

DRAFT BUSINESS PRACTICE GUIDELINE FOR SECTION 215 WATER

NUMBER: Mid-Pacific Region Business Practice Guideline

DATE: August 12, 2014

SUBJECT: Section 215 Revenue Application.

PURPOSE

To document procedure for the application of Central Valley Project (CVP) Sec 215 (215) water revenue for irrigation and Municipal and Industrial (M&I) water.

APPLICABILITY

These instructions are effective until amended or resinded.

SOURCE OF RATES

<http://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>

Definitions/Procedures	
Sec 215	Section 215 water is a temporary (not to exceed one year) supply of CVP water made possible as a result of an annually large water supply not otherwise storable for project purposes, or infrequent and otherwise unmanaged flood flows of short duration.
Sec 215 Water Rate	<p>The 215 water rates are established annually and published in the CVP special ratebook.</p> <p>The rates include operation and maintenance (O&M) costs, and construction costs.</p> <p>The rates exclude storage O&M costs and storage construction costs, since this water is, by definition, un-storable.</p> <p>The O&M component of the water rate includes water marketing costs, direct pumping costs, and any other O&M costs that are required to make delivery.</p> <p>The construction component of the water rate is charged since 215 water is <i>additional</i> project water that flows through CVP facilities; therefore, the construction component of the water rate is applicable even if a contractor has fully repaid their construction obligation under their water service contract, or has entered into a repayment contract under 9(d) of the 1939 Act.</p> <p>For Friant division contractors, 215 water can be taken as class 2 water and O&M and construction costs will be allocated to the contractor as class 2.</p> <p>Area Office Managers have been delegated the authority to reduce the 215 water rate from what is calculated and published in the CVP Special ratebook</p>

Central Valley Project Improvement Act (CVPIA) Charges	Mitigation and Restoration Fund charges and Friant surcharges are contractor obligations upon delivery, and are payable no later than one month following the delivery of water. Please refer to the irrigation or M&I rate books, Schedule A-1, for the appropriate per acre foot charge.																						
Trinity Public Utility District (TPUD) Assessment	TPUD assessments are contractor obligations upon delivery, and are payable no later than one month following the delivery of water. Please refer to the irrigation or M&I rate books, Schedule A-1, for the per acre foot assessment.																						
Application of Sec 215 Water Revenue	When 215 water is paid at the rate identified in the CVP Special ratebook, the revenue is applied as described in Section B. If an Area Office Manager authorizes a reduced rate for the sale of 215 water, the water revenue will be applied on a project level to offset total Water Marketing costs that are allocated to all CVP contractors for repayment.																						
Section A	Calculation of CVP 215 Water Rate																						
	<p>For illustration purposes, if a contractor took 1,000 acre-feet of 215 water at the rate identified in the CVP Special ratebook, the per acre foot rate is \$21.11. The construction component of the rate is \$11.56 per acre foot and the O&M component of the rate is \$9.55 per acre foot. These components are determined using the following information:</p> <table border="1" data-bbox="483 688 1360 1096"> <thead> <tr> <th>Rate Components</th> <th>Water Rate</th> </tr> </thead> <tbody> <tr> <td>Water Marketing</td> <td>\$ 6.53</td> </tr> <tr> <td>Direct Pumping</td> <td>\$ 3.02</td> </tr> <tr> <td>Total O&M</td> <td>\$ 9.55</td> </tr> <tr> <td>Conveyance</td> <td>\$ 5.31</td> </tr> <tr> <td>Jones PP</td> <td>\$ 1.74</td> </tr> <tr> <td>O'Neil PP</td> <td>\$ 0.73</td> </tr> <tr> <td>Dos Amigos PP</td> <td>\$ 1.23</td> </tr> <tr> <td>Direct Pumping</td> <td>\$ 2.55</td> </tr> <tr> <td>Total Construction Cost</td> <td>\$11.56</td> </tr> <tr> <td>Total 215 Water Rate</td> <td>\$21.11</td> </tr> </tbody> </table> <p>Section B illustrates how Sec 215 revenues are applied.</p>	Rate Components	Water Rate	Water Marketing	\$ 6.53	Direct Pumping	\$ 3.02	Total O&M	\$ 9.55	Conveyance	\$ 5.31	Jones PP	\$ 1.74	O'Neil PP	\$ 0.73	Dos Amigos PP	\$ 1.23	Direct Pumping	\$ 2.55	Total Construction Cost	\$11.56	Total 215 Water Rate	\$21.11
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Section B	Application of 215 Water Revenue
	If a contractor takes 1,000 acre feet of 215 water at the rate of \$21.11 per acre foot, the contractor's revenue of \$21,110 is applied as follows:

A	B	C	D	E	F	G	H
Description	Rate per AF (Special Rate)	Rate per AF (Regular Rate)	Rate Difference	Total Revenue @1,000 af @ Special Rate	Total Revenue @1,000 af @Ratebook Rate	Difference	Revenue Application
	2012	2012	(B-C)	(B*1,000 af)	(C*1,000 af) Step 1	(D-E) Step 2	
Water Marketing	\$ 6.53	\$6.53	\$ -	\$ 6,530.00	\$6,530.00	\$ -	Water Marketing O&M
Direct Pumping	\$ 3.03	\$3.03	\$ -		\$3,030.00	\$ -	Direct Pumping O&M
Total O&M	\$ 9.56	\$9.56	\$ -	\$ 9,560.00	\$9,560.00	\$ -	
Conveyance	\$ 5.31	\$3.06	\$2.25	\$ 5,310.00	\$3,060.00	\$2,250.00	
Jones PP	\$ 1.74	\$0.93	\$0.81	\$ 1,740.00	\$ 930.00	\$ 810.00	
O'Neill PP	\$ 0.73	\$0.42	\$0.31	\$ 730.00	\$ 420.00	\$ 310.00	
Dos Amigos PP	\$ 1.23	\$0.69	\$0.54	\$ 1,230.00	\$ 690.00	\$ 540.00	
Direct Pumping	\$ 2.55	\$1.45	\$1.10	\$ 2,550.00	\$1,450.00	\$1,100.00	
Total Construction Cost	\$11.56	\$6.55	\$5.01	\$11,560.00	\$6,550.99	\$5,010.00	Contractor's unpaid construction

Step 1

Construction revenue is applied on a project level to reduce the total construction costs that are distributed to contractors for repayment. For example, the Jones PP revenue of \$930 ($\$0.93 \times 1,000$ AF) is applied toward the total construction costs for Jones PP to reduce the total construction obligation. An exception to this rule is the application of revenue for direct pumping, which is applied to reduce the construction obligation of the individual contractor, rather than total construction costs on a project level. O&M revenue is applied in a similar way as construction revenue. For example, Water Marketing revenue is also applied on a project level to reduce the total O&M costs that are distributed to contractors for repayment.

Step 2

Any construction revenue that exceeds the annual cost of service rate, is applied on an individual contractor level to reduce the contractor's repayment obligation. For example, the Jones PP construction cost of service rate is \$0.93 per acre foot, but for 215 water the rate is \$1.74 per acre foot, which is \$0.81 more per acre foot. This revenue of \$810 ($\$0.81 \times 1,000$ AF) is applied to the individual contractor's outstanding construction obligation.