



United States Department of the Interior

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

IN REPLY REFER TO:

MP-3400
WTR-1.10

FEB 27 2014

Subject: Delta-Mendota Canal/California Aqueduct Intertie (Intertie) Construction Costs
Included in Central Valley Project (CVP) Water Rates

Dear Contractor:

In fiscal year 2012, the Bureau of Reclamation (Reclamation) transferred the Intertie construction costs from construction in progress to plant-in-service as part of the CVP, initiating Reclamation's responsibility to recover the cost of the facility through CVP water rates beginning with the 2014 water year. The cost to plan, design, and construct the Intertie was approximately \$26.2 million. The Intertie is considered new construction within the CVP; therefore, the construction costs are to be recovered over a separate 50 year repayment period in accordance with the 1988 Irrigation Ratesetting Document.

The Intertie was constructed to include a pumping feature with a total pumping capacity of 467 cubic feet per second (cfs). This pumping feature allows the C.W. "Bill" Jones Pumping Plant (PP) to operate at its original designed pumping capacity of approximately 4,600 cfs. Reclamation's current practice for the cost recovery of project facilities, with separately identifiable pumping features, is to include the costs in the conveyance pumping cost component of the CVP water rates. The costs are then distributed to the beneficiaries of the facility based on historical and projected acre feet of water deliveries. This practice is currently used for the recovery of construction costs for Corning PP, Jones PP, O'Neill PP, and Dos Amigos PP.

This letter is to notify water and power contractors of Reclamation's decision to include the construction costs for the Intertie in the conveyance pumping cost component of the CVP water rates. The fiscal impact is approximately \$0.57 per acre foot. The operation and maintenance (O&M) responsibilities for the Intertie have been transferred to the San Luis and Delta-Mendota Water Authority; therefore, the O&M costs will be recovered directly by the Water Authority.

If you have any questions, please contact Ms. Autumn Wolfe, Ratesetting Manager, at 916-978-5391, awolfe@usbr.gov, or for TTY access call the Federal Relay Service at 800-877-8339.

Sincerely,

Brenda Bryant

Brenda Bryant
Regional Financial Manager