



— BUREAU OF —
RECLAMATION

California-Great Basin Region, Central Valley Project Water Contracts

Background

The Central Valley Project (CVP), managed by the California-Great Basin Region, has over 270 contracts for the delivery of up to 9.5 million acre-feet of water on an annual basis. There are several different types of contracts: Settlement Contracts; Exchange Contracts; Refuge Contracts; Water Service Contracts; and, Repayment Contracts.



Shasta Dam – 4.55 million acre-feet of capacity

Sacramento River Settlement Contracts

Prior to the authorization of the CVP, hundreds of individuals and water users had settled along the Sacramento River to divert the natural flow of the Sacramento River for irrigation and other beneficial uses. After the CVP was authorized, contractors holding water rights on the Sacramento River protested the issuance of CVP water rights. They believed construction and operation of the CVP, specifically Shasta Dam, would interfere and reduce their ability to divert water from the Sacramento River under their senior water rights.

To settle this water rights dispute and allow Reclamation to effectively operate the CVP, Reclamation and the Sacramento River contractors entered into settlement discussions and executed settlement contracts. The Settlement Contracts specify a quantity of water that the Settlement Contractors can divert free of charge (Base Supply) and that they have to pay for (Project Water). The total amount of Base Supply is 1,775,509 acre-feet and the total amount of Project Water is 340,111 acre-feet. The Project Water is primarily available in the months of July, August and September and is subject to all of the pricing and other requirements of federal reclamation law.



Friant Dam – 520,528 acre-feet of capacity

South of Delta Settlement Contracts

After Reclamation started operating Friant Dam, water users near Mendota Pool began experiencing difficulties in diversion since the San Joaquin River water was no longer reaching the Mendota Pool in quantities necessary to meet their irrigation demands. In order to settle these water user's claims, Reclamation executed settlement contracts providing for a quantity of water to be delivered from the Delta-Mendota Canal free of charge (Schedule 2 water), and a quantity they must pay for (supplemental water). The total amount of Schedule 2 is 35,623 acre-feet and the total amount of supplemental water is 55,478 acre-feet. The supplemental water is primarily available in the months of July, August and September and is subject to all the pricing and other requirements of federal reclamation law.



Delta-Mendota Canal – 116.5 miles

San Joaquin River Exchange Contract

The San Joaquin River Exchange Contractors (Exchange Contractors) consist of the San Luis Canal Company, Central California Irrigation District, Firebaugh Canal Water District, and Columbia Canal Company. These four districts hold some of the oldest water rights in the state, dating back to the late 1800s, and are for diversion of water from the San Joaquin and Kings rivers.

The operation of the CVP's Friant Division depended upon water being diverted from the San Joaquin River and conveyed to the east side of the valley via the Friant-Kern Canal and Madera Canal. To accomplish this, Reclamation and the Exchange Contractors entered into an agreement whereby the Exchange Contractors agreed to not exercise their rights to divert water from the San Joaquin River in exchange for Reclamation providing substitute water, generally coming from the Sacramento River and delivered via the Delta-Mendota Canal.

During all calendar years, except “critical,” Reclamation is responsible for delivering an annual substitute water supply of up to 840,000 acre-feet. In “critical” years, the annual substitute water supply is reduced to 650,000 acre-feet.



New Melones Dam – 2.4 million acre-feet

Oakdale and South San Joaquin Irrigation Districts

When Reclamation began operating New Melones Reservoir on the Stanislaus River in 1980, Reclamation was required to meet prior water right obligations for Oakdale Irrigation District (OID) and South San Joaquin Irrigation District (SSJID). OID and SSJID have settlement agreements which entitle them up to the first 600,000 acre-feet of inflow to New Melones Reservoir on an annual basis in recognition of their water rights on the Stanislaus River.



CVP Agriculture

Water Service Contracts

Except for the CVP’s Friant Division contractors, all Project Water contracts within the CVP are water service contracts authorized under Sections 9c (2) (municipal and industrial contracts) and 9e (irrigation contracts) of the Reclamation Project Act of 1939 Act. Water service contracts are used in instances such as the CVP where the project includes multiple individual multipurpose facilities benefiting different project functions and construction and a final cost allocation have not been completed. For such projects, costs are allocated to, and recovered from, appropriate beneficiaries based on the annual number of acre-feet of water diverted.

For water service contracts, the Act requires the Secretary of the Interior to establish water rates for the sale of water to "produce revenue at least sufficient to cover annual operations and maintenance (O&M) costs and the appropriate share of fixed charges (construction costs) of the project."

Reclamation has broad discretion under the Reclamation Project Act of 1939 Act for developing and implementing ratesetting policies. Ratesetting policies can be either (1) negotiated as a specific provision of individual water service contracts; or (2) set forth into a formal policy applicable to multiple contractors.

Cross Valley Contracts

Beginning in 1975, the Cross Valley Contractor(s) (CVC) entered into contracts with Reclamation and the California Department of Water Resources (DWR) for delivery of excess CVP water through excess capacity in DWR's facilities. CVP water is delivered to the CVC either by the California Aqueduct to the Cross Valley Canal or through exchange. These contracts were negotiated before the complete build out of the CVP and were meant to be temporary in nature to put CVP excess water to beneficial use. While CVPIA mandated their renewal, DWR no longer has excess capacity in the California Aqueduct to guarantee the delivery of this water nor does the CVP have excess water to allocate.

Repayment Contracts

Repayment contracts are authorized under Sections 9c (1) (municipal and industrial contracts) and 9d (irrigation contracts) of the Reclamation Project Act of 1939 respectively for M&I and irrigation water. Repayment contracts are used when specific cost obligations can be readily assigned to beneficiaries such as when a specific facility is constructed for the sole benefit of a single contractor. Repayment contracts generally provide for 40 fixed annual payments to repay a fixed repayment amount. Except for four Friant Division contractors, all the contractors within the CVP's Friant Division executed repayment contracts, as authorized by the San Joaquin River Restoration Settlement Act, and have repaid their capital obligation identified as of the date of that Act.