



Special Subcommittee on Imported Water

Delta Conveyance Project Funding Agreement & Other Updates

Item 3d

June 23, 2025

Item 3c
DCP Funding
Agreement
Update

Subject

Amendment to existing funding agreement between Metropolitan and DWR for planning and pre-construction of the Delta Conveyance Project

Purpose

Provide an update on contents of amended funding agreement, including off-ramp provisions

Update DCP Funding Agreement

Background

- On December 10, 2024, Metropolitan's Board authorized the General Manager to enter into an amended funding agreement with DWR
- Funds to be used for planning and pre-construction costs in calendar years 2026-2027
- Amount not to exceed \$141.6 million

Update
DCP Funding
Agreement

MWD/DWR Letter Exchanges

- \$75 million refund related to protest items
- Completion of all major permits by end of 2026
- Adherence to proportionate funding
- Development of innovative long-term funding approaches
- Evaluation and implementation of climate adaptation actions
- Pausing funding and/or returning unspent funds

Update DCP Funding Agreement

Metropolitan may pause payments or terminate the Agreement if:

- DWR does not obtain all Major Permits on or before December 31, 2026
- There is a material adverse change, individually or cumulatively, in the benefits or costs of the DCP
 - Relative to the 2024 Cost Estimate and 2024 Benefit-Cost Analysis

Update DCP Funding Agreement

If Metropolitan determines there has been a material adverse change

- Metropolitan may in its sole discretion give written notice of its intent to pause payments under or terminate Agreement.
- Metropolitan shall not be responsible for the funding of any new obligations and liabilities incurred by DWR and the DCA
 - Exception for those needed to minimize DCA and DWR total obligations or to facilitate orderly termination or suspension of work

Update DCP Funding Agreement

If there are Metropolitan funds remaining after satisfying existing obligations and liabilities

- DWR shall refund that amount to Metropolitan
- If the process for pausing funding under or terminating this Agreement requires Contractor to make additional payment(s) of Contributed Funds, Contractor shall make such payment(s) consistent with the negotiated plan

Offramps DCP Funding Agreement

Examples of events that may result in a material adverse change to DCP benefits or costs include

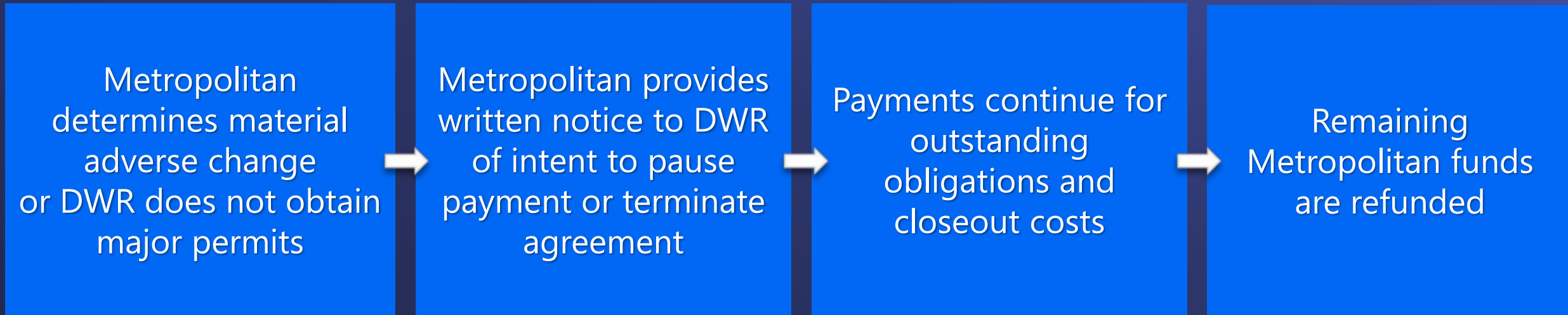
- Major Permit conditions that diminish the DCP's water supply benefits or that impose costly additional mitigation measures
- Delay in obtaining one or more Major Permits that incurs significant cost escalation

Offramps DCP Funding Agreement

Examples of events that may result in a material adverse change to DCP benefits or costs include

- Changes DWR makes to the DCP or MMRP in response to an update Bay-Delta Water Quality Control Plan beyond those contemplated in the Agreements to Support Healthy Rivers and Landscapes
- Discovery of new information by the DCA about soil or other conditions in the DCP alignment and project footprint that significantly increases the cost of construction

Offramp Process Overview



Examples of material adverse changes can include but are not limited to:

- (1) Major Permit conditions that diminish the DCP's water supply benefits or that impose costly additional mitigation measures
- (2) Delay in obtaining one or more major permits that incurs significant cost escalation
- (3) Changes DWR makes to the DCP or MMRP in response to an update to the Bay-Delta WQCP beyond those contemplated in the Agreements to Support Healthy Rivers and Landscapes
- (4) Discovery of new information by the DCA about soil or other conditions in the DCP alignment and project footprint that significantly increases the cost of construction

