

MP-3400
FIN-3.00

MAY 20 2013

Central Valley Project Water Contractors

Subject: Treatment of Incremental Transfers to Plant in Service for Safety of Dams (SOD)
Modification Costs at Folsom Unit, Central Valley Project (CVP), California

Dear Water Contractor:

As reflected in our fiscal year 2009 and 2011 financial statements, the cumulative incremental transfers to plant in service in the amounts of \$21,525,383.04 and \$109,750,410.56, respectively, were made for the Folsom Dam SOD costs incurred. These transfers were inadvertently included in the CVP rate books in Schedule A-5 for the construction storage component for "All Other Contractors".

As stated in our January 18, 2008 letter (enclosed), the Folsom SOD construction costs will be reflected in the CVP water rates in the year after the modification is deemed substantially complete. For the years in which the SOD construction costs were inadvertently included in the allocation for establishing water rates, an adjustment will be made to interest charges incurred for municipal and industrial (M&I) contractors for the portion of the unpaid cost that was related to the SOD construction allocation.

The exclusion of the SOD construction allocation and the corresponding adjustment to interest on unpaid capital for M&I contractors will be included in the 2014 water rate calculations. An explanation for the reduction of the construction allocation will be described in the forward of the 2014 CVP Rate-books and also footnoted on the appropriate rate-setting schedules.

Please contact Ms. Autumn Wolfe at 916-978-5391 or awolfe@usbr.gov for additional information.

Sincerely,

//s// *Brenda Bryant*
Brenda Bryant
Regional Financial Manager

Enclosure



United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, California 95825-1898

IN REPLY
TO B-446:
WTR-4.00

JAN 18 2000

4-E Water District
c/o Mr. Kenneth M. Hopkins
Attorney
Meckfessel & Hopkins
109 North Marshall Avenue
Willows, CA 95988

Subject: Notification That Cost of Safety of Dams (SOD) Modification at Folsom Dam, Folsom Unit, Central Valley Project (CVP), California, Will be Included in CVP Irrigation, Municipal and Industrial (M&I), and Hydropower Rates

Dear Mr. Hopkins:

This letter serves as official notification of matters conveyed herein.

A SOD modification that was the subject of a notification letter dated September 3, 2004, is currently underway at Folsom Dam. As previously approved by the Commissioner of the Bureau of Reclamation, the reimbursable portion of this modification's total cost is to be recovered pursuant to the existing CVP Irrigation Ratesetting Policy approved in 1988 and either the Interim CVP M&I Ratesetting Policy approved in 1995 or to the final CVP M&I Ratesetting Policy, whichever is in effect at the relevant time.

In accordance with the Reclamation SOD Act of 1978, as amended, and Reclamation Policy, 15 percent of the modification's total cost is reimbursable, and is to be allocated equitably among reimbursable project purposes (i.e., irrigation, M&I, and hydropower) and to be repaid within 50 years of the modification's substantial completion.¹ Those contractors whose rates include a storage component and who benefit from these reimbursable project purposes are responsible for repaying the reimbursable costs of SOD modifications at Folsom Dam. Under the CVP ratesetting policies cited above, this includes virtually all CVP contractors.

The cost of the modification is currently estimated to be \$520 million. The reimbursable 15 percent of this estimate is \$78 million. This amount is allocated among the reimbursable purposes of Folsom Dam consistent with CVP cost allocation.

Based on the current (interim) cost allocation, amounts would be allocated 61 percent to irrigation, 9 percent to M&I purposes, and 30 percent to power. However, when the facility is complete, the actual costs will be allocated according to an updated cost allocation in accordance with Public Law 99-546.

¹ Section 4 of Public Law 95-578, as amended (43 U.S.C. § 508); Commissioner's Memorandum of December 17, 1996, "Safety of Dams Repayment Policy."

These figures are estimates, calculated for planning purposes. The final total cost, and therefore the final reimbursable cost, may be higher or lower upon the modification's completion. Your water rates will begin to reflect these costs, as part of the shortage capital component, in the year after the modification is substantially complete, which is expected to be the year 2022. When construction is complete and all costs known, Reclamation will furnish you with a full accounting of the total cost and the amount of the reimbursable portion to be allocated to each reimbursable project purpose.

If you have any questions regarding this notification, please contact Mr. Rick Woodley, Regional Resources Manager, at 916-978-5200.

Sincerely,

//s// Michael R. Finnegan

Michael R. Finnegan
Acting Regional Director