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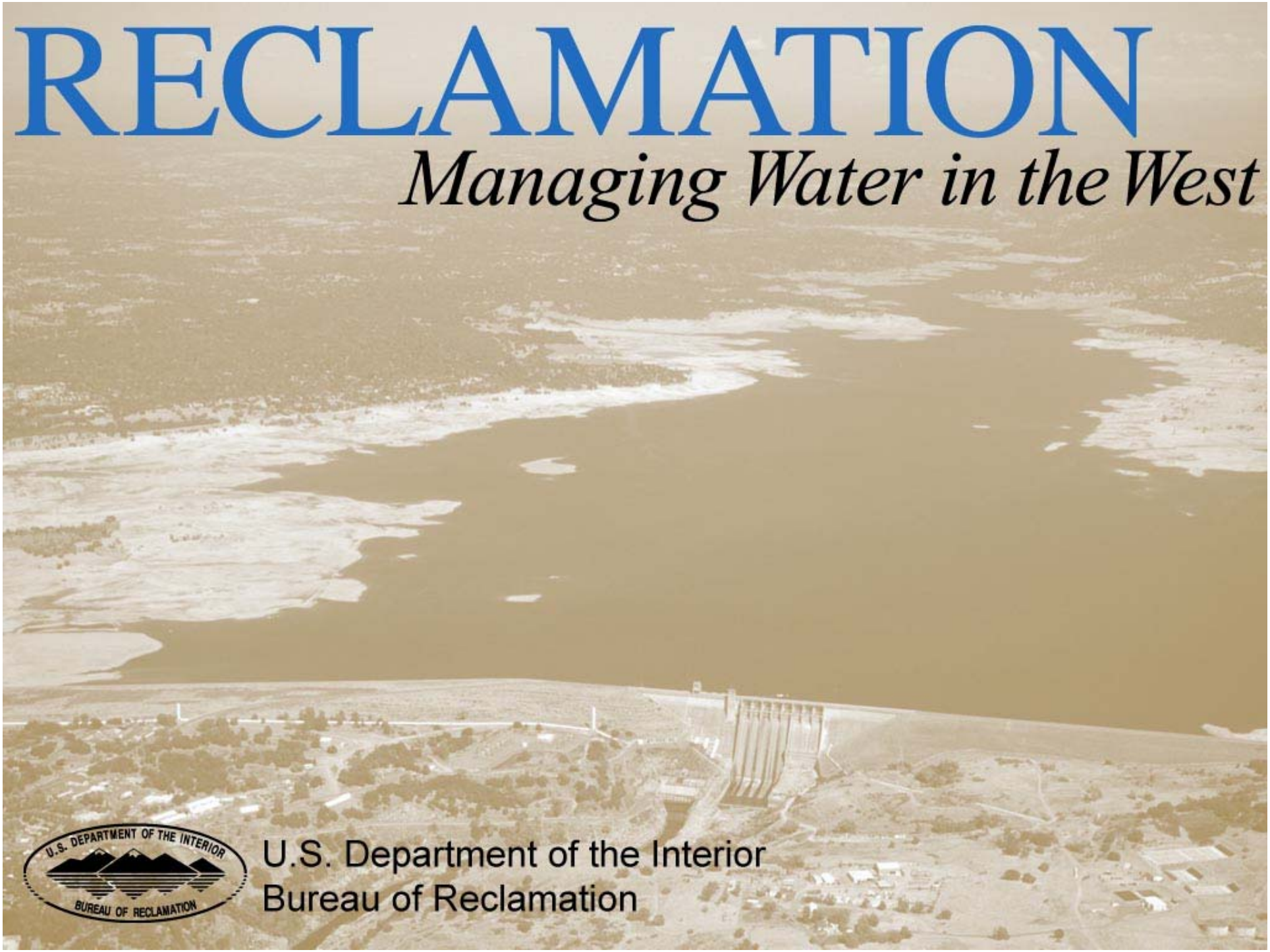
Managing Water in the West



U.S. Department of the Interior
Bureau of Reclamation

Agenda

Inspector General Concerns with Current CVP Construction Repayment

- **Ratesetting analysis**
- **Proposed O&M recovery process**
- **Proposed construction cost recovery process**

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OIG Concern with Current Process

- **A sufficient share of CVP construction costs are not repaid on an annual basis**

- **Steady progress toward repayment is not being made**

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IG Concern with Current Process

Year	Actual construction Recovery	Projected Average Construction recovery)*	Variance (Over (Under)
2003	$ 19,608,499	$ 37,051,890	$ (17,443,391)
2004	$ 23,341,327	$ 37,404,088	$ (14,062,761)
2005	$ 20,753,048	$ 38,527,038	$ (17,773,990)
2006	$ 28,322,351	$ 39,211,192	$ (10,888,841)
2007	$ 23,197,478	$ 39,610,443	$ (16,412,965)
2008	$ 11,754,668	$ 41,578,408	$ (29,823,740)
2009	$ 3,401,428	$ 31,640,202	$ (28,238,774)
2010	$ 13,878,181	$ 33,202,989	$ (19,324,808)
2011	$ 26,910,984	$ 34,695,494	$ (7,784,510)
2012	$ 19,767,532	$ 35,113,081	$ (15,345,549)

- Unpaid Construction Cost/Remaining Years (2030)

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Purposed Method for Estimating O&M Deliveries

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Ratesetting O&M Analysis

- **Shortages in O&M rate revenue affect construction repayment (Priority of revenue application)**

- **For Irrigation**
  - **2009 estimated deliveries were 3,179016 AF for a 5-year average.**
  - **2009 Actual deliveries were 1, 861, 590 AF**

  - **Shortages in O&M recovery resulted in lack of construction repayment**

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Proposed Process for Estimating O&M Deliveries

- **O&M Deliveries**

Step 1

- **Use a 7-Year Rolling Average**
  - **Captures hydrology cycle based on CALSIM model**

Step 2

- **O&M Deliveries will be further adjusted based on prior year reservoir levels**
  - **Adjust based on North of Delta reservoir levels (Shasta)**
    - **No Adjustment if August 31 reservoir level is equal or greater than 100% of average**
    - **10% adjustment to reduce delivery estimate if between 81%and 99% of average**
    - **20% adjustment to reduce delivery estimate if equal to or less than 80% of average**
  - **See Example**

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Purposed Method for for Estimating Construction Deliveries

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Ratesetting Construction Analysis

- **Over projecting construction deliveries has impacted the recovery of construction.**
  - **Currently the deliveries used for irrigation are 2.8 million acre-feet of water (based on an average of years 1995 to 2012.)**
    - **This estimate is higher than the:**
      - **Current 10 year historical average of 2.7 million AF (3.5%difference)**
      - **Current 7 year historical average of 2.5 million AF (10.7%difference)**
      - **Current 5 year historical average of 2.3 million AF (17.8%difference)**

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Proposed Process for Estimating Construction Deliveries

Construction

Use 7-Year rolling average for projecting deliveries

- **For allocation of construction cost (see example 2)**

- **For setting construction component of the rate (see example 3)**

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Construction Repayment Status as of 09/30/2012

	Total Construction Allocation	Repayment as of 9/30/12	Unpaid Construction cost	% paid
Irrigation	$1,162,609,548	$514,562,228	$648,047,320	44%
M&I	$120,988,360	$113,686,473	$7,301,887	94%

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Next Steps

- **Contractors have 60 day to comment**
- **Reclamation would like to implement process for 2016 Water Rates**
- **Contact Jesus Reynoso @ 916-978-5362 if you have any questions after meeting**

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Questions and Answers (Q&A)

- **Presentation will be posted on the Bureau of Reclamation Mid-Pacific Region website**
  - **http://www.usbr.gov/mp/cvpwaterrates/wtr_ctr_notices/index.html**

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