

Sites Reservoir Project Update

July 22, 2025

Item 3a
Subcommittee on Imported Water

Metropolitan Water District of
Southern California



An update on the estimated Sites Project costs and benefits

Sites is undergoing an update of the Project's range of benefits and costs; so far benefits remain steady, costs have increased from about \$4B (2021\$) to about \$7.5B (2024\$)

- Costs have gone up due to escalation and design development
- Opportunities to reduce costs remain through value engineering and collaborative delivery

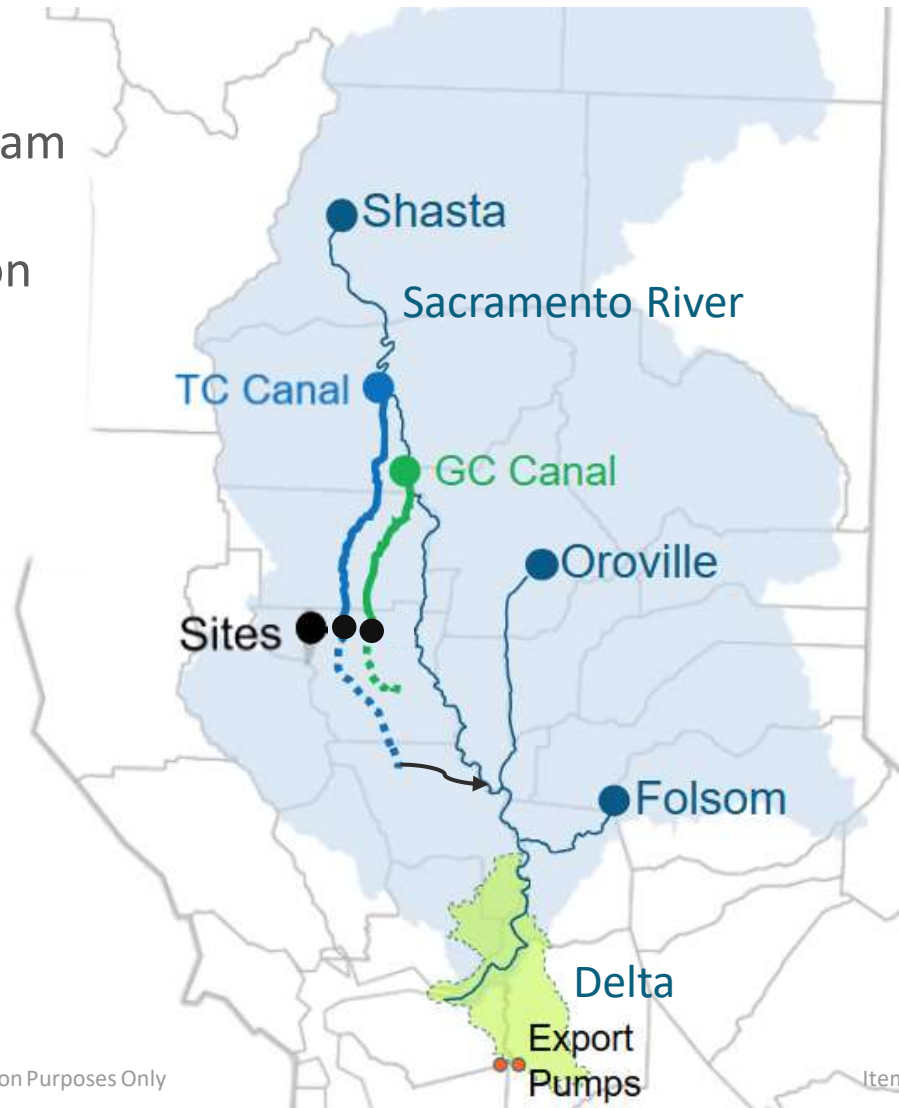
The updated costs and benefits will be revisited and confirmed in a “Program Baseline Report” after receiving the Water Right and state and federal contracts (expected by end-2025).

This information will be available to you before you need to make a decision.

Location of Sites Reservoir relative to other major California water Infrastructure

Sites proposed new facilities:

- 1.5 million acre-foot (AF) off-stream reservoir
- Pumping and generating plants on existing canals
- Pipelines into and out of the reservoir and back to the Sacramento River



The Project provides water supply and storage benefits

Modeling shows the Project:

- Creates a new water supply in the range of 210,000 AF to 260,000 AF average in annual deliveries
- Could have been filled from empty to full, 1.5 million AF, in the last three years
- Performs better under climate change scenarios
- Provides opportunities for increased flexibility in water storage and transfer between Participants

Project costs have been updated from 2021

The project design has advanced from 10% to 30% and the estimate was advanced from AACE Class 4/5 to Class 3 incorporating:

- Historic construction cost increases in recent years. For example, US Bureau of Reclamation cost index shows an escalation of about 25% between 2021 and 2024
- Detailed work around project pipelines and pumping plants needs
- Assessment of organizational needs for construction management and environmental and funding compliance
- Additional geotechnical and survey field work
- Increased regulatory input including Division of Safety of Dams (DSOD)
- Community input, particularly around Project roads

The Cost estimate has been reviewed by the Value Planning Ad Hoc Committee and Participants, including MWD staff

Working summary of Project cost changes from 2021 to 2024 (rounded)

Cost Category	Feasibility Design Cost Estimate (2021\$, M)	30% Cost Estimate (2024\$, M)
Contract Costs	\$ 2,350	\$ 3,880
Non-Contract Costs	\$ 500	\$ 1,370
Compensatory Mitigation	\$ 580	\$ 790
Contingency (design and construction)	\$ 500	\$ 1,430
Total	\$ 3,930	\$ 7,470 (in-progress estimate)

How will Project costs be managed moving forward?

The project will be managed to a budget as determined by the Participants (including MWD)

- Balancing aggressive and conservative budget setting and having a plan for managing change; reserving some of the contingency
- About \$200 million in potential savings have been identified by the technical team
- The Project will use alternative delivery (CMAR) to manage and reduce costs and meet our target completion in 2032. The reservoir contractor will be on-board by the end-2025

The Program Baseline Report (before end-2025) will provide a detailed cash flow including escalation, cost of capital, and OM&R costs for each Participant

Next steps

- End-2025: Program Baseline Report provided to Participants to aid in decision-making
 - *includes updated costs and benefits based on water right and state and federal agreements*
- Early-2026: work with reservoir contractor to define early construction packages
- Mid-2026: with all commitments, initiate financing
- Late-2026: break ground on construction
- End-2032: target completion

Diamond Valley Lake Cost in 2025 Dollars

Metropolitan Staff Performed a High-level estimate of the inflated cost of Diamond Valley Lake in 2025 Dollars using two alternative methodologies:

- 3% annual escalation factor from 2000 to 2025
- CPI Growth from 2000 to 2025

Cost Category	800 TAF	Scaled to 1.5 MAF
Construction Cost in 2000	\$1.9 Billion	\$3.56 Billion
@3% Escalation to 2025	\$3.98 Billion	\$7.46 Billion
@Actual CPI Growth to 2025	\$3.55 Billion	\$6.65 Billion

Questions?

