

Foreword update as of August 7, 2012

Background: The contractor accountings for FY 2010 and the CVP water rates for WY 2012 have been finalized. Explanation for any material changes in the rates from the draft to final are summarized below.

If there are any problems accessing the site or viewing the schedules, please contact Mr. Robert Myers at 916-978-5350.

Site Security Costs

Projected security guards and patrol costs for FY 2012 are included in the water rates. The estimated total projected costs for FY 2012 are \$3,597,358 for Irrigation and \$580,394 for M&I. The reimbursable portion of these estimated costs included in the water rates are \$1,757,669 for Irrigation and \$283,580 for M&I. These amounts are based on a 3-year history of actual costs to more accurately reflect the reimbursable portion.

American River Pump Station Project

The costs of the American River Pump Station Project are non-reimbursable pursuant to Public Law 122 SEC. 503 –May 8, 2008. Therefore, the amount previously included in Storage capital has been adjusted to exclude these costs.

American Recovery and Reinvestment Act (ARRA)

ARRA funded O&M expenses are to be repaid over a 10-year period. Therefore, one-tenth of FY 2012 estimated ARRA costs are included in the O&M component of the water rate.

Trinity Public Utilities (PUD) Assessment

In accordance with Public Law 106-377, Section 203, Reclamation is required to collect annually \$162,000 (indexed) for payment to the Trinity Public Utility District. The 2012 assessment rate per acre foot will be \$.05 cents. This assessment along with the restoration charges and Friant surcharges are due per acre foot.

Water Marketing

The Water Marketing costs includes general expense of 18.5 percent of budgeted costs. For 2012, the Irrigation and M&I estimated general expense is \$625,300 (\$3,380,000 x 18.5%).

Rescheduled Water and Incremental Transfer Revenue

Rescheduled water revenues (Irrigation or M&I) have been applied to storage capital beginning in fiscal year 2004 (refer to schedule A-4) in accordance with a prior Reclamation management decision. For 2012, incremental transfer revenue has also been applied as a credit to applicable capital cost components. A list of incremental revenue is included with the Final Water Accounting Schedules as a supplemental schedule titled "Incremental Revenue".

Beginning in the FY 2009 accountings incremental revenues for O&M direct pumping are credited to the transferees.

Project Use Energy (PUE) Costs for FY 2010 Accountings

The PUE costs included in the FY 2010 Accountings are based on the Schedule of Estimated PUE Costs (Schedule A-11) from the 2010 Rate Book. It includes a True-up of FY 2009 PUE costs; FY 2009 True-up for Bella Vista (McConnell Foundation water). The breakdown of the FY 2010 PUE expenses is shown below:

- Estimated PUE Costs from 2010 Schedule A-11 \$19,100,000
- FY 2009 PUE True-up adjustment (1,854,252)
- FY 2009 PUE True-up adj. for Bella Vista (McConnell Adj.) 4,396
- Total Irrigation and M&I PUE Expenses in FY2010 \$17,250,144

Kesterson Project

The draft rates posted on October 1, 2012, reported no budgeted costs for the Kesterson project. Updated budget information has been obtained and WY 2012 rates have been modified to include \$200,000 of estimated reimbursable costs for Kesterson project.

Schedule A-14

Water deliveries on Schedule A-14 have been modified to agree with the quantities shown on Schedule A-12. The variance had occurred due to exclusion of rescheduled deliveries, from Schedule A-12. As noted, this discrepancy has been corrected.

M&I Interest Adjustment

An adjustment has been made to the interest previously assessed for CVP M&I Contractors. The previous calculation for computing current year interest overstated the annual interest assessed. The interest obligation has been recalculated and deficit balances adjusted. If the contractor's deficit balance has been fully repaid, the interest credit has been applied toward construction repayment.

Please direct any questions regarding the CVP FY 2010 final accountings or the CVP 2012 water rates to Mr. Sabir Ahmad at 916-978-5187, sahmad@usbr.gov or by fax at 916-978-5392.