



Foreword

The Central Valley Project (CVP) water rates for contract year (CY) 2024 and the final CVP annual contractor accountings for fiscal year (FY) 2022 have been posted to the Bureau of Reclamation website.

Water rates and annual contractor accountings for the years 2004 through 2024 can be found at <https://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>.

If you have any questions or need additional information, please contact Robert Ward at 916-978-5359 or by email at rward@usbr.gov; or Sherry Fowler at 916-978-5395 or by e-mail at sfowler@usbr.gov.

Ability to Pay Studies

Many CVP water contractors are utilizing provisions of WIIN 4006 to convert their water service contracts to repayment contracts and prepay their outstanding construction obligations. When the contracts are signed, the contractor makes an agreement to execute the contract with the understanding that the construction will be paid under a 9d contract and as such there will not be applicable rates for construction and there would be no associated ATP relief for the intended repayment.

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 continues to work collaboratively with stakeholders to develop a revised process for projecting future water deliveries that serve as the basis for estimating water rates.

The process to estimate deliveries for setting O&M water rates has been improved from the original process included for the 2016 Water Rates. The new process provides more flexibility in the determination of the deliveries for setting O&M water rates. A decision document is to be updated and included in the water contractor notices section of the Reclamation website at http://www.usbr.gov/mp/cvpwaterrates/wtr_ctr_notices/. Provided is the improved process:

O&M

1. Consider using the 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.
 - a. 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.

2. Consult with Central Valley Operations Office to see if this average is appropriate for the calculation of the water rates.
3. If CVO recommends considering an alternative to the 7-year average due to their estimate being considerably different, consider using an alternative approach.

In consultation with our Central Valley Operations Office, the interpretation is that it is appropriate for M&I and irrigation estimated deliveries to use a 7-year average for 2024.

Construction

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 taken water 3 times or less in a 7-year period, Reclamation will use the higher of the 7-year average or 14% of the contractor's contract entitlement.

Extraordinary Operation and Maintenance (XM) Rate

On March 30th, 2022, Commissioner approved a Basis of Negation (BON) for the CGB region to extend repayment of XM costs through the water rates. In accordance with the approved BON, the CGB region submitted an annual BON request to recover XM costs associated with the rehabilitation of Gianelli pumping/generating plant units 7 and 8 through 2024 water rates. The Commissioner approved the BON on September 5th, 2023 with a repayment term of 30 years. Contractors are required to pay the allocated XM cost each year with interest. The annualized XM cost is allocated to CVP contractors and shall be recovered under newly developed Schedule A-8 XM for both Irrigation and M&I.

Folsom Safety of Dams (SOD) Modification Project

A significant portion of Folsom SOD Modification project were substantially completed and were transferred to Plant in Services. In accordance with the Reclamation Safety of Dams Act of 1978, as amended, and Reclamation Policy, 15 percent of the Folsom SOD total cost is reimbursable, and is allocated among reimbursable project purposes (i.e., irrigation, M&I, and hydropower) and to be repaid within 50 years. Those contractors whose rates include a storage component are responsible for repaying the reimbursable costs of SOD modifications at Folsom Dam.

Folsom SOD cost is allocated to CVP contractors and shall be recovered under newly developed Schedule A-2Bc FSOD for both Irrigation and M&I.

Federal Investments

Provided is the CVP Construction Allocation by Function and the Repayment through September 30, 2022, identifiable to Irrigation and M&I. These costs take into account the implementation of the Final Cost Allocation Study.

Construction Cost Allocation by Function thru FY 2022 (excludes DMC Intertie)

Function	Allocation	Repayment	Unpaid	% Repaid
Water Service				
Irrigation	\$1,125,085,860	\$1,127,837,152*	(\$2,751,291)**	100%
M&I	\$150,358,282	\$139,834,479	\$10,523,803	93%
Other Purposes				
Commercial Power	\$904,225,633			
Federal Taxpayer	\$1,156,782,118			
State of California	\$255,830,290			
Local Entities	\$132,617			
	\$3,592,414,830			

*Ability to pay relief and WIIN payments/discounts are included as repayment.

**Some contractors have credits due to overpayments resulting from the CVP Final Cost Allocation Study.

Folsom-South Canal

The Folsom-South Canal costs have been reclassified from construction in abeyance to Plant-in-Service. For repayment purposes, the Operation and Maintenance costs and the Construction costs are being reviewed by the Bureau of Reclamation. For 2023 M&I O&M and the 2024 M&I Construction and O&M Water Rates, the Folsom-South Canal costs were identified 16.4% as recoverable per letter from Reclamation Policy.

Friant Surcharge and Associated Water Rate Offset

Public Law 111-11, Title X, provides a provision for Friant Division water contractors to receive a temporary reprieve in their Friant Surcharge to offset financing costs if the Secretary of the Interior does not need those funds for the ongoing federal costs of the San Joaquin River Restoration Settlement Act Program (Program). The Public Law identifies that this could occur in Fiscal Year (FY) 2020. However, Reclamation has determined that the surcharge should not be reduced as it is necessary for the Program. Since Reclamation will include the surcharge at a rate of \$7.00 per acre-foot, and not reduce the rate (up to a \$3.00 reduction), Reclamation will offset Water Marketing for the Friant Division Irrigation contractors to the extent allowed by the Federal law and in accordance with Exhibit D of their 9(d) repayment contracts. Friant Division M&I will not receive a rate reduction in 2024. Please refer to Schedules A-8, A-2A, and A-1 of the Irrigation water rate books to identify the offset.

Project Use Energy (PUE) O&M Cost in the Water Rates

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 select few contractors. These select 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. Westland's 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)

Other contractors will still pay their share of Project Use Energy for Storage and Direct Pumping as offset revenue, rates developed for this purpose, to cover the credit in O&M the 8 contractors will receive for paying on their behalf.

Site Security Costs

Projected costs for security guards and patrols for FY 2024 are included in the water rates. The estimated total projected costs for Irrigation and M&I are \$2,127,076 and \$423,579 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. Effective March 1st, 2024, Trinity PUD rate will be collected through water marketing. No additional distinct or separate Trinity PUD charge will be assessed. Please do not remit Trinity PUD surcharge.

Water Marketing

Water marketing costs included in the CVP water rates include general expense. For 2024, the budgeted costs were \$235,647 and those allocated to Irrigation and M&I were estimated at \$206,617 and \$29,030, respectively.

WIIN Act Repayment Contracts

Public Law 114-322, Section 4011 directs that upon request of the contractor, certain water service contract(s) shall be converted to repayment contract(s). As part of this process, the requesting contractor(s) will enter into an amended or integrated form of contract which includes among other things repayment of construction balances that are properly assignable to the contractor and in effect at the time of contract conversion. Once the contract is converted, the water rates will be updated under the amended contract for the month following the execution date to exclude the construction component of the water rate.

Questions

Please direct any questions regarding the CVP 2024 water rates or the CVP 2022 annual contractor accountings to Robert Ward at 916-978-5359 or by email at rward@usbr.gov; or Sherry Fowler at 916-978-5395 or by email at sfowler@usbr.gov.