

Foreword

Background: This foreword provides a summary of significant changes from prior years in amounts and/or procedures, including new legislative requirements and impacts; as well as, input received from water contractors, associated water authorities, and the Central Valley Project Water Association (CVPWA) on the 2010 Central Valley Project (CVP) water rates and the fiscal year 2008 water contractor accountings.

The fiscal year 2008 contractor accountings are provided in final form. The 2010 CVP water rate schedules are posted on the Bureau of Reclamation's website at www.usbr.gov/mp.cvpwaterrates/. If there are any problems accessing the site or viewing the schedules, please contact Ms. Kathryn Osborn at 916-978-5364.

East Bay Municipal Utility District (EMUD) Projected Deliveries

In consideration of the dry year provisions of EBMUD's contract, prior year's rates computed the contractor's projected deliveries of 55,000 a/f using a 3-year average of 165,000 a/f. In the rates for WY 2010, EBMUD's projected deliveries of 23,200 a/f are based on its capacity with the nearing completion of the Freeport Project.

Site Security Costs

Security guards and patrol costs projected for FY 2010 are included in the water rates and have been updated for the final rates. The estimated costs for FY 2010 are \$2,996,663.81 for Irrigation and \$486,959.02 for M&I; these are gross costs as provided by our Denver office. The estimated reimbursable amount included in the rates is \$1,385,058.01 for Irrigation and \$225,072.46 for M&I. These amounts are based on a 2-year history of actual costs to more accurately reflect the reimbursable portion.

American River Pump Station Project

Storage capital has been adjusted in the final 2010 rates to reflect the American River Pump Station Project as non-reimbursable pursuant to Public Law 122 SEC. 503 –May 8, 2008.

American Recovery and Reinvestment Act (ARRA)

The ARRA legislation permits the reimbursable costs of O&M expenses funded with these funds to be repaid over an extended period of time. Reclamation will recover the reimbursable ARRA funded O&M costs over a 10-year period. The FY 2010 estimated reimbursable O&M costs are included in the final rates on a proportional basis.

Red Bluff Pumping Plant

Conveyance O&M expense has been reduced in the final rates by \$267,841 for Irrigation and \$2,962 for M&I to exclude estimated expenses associated with the Red Bluff Pumping Plant. This project is authorized under the provisions of the Central Valley Project Improvement Act (CVPIA) and the expenses will be incorporated in the annual Expenditure, Credit and Offset report.

Trinity Public Utilities (PUD) Assessment

In accordance with Public Law 106-377, Section 203, Reclamation will collect the PUD from water contractors of \$162,000 (indexed) annually and remit the amount to the Trinity Public Utility District. For 2010, the assessment will again be handled outside of the water rate setting calculations. The 2010 assessment rate has been calculated to be \$0.11* per acre foot. This assessment along with the restoration charges and Friant surcharges per acre foot will be shown in Schedule A-1 of the Irrigation and M&I water rate books under “Assessments and Charges”.

* This rate is based on current water year allocations and will be re-evaluated when the 2010 water year allocations are issued.

Projected Water Deliveries

For the 2009 rates, projected deliveries from schedule A-12 were used to calculate the current year projected deliveries for M&I schedules A-15, A-14, and A-13; as well as Irrigation schedules A-14 and A-13. For the 2010 rates, the projected deliveries are calculated using OCAP percentages multiplied by individual contractor entitlement (schedule A-14), or they are calculated using a cumulative average starting from 1995 (schedules A-15 and A-13).

Water Marketing

The Irrigation and M&I estimated general expense is based on 18.5 percent of the budgeted costs. For 2010, the Irrigation and M&I estimated general expense is \$756,000 ($\$4,089,000 \times 18.5\%$).

Storage and Conveyance Pumping (O'Neill Pumping Plant)

For FY 2010, the estimated O&M expense includes projected reimbursable O&M expense for projects funded by the American Recovery and Reinvestment Act (ARRA).

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 2010, 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 Rates Schedules as a supplemental schedule titled "Incremental Revenue".

Project Use Energy (PUE) Costs for FY 2008 Accountings

The PUE costs by component/facility included in the FY 2008 Accountings are based on the Schedule of Estimated PUE Costs (Schedule A-11) from the 2008 Rate book. It includes a True-up of FY 2007 PUE costs; FY 2007 True-up for Bella Vista (McConnell Foundation water). The breakdown of the FY 2008 PUE expenses is shown below:

\$19,793,137

Allocation of Project Use Energy (PUE) Costs for FY 2008 Accountings

In prior years, the allocation of PUE expense has been based on actual delivered acre feet during the fiscal year. Beginning in FY 2008, rescheduled water taken is now included with actual delivered acre feet in the allocation of PUE expense.

If you have any questions regarding the CVP FY 2008 final accountings, or the CVP 2010 draft water rates, please contact Ms. Autumn Wolfe at 916-978-5391, awolfe@usbr.gov or by fax at 916-978-5392.