

RECLAMATION

Managing Water in the West

Municipal & Industrial Ratesetting Policy Workshop



U.S. Department of the Interior
Bureau of Reclamation

Agenda

- **Timeline to Finalize the M&I Ratesetting Policy**
- **Recap of Previous Workshop**
 - **Comments Received and Responses**
- **Additional Proposed Changes to Policy**
- **Next Steps**
- **Questions and Answers**

Timeline to Finalize the M&I Ratesetting Policy

- | | |
|---------------------------|---------------------|
| • Workshop | June 23rd, 2014 |
| • Comments | July 23rd, 2014 |
| • Responses to Comments | September 2014 |
| • Refinement Period | Oct 2014 – Dec 2014 |
| • Submit for Finalization | January 2015 |

Recap of Previous Workshop

- **Policy Narrative and Illustrative Tables**
 - Narrative changes can be identified through track changes
 - Tables have been removed
 - *We would like to provide most current information*
 - *This information can be found through the Ratebooks posted on the WEB*
 - *<http://www.usbr.gov/mp/cvp/laws.html>*
 - » *Ratesetting/Ratebooks*

Recap of Previous Workshop Continuation

- **Revenue Application**
 - Surplus revenue to Construction and Deficits concurrently
 - This has been retracted
- **Minimum \$15.00 Rate**
 - No minimum rate
- **Update to Definitions**
 - Changes Reclamation anticipates making will be included in the draft Policy.

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Comments and Responses

Section of Policy	Comment	Response
Attributes of the M&I Ratesetting Policy See Pg. 10	Recommend that the order of repayment should be consistent with the Irrigation Ratesetting Policy in the following order: 1. Current Year O&M 2. Interest Expense 3. Interest Bearing O&M Deficit 4. Capital Repayment	Concur

Comments and Responses

Continuation

Section of Policy	Comment	Response
New Section – Legislation and Changes See Pg. 7	Recommend that the final policy honor the March 3, 2005 Settlement of the CVP M&I Ratesetting Lawsuit.	Section includes Settlement Agreement. We will make reference to section 3(A)(2) through (5) of the settlement as it relates to interest cost. Part of the Settlement identified annual unpaid construction interest through 1985 and unpaid O&M through 1985 to be at 0% interest.

Comments and Responses

Continuation

Section of Policy	Comment	Response
Minimum M&I Water Rate See Pg. 16	The current Interim policy's \$15.00 minimum rate should be eliminated as most M&I contractors are now paying annually adjusted Cost of Service Water Rates.	Draft Policy excludes a minimum rate.

Comments and Responses

Continuation

Section of Policy	Comment	Response
Glossary - Deficit Definition See Pg. 24	Recommend that the proposed definition be consistent with the provisions in the March 3, 2005 Settlement of the CVP M&I Ratesetting Lawsuit.	<p>First Sentence of the Deficit Definition in the interim Policy is in line with the settlement agreement.</p> <p>Second sentence will be deleted.</p> <p>Deleted: The Project's M&I water supply account has a deficit balance, and the deficit has been increasing every year. The deficit has increased because revenues have not covered all the operating costs.</p>

Comments and Responses

Continuation

Section of Policy	Comment	Response
Glossary – Historical and Projected Water Deliveries See Pg. 24	<ol style="list-style-type: none">1. Does RRA Section 215 water meet the applicable definition(s) as shown in the update, and , if it doesn't, recommend that the definition(s) be adjusted accordingly.2. Will RRA Section 215 water be included in the historical and projected deliveries for cost allocation and cost proration by contractor calculations.	215 water will be addressed in a separate Business Practice Guideline.

Comments and Responses

Continuation

Section of Policy	Comment	Response
Glossary – Long-Term Contractor See Pg. 24	<p>What is the basis of “having a term of greater than 10 years”?</p> <p>There isn’t concurrence with Reclamation that a long-term contractor should be limited to a contractor who is “receiving water”. A given Contractor should not be excluded from this definition because that contractor is not regularly taking water.</p>	<p>The D&S WTR PEC 08 defines long-term as in excess of 10 years (source of definition is USC 485h)</p> <p>Concur. The reference “on a regular basis” will be removed from the definition.</p>

Comments and Responses

Continuation

Section of Policy	Comment	Response
<p>Glossary – Paid Water</p> <p>See Pg. 24</p>	<p>Recommend adding “and repayment” after “water service” in first line. Also questioned the need for including the terms “revenue and non-revenue producing” in the definition.</p> <p>Are the Friant water deliveries used to pay for part of Jones PP (as part of the Exchange Contractor Arrangement) included in this category.</p>	<p>The definition will be revised to read as follows: All Project water supplies required to be paid under water service and/or repayment (9d) contracts.</p> <p>The definition does include Friant water deliveries used to pay for part of Jones PP as part of the Exchange Contractor arrangement.</p>

Comments and Responses

Continuation

Section of Policy	Comment	Response
Glossary – Paid Water Continuation See Pg. 24	Our understanding is that RRA Section 215 water deliveries (un-storable flood flows) are defined as CVP water supply. Accordingly, we believe that Section 215 deliveries for M&I usage should be subject to the M&I ratesetting policy.	215 water will be addressed in a separate Business Practice Guideline.

Comments and Responses

Continuation

Section of Policy	Comment	Response
Glossary – Repayment Period See Pg. 25	<p>Recommend using the following language:</p> <p>“The time allowed for the recovery of United States investment, including:</p> <ol style="list-style-type: none"> (1) O&M deficits applicable to CVP contracts terminating in the year 2030, as required by Section 105 of Public Law 99-546; and (2) new 50-year repayment periods established for major rehabilitations and new facilities. 	<p>Agree with suggestions with slight modification as follows:</p> <p>“The time allowed for the recovery of United States investment, including:</p> <ol style="list-style-type: none"> (1) <i>existing construction costs and</i> O&M deficits applicable to CVP contracts terminating in the year 2030, as required by Section 105 of Public Law 99-546; and (2) new 50-year repayment periods established for major rehabilitations and new facilities.

Other Comments and Responses

Topic	Comment	Response
Determining Estimated Deliveries to Set Rates	The ratesetting policy would be strengthened if it included a method of calculating acre-feet consistent with other ratesetting policies. The method should be consistent with M&I shortage provisions in the contract.	The process to determine estimated deliveries needs to take into account several factors including: <ol style="list-style-type: none">1. Timing Issues (Rates set in October, Rainy season begins in December)2. Availability of Actual Information (such as reservoir levels prior to setting Rates)3. Availability of Water vs. Demand for Water

Other Comments and Responses

Continuation

Topic	Comment	Response
Determining Estimated Deliveries to Set Rates Continuation	We would like to memorialize the five year rolling average methodology for calculating O&M water rates within the M&I ratesetting policy.	Reclamation would not like to memorialize the five year rolling average as part of the M&I Policy to allow for flexibility in determining deliveries.

Other Comments and Responses

Continuation

Topic	Comment	Response
Deferred Interest Method	We would like to obtain a better understanding of the Deferred Interest Method used to calculate M&I capital interest as defined on pages 9 and 10 in the draft M&I Ratesetting policy.	Reclamation can set up a time to meet with Westlands WD representatives to go over the calculation of deferred interest.

Additions to Policy

- **Gianelli Pump Generating Plant (PGP) Project Use Energy to San Felipe Unit**
 - **Currently Gianelli PGP Project Use Energy is treated as Direct Pumping**
 - Reclamation is considering either:
 - Continuing to identify the cost as direct pumping for San Felipe Unit Contractors or,
 - Treating these Project Use Energy cost as storage pumping prospectively.
 - If there is a change, any reference to treating the cost as direct pumping would be removed and a footnote will be included as follows:
 - Prospectively from the date of this policy, Gianelli PGP project use energy construction and O&M will be treated as storage pooled cost.

Additions to Policy Continuation

- **Legislation and Changes Section**
 - PL 111-11, Subtitle G (Aging Infrastructure) – Cost with interests to be repaid within 50 years
- **Determining Process to Recover Extraordinary O&M Cost in Conformity within the Ratesetting Policies Established**
 - Some of the areas being reviewed and discussed are:
 - Conveyance Cost Pools (who pays?)
 - Deliveries to allocate cost
 - Threshold to Expense Annual Cost in Year Incurred (maximum amount)
 - Repayment Periods

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Next Steps

- **30 Day Comment Period for Contractors**
 - Due Close of Business July 23, 2014
 - Send to Jesus Reynoso at:
 - JReynoso@usbr.gov or,
 - MP-3400, 2800 Cottage Way, Sacramento, CA 95825
 - If sent by mail, please call Jesus Reynoso so that he can log that a comment has been sent and follow-up if not received.
- **Follow-up Workshop in September**
 - To go Over any Additional Comments and Responses

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Questions and Answers (Q&A)

- Point of Contact is Jesus Reynoso at 916-978-5362

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