

Foreword

The final Central Valley Project (CVP) water rates for contract year (CY) 2016 and the final CVP annual contractor accountings for fiscal year (FY) 2014 have been posted to the Bureau of Reclamation website.

The final water rates and final annual contractor accountings for the years 2004 through 2016 can be found at www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html.

If you have any questions or need additional information, please contact Mr. Sabir Ahmad at 916-978-5187, or by e-mail at sahmad@usbr.gov.

Site Security Costs

Projected costs for security guards and patrols for FY 2016 are included in the water rates. The estimated total projected costs for Irrigation and M&I are \$3,488,793 and \$513,975 respectively.

Trinity Public Utility District (TPUD) 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. Through February 29, 2016, the assessment rate per acre foot will be \$1.65. For the period March 2016 through February 2017 the TPUD rate will be \$0.30. This assessment along with the CVP Restoration Fund charges and Friant surcharges are due within 30 days after the delivery of water.

Water Marketing

Water marketing costs included in the CVP water rates include a general expense calculated at 18.5% of budgeted costs. For the 2016 final rates, the irrigation and M&I estimated general expenses were \$1,549,749 and \$308,396 respectively.

Project Use Energy (PUE) Costs for FY 2014 Accountings

The PUE costs included in the FY 2014 annual CVP contractor accountings are based on the Schedule of Estimated PUE Costs (water rate schedule A-11) from the 2014 Rate Book. It includes a true-up of FY 2013 PUE costs and a FY 2013 true-up for Bella Vista (McConnell Foundation water). The breakdown of the FY 2014 PUE expenses are shown below:

Estimated PUE Costs from 2014 Schedule A-11	\$22,500,000
FY 2013 PUE True-up adjustment	(\$681,185)
Prior year PUE True-up adj. for Bella Vista	\$18,411
Total Irrigation and M&I PUE Expenses in FY2014	\$21,837,226

Increase in Project Use Energy (PUE) Costs

Due to the expiration of Reclamation’s contract with PG&E on April 1, 2016, PUE costs are projected to increase by approximately \$4 million dollars in fiscal year 2016. This projected increase is included in the 2016 water rates. In future years, costs are anticipated to increase by \$8 to \$10 million per year.

CVP Cost Recovery Improvement

Based on the results of a 2013 audit conducted by the Office of the Inspector General, a recommendation was made for Reclamation to improve the current rate setting practices to better recover CVP construction costs on an annual basis. Reclamation worked collaboratively with stakeholders to develop a revised process for projecting future water deliveries that serve as the basis for estimating water rates. The new practice for projecting future water deliveries include:

- Using a 7- year average of historical water deliveries as the basis for projecting future deliveries for calculating the irrigation and M&I operation and maintenance (O&M) component of the water rate. Depending on whether or not reservoir levels are below normal, the 7 year average of water deliveries could be further reduced based on specific criteria.
- Using a 7-year average of historical water deliveries as the basis for projecting future deliveries for calculating the irrigation and M&I construction component of the water rate. There is no further reduction to deliveries based on lower than normal reservoir levels.

Exception: If a contractor has had no water deliveries in a 7 – year period, Reclamation will use 14% of the contractor’s contract entitlement.

For more information regarding improved Ratesetting practices, please visit the Reclamation website at http://www.usbr.gov/mp/cvpwaterrates/wtr_ctr_notices/2015/ to review the decision paper that was posted in April 2015.

Note: The Irrigation Schedule A-14 will no longer be used.

Extraordinary Operation and Maintenance (XO&M) Cost

CVP XO&M costs are included in the current year CVP water rates along with annual O&M costs. While Public Law 111-11 provides Reclamation the authority to offer extended repayment of XO&M costs through the use of repayment contracts; the Mid-Pacific Region is still in the process of drafting a basis of negotiation to seek approval from the Commissioner to allow for the extended repayment of XO&M cost through the use of existing water service contracts. Reclamation and stakeholders are working collaboratively to develop a process for the extended repayment of XO&M costs through the water rate process. The following tables show the estimated and actual XO&M costs for the period 2009 through 2016 for both irrigation and M&I.

Irrigation Extraordinary Operations and Maintenance Costs (XO&M)

Fiscal Year	Estimated Cost	Actual Cost	Variance
2009	-	4,192,153.28	(4,192,153.28)
2010	-	3,451,716.48	(3,451,716.48)
2011	-	3,385,405.33	(3,385,405.33)
2012	2,016,701.00	3,466,279.42	(1,449,578.42)
2013	2,166,051.00	2,088,287.70	77,763.30
2014	2,208,368.00	3,336,697.07	(1,128,329.07)
2015	2,862,681.00	TBD	2,862,681.00
2016	3,515,700.00	TBD	3,515,700.00
TOTAL	12,769,501.00	19,920,539.28	(7,151,038.28)

M&I Extraordinary Operations and Maintenance Costs (XO&M)

Fiscal Year	Estimated Cost	Actual Cost	Variance
2009	-	510,566.95	(510,566.95)
2010	-	495,409.10	(495,409.10)
2011	-	391,925.98	(391,925.98)
2012	253,151.00	518,315.51	(265,164.51)
2013	317,704.00	361,150.35	(43,446.35)
2014	327,031.00	623,989.97	(296,958.97)
2015	417,859.00	TBD	417,859.00
2016	1,705,800.00	TBD	1,705,800.00
TOTAL	3,021,545.00	2,901,357.86	120,187.14

Federal Investments

CVP Construction Repayment through September 30, 2014 is shown below.

Year	Actual IRR Construction Recovery	Projected Annual 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)
2013	10,735,953	34,987,828	(24,251,874)
2014	1,280,730	36,864,266	(35,583,536)

Significant impacts from Draft Rates to Final Rates

Project Use Energy (PUE) Cost

At the Financial Affairs Committee (FAC) Meeting on November 20, 2015, the Bureau of Reclamation proposed removing Project Use Energy (PUE) charges from the Central Valley Project (CVP) water rates due to Reclamation's inability to continue to record the PUE charges as revenue. The PUE charges that are collected through the CVP water rates is revenue that belongs to Western Area Power Administration. In the current Ratesetting process, PUE is included in the water rates along with CVP O&M costs, and when payment is remitted (CVP water rate x acre feet) the entire amount is recorded as revenue.

Water contractors requested that Reclamation continue to collect PUE charges through the Ratesetting process. To prevent recording the PUE charges as revenue in the future, a proposal was made that the PUE charges be paid separately by a few select contractors. These few contractors (identified below) graciously accepted Reclamation's proposal and agreed to pay direct pumping PUE and storage PUE costs in advance, on behalf of all CVP contractors, as part of their CVP water rates. The impact to these contractors is only in how they will remit their water payments in the future. Their water payments will separately identify direct pumping PUE and "other" PUE as components of their cost of service rate. The "other" PUE component is specifically to identify the amount of PUE charges that are being paid on behalf of other contractors, and in which a like credit will be given to offset the O&M component of their water rate. Overall, contractors' cost of service water rates will remain the same. This proposed future process for PUE will allow Reclamation to easily identify PUE revenue and deposit it to a separate account for payment to Western Area Power Administration.

The select few contractors are:

1. Westlands Water District (Irrigation, M&I)
2. Santa Clara Water District (Irrigation, M&I)
3. San Benito Water District (Irrigation, M&I)
4. Colusa County Water District (Irrigation, M&I)
5. Kanawha Water District (Irrigation, M&I)
6. Orland Artois Water District (Irrigation)
7. San Luis Water District (Irrigation, M&I)
8. Contra Costa WD (M&I)

CVP Cost Allocation Study

Estimated expenditures of \$1.27 million for the CVP Cost Allocation Study were added to the total Water Marketing O&M costs in Schedule A-9 for both Irrigation and M&I for the final 2016 water rates.

Questions

Please direct any questions regarding the CVP 2016 final water rates or the CVP 2014 annual contractor accountings to Mr. Sabir Ahmad at 916-978-5187, or by email at sahmad@usbr.gov.