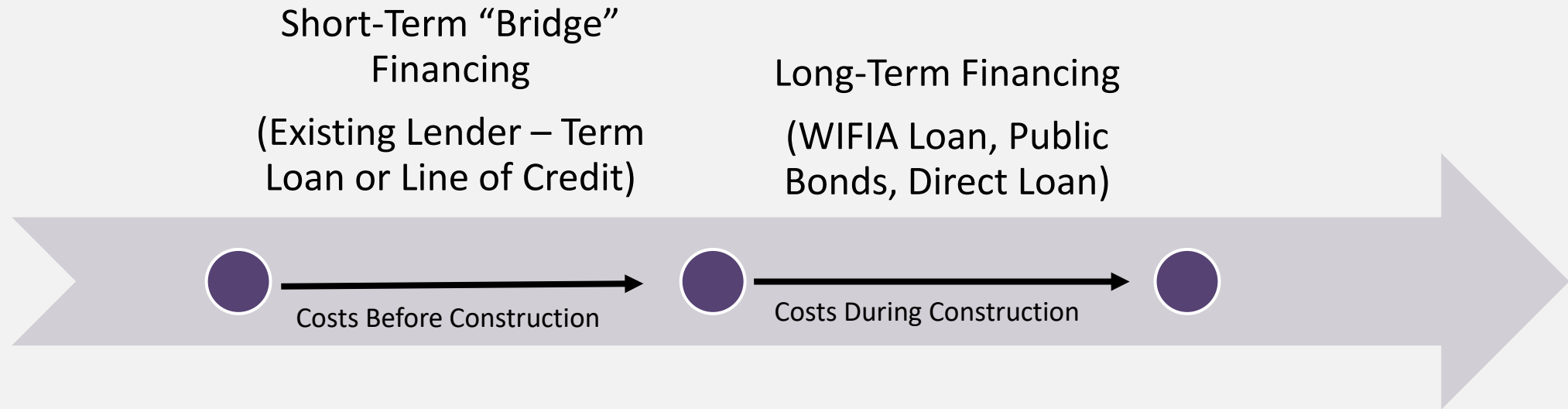


Funding

- The large majority of the project will be funded with a combination of Grants and Debt
- The current split is an estimate



Debt Financing of Project Capital Costs



- Short-Term Financing provides a bridge to the long-term financing - repaid with proceeds of the long-term financing.

Financial Advisors

Fieldman Rolapp and Associates

- Selected through RFP Process
 - Established 1966
 - Independent advisors
 - Irvine, CA (4 offices in California)
 - Highly recommended with lots of experience
 - WIFIA
 - Loan refundings
 - Short-term and long-term financing
- Current Contract
 - WIFIA – Letter of Interest (LOI) & application process
 - Short-term financing

Short-Term Financing

- Budget Includes \$2.5 million in project expenditures
 - Assumed short-term borrowing to fund project expenditures
 - Interest only debt service, no principal payments
- Currently using cash on hand
 - Designated funds for future capital expenditures
- Will seek reimbursement through debt proceeds (get “paid back”) once short-term debt is issued
- Current Timing is December – March
 - 4/5 Board approval required

Project Cost-Sharing - Ongoing

- Cost Sharing MOU - \$2.4 million
 - Project Partners
 - MWD
 - DWP
 - CSD
- Approximately \$300,000 remaining at beginning of FY2023

Project Revenue – Project Beneficiaries

- Project Revenue
 - Collected from the Project Beneficiaries each year
 - Offsets expenses and lowers rate impact
 - Approximately \$1.7 million
 - Approximately 65% of estimated Project O&M

Project Beneficiary	Contribution	Status
DWP	\$294,718.18	LOI being considered by Board
CSD	\$138,691.20	LOI being considered by Board
MWD	\$646,000	LOI in draft review
Big Bear Mountain Resort	\$129,000	Additional 120 AFY for Snow Summit Bike Park dust control; LOI in draft review
City of Big Bear Lake	\$500,000	Dependent upon voter approval; LOI in draft review
County of San Bernardino	Amount TBD	Dependent upon voter approval; LOI to be developed

Project Beneficiaries -Next Steps



Finalize Letters of Intent

- Establishes framework for negotiation
- Expected contribution amounts

Develop Principles of Agreement

- Establishes roles, responsibilities, terms and conditions for Project Water recipients

Finalize Funding Agreements

- Final agreement incorporating Letters of Intent and Principles of Agreement

Project Summary -Current and Upcoming Activities

- Move forward with piloting
- Seek additional grant funding, short-term financing, WIFIA loan
- Continue to keep the Board and public updated