



## MEMORANDUM

TO: SLDMWA Finance and Administration Committee, Board of Directors, Alternates

FROM: Pablo Arroyave, Chief Operating Officer

DATE: November 9, 2023

RE: Resolution Authorizing Application for Extended Repayment and Funding in the Amount of up to \$873.1M From the Aging Infrastructure Account in Fiscal Year 2024 for Extraordinary Maintenance Work on O'Neill Pumping-Generating Plant and the Delta-Mendota Canal

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### BACKGROUND

The 2021 Bipartisan Infrastructure Law (BIL) authorized \$3.2 billion for extraordinary maintenance (XM) of Reclamation facilities. These funds are available to both reserved and transferred works facilities and will be administered through the Aging Infrastructure Account (Account), a Reclamation-wide revolving fund created to sustain investment in XM. The Water Authority submitted BIL applications in December 2022 for the Jones Pumping Plant Excitation and Control Modernization Project and for the DMC Subsidence Correction Project, and was awarded \$25 million for each project. Reclamation's FY 2024 Spend Plan authorizes \$680 million from the Account through a competitive funding process with the application period open from October 3, 2023 until December 1, 2023. Reclamation has indicated that there will be four additional application periods for a total available between federal FY 2023 and FY 2027 of approximately the \$3.2B authorized in the BIL.

As a transferred works entity, the Water Authority may apply for funds to support XM of transferred works facilities. Each individual project for which an application is submitted will be evaluated independently, and there is no guarantee of any project or projects being selected for award. Projects that are selected will follow the established reimbursability and terms for extended repayment, not to exceed 50 years. Projects will be selected in, or around, March 2024. Following selection, the recipients will be required to negotiate and execute repayment contracts with Reclamation.

The Water Authority has evaluated its existing 10-Year Plan and established criteria to help inform the selection of projects for inclusion in the application. The criteria include:

1. Projects that have an appraisal level cost estimate completed;
2. Multi-Year Projects over \$1M/year; and/or
3. Single-Year Projects over \$1.5M

Two EO&M projects meet this criteria for Fiscal Year 2025:

- Delta-Mendota Canal (DMC) Subsidence Correction Project: Total project cost is currently estimated at \$830M. (Note: Reclamation awarded \$25 million to this project in 2022, and has indicated that the Water Authority should reapply to be eligible for additional BIL funding.)
- O'Neill Pumping-Generating Plant (OPP) Upgrades Project: Total project cost for all projects at OPP is currently approximately \$68.1 million. Further refined cost estimates are due to the Bureau of Reclamation in January 2024. The following projects have been identified and incorporated into the OPP Upgrades Project: 1. OPP Rewind, 2. OPP Pump Bowl Replacement, 3. OPP Woodward Governor Rehabilitation, and 4. OPP Penstock and Pump Unit Rehabilitation.

### ISSUE FOR DECISION

Whether the Board of Directors should adopt the proposed Resolution authorizing application for extended repayment and funding in the amount of up to \$873.1 million from the Aging Infrastructure Account in Fiscal Year 2024 for extraordinary maintenance work on the DMC Subsidence Correction Project and the O'Neill Pumping-Generating Plant Upgrades Project.

### RECOMMENDATION

Water Authority Staff recommends adoption of the proposed Resolution.

### ANALYSIS

The application process is described in Reclamation Directive and Standard (D&S) PEC 05-03 (attached). If one or all of the proposed projects is selected, the Water Authority must be willing to negotiate and execute a contract or contracts for extended repayment of funds. The Water Authority would seek at least a 30-year repayment term and would explore additional repayment terms with Reclamation during the application review process. Per Reclamation staff, per D&S PEC 11-01, *Irrigation Ability to Pay Analysis*, an Ability to Pay Study is required for any repayment term greater than 30-years. Any repayment contract would be brought to the Water Authority Board of Directors for future review and action.

Per Section 8E **Acreage Limitation**, on page 8 of D&S PEC 05-03, extended repayment of O&M expenses does **not** trigger Reclamation Reform Act pricing or acreage limitations.

### ATTACHMENTS

1. Resolution Authorizing Application for Extended Repayment and Funding in the Amount of up to \$873.1M From the Aging Infrastructure Account in Fiscal Year 2024 for Extraordinary Maintenance Work on O'Neill Pumping-Generating Plant and the Delta-Mendota Canal
2. Applicant Cover letter template
3. Reclamation Directive and Standard (D&S) PEC 05-03

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY**

**RESOLUTION NO. 2023-xxx**

**RESOLUTION AUTHORIZING APPLICATION FOR EXTENDED REPAYMENT AND FUNDING IN THE AMOUNT OF UP TO \$873.1M FROM THE AGING INFRASTRUCTURE ACCOUNT IN FISCAL YEAR 2024 FOR EXTRAORDINARY MAINTENANCE WORK ON O'NEILL PUMPING-GENERATING PLANT AND THE DELTA-MENDOTA CANAL**

**WHEREAS**, the San Luis & Delta-Mendota Water Authority (“**Water Authority**”) is a transferred works operator responsible for the operation, maintenance, and replacement (“**OM&R**”) of certain Central Valley Project (“**CVP**”) facilities, including the O’Neill Pumping-Generating Plant (“**OPP**”), which moves water between the Delta-Mendota Canal (“**DMC**”) into the O’Neill Forebay; and the DMC, a 116.5-mile long canal that carries water from the Delta near Tracy to the Mendota Pool, about 30 miles west of Fresno; and

**WHEREAS**, the OPP was constructed in 1968, and the U.S. Bureau of Reclamation (“**Reclamation**”) has determined that the unit pump bowls are at the end of their useful life and recommended for replacement per Technical Memorandum dated October 7, 2019, with Subject Line “San Luis Delta Water Authority – O’Neill Pumping Plant Pump Bowl Modification – Delta Division – Central Valley Project (CVP), California;” and

**WHEREAS**, the Water Authority and Reclamation have worked closely to plan four extraordinary maintenance projects for OPP, including the OPP rewind, OPP pump bowl replacement, OPP Woodward Governor rehabilitation, and OPP penstock and pump unit rehabilitation (together, the “**OPP Upgrades Projects**”); and the preliminary construction cost estimate for all projects is \$68.1 Million; and

**WHEREAS**, the DMC has experienced significant land subsidence that has resulted in a reduced conveyance capacity and the Water Authority and Reclamation are working closely to develop and further the DMC Subsidence Correction Project, and the feasibility level construction cost estimate is \$830 Million; and

**WHEREAS**, the Water Authority was awarded \$25 million in Bipartisan Infrastructure Law (“**BIL**”) funding in FY23 for the DMC Subsidence Correction Project and has begun the negotiation procedures to determine the terms of the repayment contract; and

**WHEREAS**, the Water Authority is now pursuing all possible financing options, including reasonable cost share provisions, or non-reimbursable funding, with which to pay the cost of extraordinary maintenance at the OPP and the DMC; and

**WHEREAS**, the Water Authority is authorized to fund and negotiate contracts for the repayment of extraordinary maintenance projects; and

**WHEREAS**, Congress provides federal funding for extraordinary maintenance work by means of discretionary and mandatory appropriations and, with the addition of the Aging

Infrastructure Account, federal funding will also be provided by repayment amounts from extraordinary maintenance contracts that were funded by the Aging Infrastructure Account; and

**WHEREAS**, if the OPP Upgrades Project and/or the Delta-Mendota Canal Subsidence Correction Project are/is selected to receive extended repayment and funding from the Aging Infrastructure Account in Fiscal Year 2023, the Water Authority would proceed in negotiating a contract for extended repayment of funds, and the contract would be brought to the Water Authority Board of Directors for review and action; and

**WHEREAS**, authorizing application for funding for extraordinary maintenance and negotiation of a repayment contract with the United States do not constitute a project or projects under the California Environmental Quality Act (“CEQA”) because the proposed actions represent administrative actions of the Water Authority that will not result in direct or indirect physical changes in the environment (CEQA Guidelines Section 15378(b)(5)); further, because it can be seen with certainty that there is no possibility that the proposed actions in question may have a significant effect on the environment, the proposed action is not subject to CEQA (CEQA Guidelines section 15061(b)(3)); further, future CEQA review will be completed prior to approval or any construction of the extraordinary maintenance in question.

**NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS, THAT:**

Section 1. The facts stated in the recitals above are true and correct, and the Board so finds and determines.

Section 2. The Board hereby authorizes the Executive Director to submit an application on behalf of the Water Authority for Extended Repayment and Funding from the Aging Infrastructure Account in Fiscal Year 2024 for two projects, the O’Neill Pumping-Generating Plant Upgrade Project and the Delta-Mendota Canal Subsidence Correction Project.

Section 3. The Executive Director and Chief Operating Officer, and such Water Authority employee or consultant as either of such officers may designate, are further authorized and directed to enter into negotiations with the United States for a repayment contract or repayment contracts, with the expectation that any such contract will be presented to the Board of Directors for approval.

Section 4. The Executive Director and Chief Operating Officer, and such Water Authority employee or consultant as either of such officers may designate, are further authorized and directed to take such additional steps, and to execute such additional documents, as may be required or reasonably necessary to the completion of the activities authorized by this Resolution.

**PASSED, APPROVED AND ADOPTED** this 9<sup>th</sup> day of November, 2023, by the Board of Directors of the San Luis & Delta-Mendota Water Authority.

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Cannon Michael, Chairman  
San Luis & Delta-Mendota Water Authority

Attest:

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Federico Barajas, Secretary

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I hereby certify that the foregoing Resolution No. 2023-\_\_\_ was duly and regularly adopted by the Board of Directors of the San Luis & Delta-Mendota Water Authority at the meeting thereof held on the 9th day of November, 2023.

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Federico Barajas, Secretary