

Bureau of Reclamation, Mid-Pacific Region Business Practice Guidelines
for
Accounting for Central Valley Project (CVP)
Water Transfers

1.0 Purpose

The purpose of these guidelines is to define a step-by-step process for accounting for water transfers between Central Valley Project water contractors.

2.0 Scope

These guidelines encompass CVP contractors under water service or repayment contracts, water right settlement contracts or exchange contracts. These guidelines are effective as of March 1, 2007.

3.0 Authorities and References

- a. Central Valley Project Improvement Act (CVPIA)**
- b. Irrigation Water Ratesetting Policy, 1988**
- c. Municipal & Industrial (M&I) (Interim) Water Ratesetting Policy, 1993**
- d. Policy on Water Rates for Water Transfers from One CVP Contractor to Another CVP Contractor, April 28, 2005**
- e. Interim Water Transfers Procedure Guide**
- f. Crediting Policy for Water Transfers (needs to be put into writing, MP 3400)**
- g. Reclamation Reform Act (Full Cost Water Rates)**
- h. Reclamation Wide Transfer Policy (Reclamation Manual/Policy WTR P02)**

4.0 Expiration

These guidelines supplement but do not replace related Department of the Interior and Reclamation-wide policies, directives, and standards. The guidelines supersede all previous regional administrative guidance on this subject and will remain in effect until formally revised or rescinded.

5.0 Contacts

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6.0 Definitions:

- a. **Ability-to-Pay:** Provision of Reclamation Law (authorized by the Act of June 17, 1902, as that statute has been amended and supplemented by among other statues, the Reclamation Project Act of August 4, 1939, as it relates to the repayment of the project construction costs allocated to irrigation and section 3407 (d)(2)(A) of the Central Valley Project Improvement Act (CVPIA), Title XXXIV of the Projects and Authorization Adjustment Act of October 30, 1992, as it relates to the payment of Restoration Fund (RF) charges) that permits irrigation contractors to apply for relief from their capital repayment obligations and restoration fund charges based upon an economic analysis of their ability to meet that obligation. The analysis determines the portion of the net farm income attributable to the off farm water supply (supplies) after allowances have been made for returns to farm investment, farm family labor, and management.
- b. **Conveyance Pumping Component:** The conveyance pumping capital cost components include the costs of the main Project pumping facilities used to move irrigation and M&I water through the Project: Corning Pumping Plant, Dos Amigos Pumping Plant, O’Neill Pumping-Generating Plant, and the Tracy Pumping Plant. Separate capital rates are computed for each of the pumping plants and those rates are assigned to contractors whose water is pumped through these pumping plants. As of 2006, there were no rates for O&M (including project use energy) as these costs are recovered by separate agreements with water authorities.
- c. **Direct Pumping Component:** The direct pumping O&M and capital cost components are based on the costs associated with re-lift pumping plants. These plants pump water exclusively for specific contractors. These facilities were constructed by Reclamation and are now operated and maintained by the local water districts whose water they pump. Project use energy is a component of both direct pumping O&M and capital rates.
- d. **Exchange Contractors:** After completion of the Friant Dam, the United States has been and is storing and diverting said reserved waters of the San Joaquin River for use within and without the watershed of said river by others than Central California Irrigation District, Columbia Canal Company, San Luis Canal Company, Firebaugh Canal Company (Exchange Contractors), and has been and is supplying the Exchange Contractors in lieu of such waters with substitute water from the Sacramento River, the Sacramento-San Joaquin Delta , and other sources through the Delta-Mendota Canal of said Project and by other means.
- e. **Renewed Contracts:** Contracts which have been renewed are referred to as “renewed contracts”. The rates and charges for water transfers are driven by whether or not the transferor’s water service or Sacramento River settlement contract has been renewed after the passage of the CVPIA. Renewed contracts, for purposes of these guidelines, also

include the four San Joaquin River settlement contracts and the Mendota Pool settlement contracts¹.

- f. **Cost of Service Water Rates:** The term “cost of service water rates” means the annual rate for irrigation and M&I water established pursuant to the then applicable water ratesetting policies which will recover all costs assigned to the irrigation and M&I water supply functions, respectively, within the established repayment period. This includes recovery from each contractor, within the authorized repayment period, of: (1) annual O&M costs; (2) interest costs; (3) capital investment costs; and (4) O&M deficit balances.
- g. **Full Cost Lands:** Eligible nonexempt land directly or indirectly owned or leased that exceeds the non full-cost entitlement and may receive Reclamation irrigation water only at the full cost rate. Nonexempt land means either irrigation land or irrigable land that is subject to the acreage limitation provisions of the Reclamation Reform Act.

7.0 Roles and Responsibilities

- a. **Resources Management. The Resources Management Office is responsible for:**
 - 1. Providing overall CVP policy on rates for water transfers.
 - 2. Promptly informing area and field offices, the Ratesetting Office, and Accounting Office of long-term transfer agreements.
- b. **Area and Field Offices. These offices are responsible for:**
 - 1. Calculating the appropriate water transfer rates and charges using these guidelines.
 - 2. Developing and retaining appropriate documentation supporting each transfer.
 - 3. Recording water transfers in the Bureau of Reclamation’s Water Operations and Recordkeeping System (BOR-WORKS) in the month after the transfer occurred.
 - 4. Using the regional CVP transfer form, Exhibit D, to identify rates and charges associated with the transfer. Copies must be provided to regional Resource Manager, Accounting Officer, and Ratesetting Manager within 5 business days of transfer approval.
 - 5. Ensuring that Resources Manager and Financial Manager are informed of short-term transfer agreements.

¹ Under the Interim Water Acquisition Program agreement between the United States (U.S.) and the Exchange Contractors, dated June 3, 2006, the transferor pays on behalf of the Exchange Contractors. Since the Exchange Contractors do not have a payment responsibility for their substitute water, the Exchange Contractor 5-year transfer activity agreement participants and Madera Irrigation District shall pay directly to Reclamation the applicable water rate(s) for any additional facility services required to effectuate the transfer.

- c. Ratesetting Services is responsible for:**
 - 1. Developing component water rates and ability-to-pay relief rates.
 - 2. Accounting for and applying water transfer revenues.
 - 3. Performing quality assurance reviews of water transfer rates to ensure they are accurate.
 - 4. Ensuring guidance for accounting for water transfers is complete and up-to-date.

- d. Accounting Services is responsible for:**

Accounting for payments for the water transfers.

- e. Contractors are responsible for:**

Requesting approval for and transferring water according to contract terms and conditions, and with terms and conditions delineated in the approval/or consent letter.

8.0 Principles

These guidelines are intended to provide the area offices, field offices, and the Finance Office with the guidance necessary to consistently and accurately account for water transfers between CVP contractors water under water service, repayment, Settlement, and Exchange contracts. Concerns not addressed in these guidelines should be brought to the attention of the Financial Manager.

9.0 Process for Determining Rates and Charges:

Water rates and charges are determined through these guidelines. These instructions further explain the *Final Policy on Water Rates for Water Transfers from One CVP Contractor to Another CVP Contractor*, dated April 28, 2005.

9.1 Determining Water Rates and Charges for Renewal Contractors

Generally, the water transfer rate is the transferor's cost of service rate adjusted to reflect the additional services provided and reduced to reflect services not used.

- a. Determining additional services:** Additional services are costs incurred for use of Reclamation facilities and services that would not otherwise occur absent the transfer. They may include, but are not limited to, additional operations and maintenance costs for storage, direct pumping, conveyance (Folsom-South Canal only), and conveyance pumping (South of Delta transfers related to Dos Amigos pumping for Cross Valley Canal contractors and potentially Tracy pumping if the water is moved via Article 55), along with certain capital costs. Capital costs may include storage, conveyance, conveyance pumping, and direct pumping. Capital costs do not include San Luis drain capital.² Reclamation

² This is a revision from the April 28, 2005 policy on water rates for water transfers.

reserves the right to assess appropriate fees when there are special services that are not captured in standard transfer rate components.

- b. **Identifying reduced services.** Reduced services are direct pumping operations and maintenance costs³. A reduction in the use of a capital facility will not constitute a reduction in service for the purposes of determining a water transfer rate as they are fixed costs to be recovered regardless of the transfer action.
- c. **Other factors.** Other factors that must be considered include whether or not: (1) the contractor has an ability-to-pay limitation; (2) tiered pricing applies; (3) the water to be transferred is being applied to lands subject to payment at the full cost rate; (4) a Friant surcharge is applicable; and (5) a Restoration Fund payment is applicable.

9.2 Determining Transfer Rate:

Two decision trees have been created for use in determining the appropriate transfer rate. Exhibit A is the decision tree applicable to transferors who have entered into a renewal contract. Exhibit B is the decision tree applicable to transferors who have not executed a renewal contract.

Each exhibit is followed by a series of tables within which are the technical instructions for determining the appropriate transfer rate. Listed below is a summary of the tables.

Exhibit A – Transferor is a renewal contractor

<u>Table</u>	<u>Transferor</u>	<u>Transferee</u>
A-1	Irrigation	Irrigation
A-2	Irrigation	M&I
A-3	M&I	M&I
A-4	M&I	Irrigation

Exhibit B – Transferor is not a renewal contractor

<u>Table</u>	<u>Transferor</u>	<u>Transferee</u>
B-1	Irrigation or M&I	Irrigation
B-2	Irrigation or M&I	M&I

Exhibit C provides examples for calculating water transfer rates.

Exhibit D is the water transfer form.

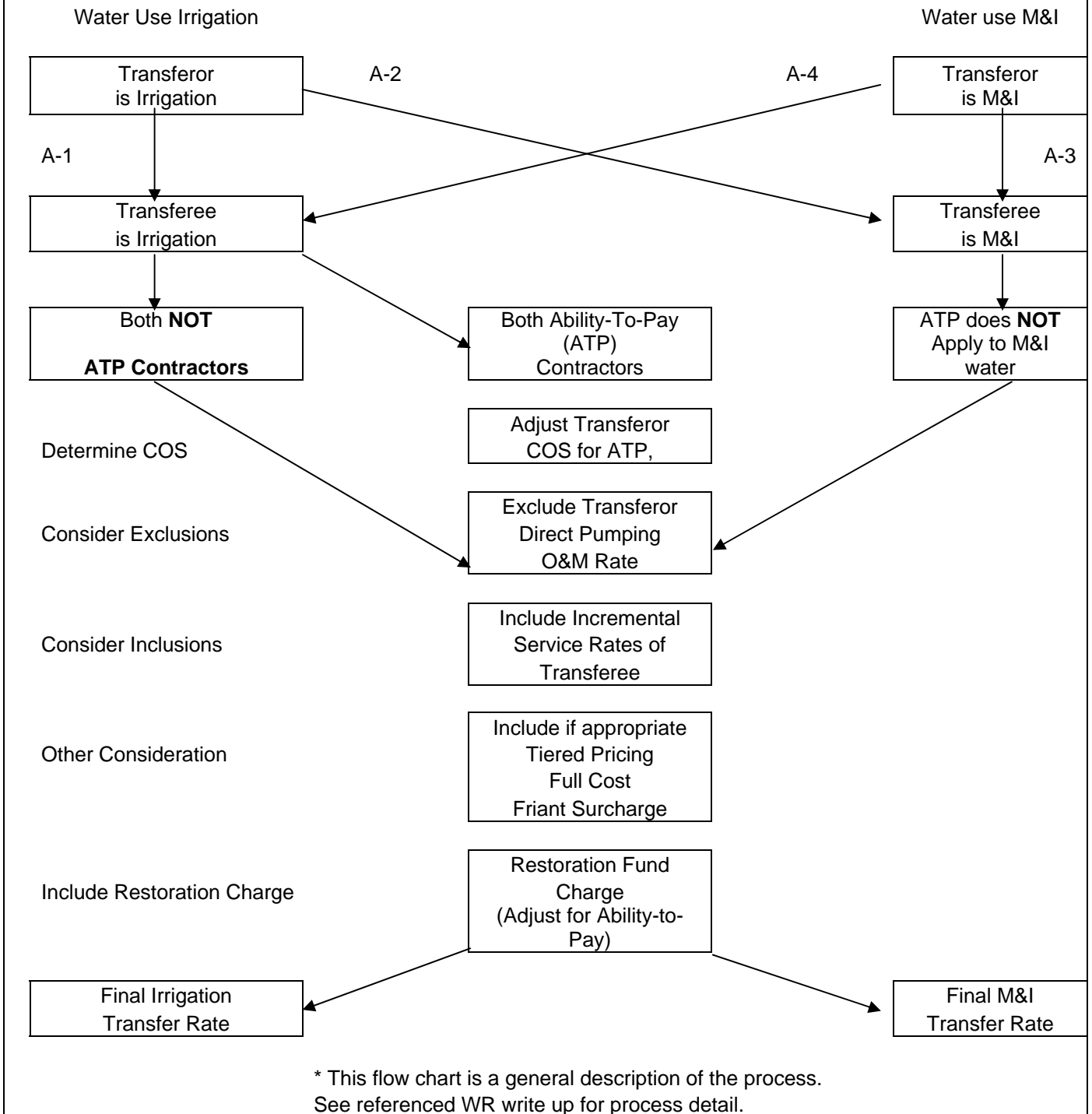
³ Water authorities incur conveyance pumping O&M costs.

⁴ Transfer may affect transferor's ability-to-pay relief (Policy Determination in process)

Exhibit A

Transferor is a Renewed Contractor*

Start with the Cost of Service Rate of the Transferor



* This flow chart is a general description of the process.
 See referenced WR write up for process detail.

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