



MEMORANDUM

TO: SLDMWA Finance & Administration Committee Members, Alternates
SLDMWA Board of Directors, Alternates

FROM: Pablo Arroyave, Chief Operating Officer
Ray Tarka, Director of Finance

DATE: May 1, 2023

RE: Finance & Administration Committee / Board Recommendation Regarding
OM&R Rate Setting Methodology/Practice

BACKGROUND

Historically, O&M Water Rates have been calculated based on the approved OM&R budgeted costs for the current year and estimated deliveries on forecasted water supply allocations and supplemental water supply information provided by contractors. Both the estimated deliveries and the budgeted costs are classified into cost pools to determine cost pool components. These components are then added together to determine a delivery rate. At the request of a Finance & Administration Committee member, staff had previously modeled an alternate approach to calculate current rates under an adjusted rate-setting model that attempted to include volumes for minimum participation among irrigation contractors in the initial rate setting under scenarios of 0%, 5%, and 10% allocations. Minimum participation amounts (25%) have historically been calculated during the final accounting of the water year, and applied only after the actual deliveries for the water year are known.

In water years where the contractual allocation to irrigation contractors exceeds 25%, minimum participation calculations performed in the final accountings have yielded relatively small assessments to contractors who had not taken delivery of their contractual minimum acre feet. This may not be the case in years where the allocation to Irrigation contractors falls below 25%.

Staff was asked to review a closed year where the allocation percentage for the year was below 25% and to model a rate calculation under the alternative approach of including minimum participation amounts in addition to the allocation and member survey information. Our analysis is included in this memorandum.:

ISSUE FOR DECISION

Whether the Finance & Administration Committee should make any recommendations--and the Board should consider any recommendations--regarding the rate setting methodology/practice used by the Authority.

OPTIONS FOR RECOMMENDATION

1. Status quo and continue to set rates based on allocation percentages and delivery survey input from members.
2. Alternative Approach: Include minimum participation along with allocation and survey data consistently for all water years.
3. Alternative Approach: Include minimum participation along with allocation and survey data for years when contractual allocations to irrigation contractors fall below 25%.

ANALYSIS

Staff analyzed Water Year 2015 to apply the alternative rate setting approaches and compared the results to the historical rates that were set, and the actual rates that were calculated in the final accounting. Water Year 2015 was a 0% allocation year for irrigation contractors.

The historical rates set for 2015 based on a constricted water supply and higher budgeted power than actual, yielded an over-collection of \$7 Million, which was the result of over-budgeting for Project Use Energy. Rates modeled under the alternative approach yielded an over-collection of \$6.2 Million. The over-collections under both scenarios were predominant in the power cost pools for Jones, O'Neill, and Dos Amigos. The rates set using the alternative approach resulted in lower over-collections of \$331,000 in the Upper DMC/JPP cost pool and \$491,000 in the JPP Power cost pool.

ATTACHMENT

2015 Analysis

SAN LUIS and DELTA-MENDOTA WATER AUTHORITY

**COMPARISON OF 2015 ACTUAL RATE COMPONENTS TO
PUBLISHED AND PROFORMA RATE COMPONENTS
WITH MINIMUM PARTICIPATION VOLUMES
FAC 05.01.23 BOD 05.04.23**

<u>Cost Pool Component</u>	<u>Actual Deliveries</u>	<u>Actual Cost</u>	<u>2015 Realized Rate Component</u>	<u>2015 Published Rate Component</u>	<u>2015 Proforma Rate With Min Participation Rate Component</u>
Upper DMC / JPP	1,225,640	\$ 5,708,732	\$ 4.66	\$ 6.90	\$ 6.63
JPP POWER	767,275	\$ 9,102,108	\$ 11.86	\$ 14.65	\$ 14.01
Intertie O&M	485,232	\$ -	\$ -	\$ 1.73	\$ 1.60
Intertie Power	458,632	\$ -	\$ -	\$ 0.17	\$ 0.16
Volta Wells	3,686	\$ 288,458	\$ 78.26	\$ 56.20	\$ 56.20
Lower DMC / Pool	615,010	\$ 2,161,860	\$ 3.52	\$ 3.71	\$ 3.71
O'Neil Direct O&M	279,109	\$ 712,319	\$ 2.55	\$ 3.49	\$ 3.49
O'Neil Direct Power	252,509	\$ 400,377	\$ 1.59	\$ 2.91	\$ 2.91
O'Neil Storage O&M	710,422	\$ 786,404	\$ 1.11	\$ 0.88	\$ 0.88
O'Neil Storage Power	710,422	\$ 434,769	\$ 0.61	\$ 0.73	\$ 0.73
San Luis Canal O&M	234,997	\$ 9,327,045	\$ 39.69	\$ 38.37	\$ 38.37
Dos Amigos O&M	232,808	\$ 1,958,394	\$ 8.41	\$ 10.66	\$ 10.66
Dos Amigos Power	206,208	\$ 1,246,354	\$ 6.04	\$ 8.69	\$ 8.69
SL Drain	212,818	\$ 67,441	\$ 0.32	\$ 0.43	\$ 0.43
	<u>6,394,768</u>	<u>32,194,261</u>			

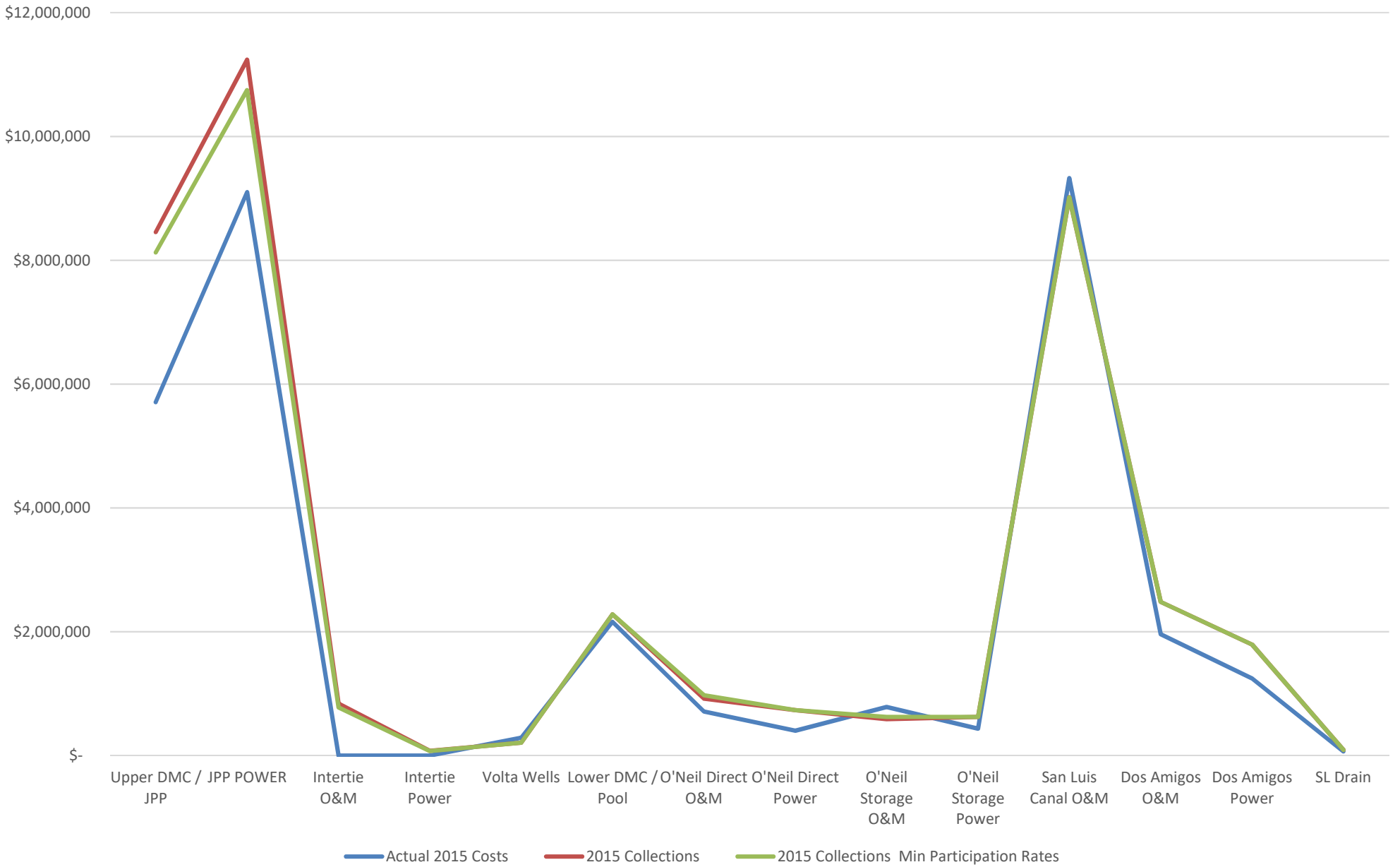
SAN LUIS and DELTA-MENDOTA WATER AUTHORITY

COMPARISON OF 2015 ACTUAL COSTS TO COLLECTIONS

**UNDER PUBLISHED RATE COMPONENTS AND PROFORMA RATE COMPONENTS
WITH MINIMUM PARTICIPATION VOLUMES
FAC 05.01.23 BOD 05.04.23**

<u>Cost Pool Component</u>	<u>Actual Deliveries</u>	<u>Actual Cost</u>	<u>2015 Collections at Published Rate Component</u>	<u>2015 Collections at Proforma Rate with Min Participation Rate Component</u>	<u>OVER/(UNDER) Collected on Published 2015 Rate Component</u>	<u>OVER/(UNDER) Collected on Proforma 2015 Rate Component</u>
Upper DMC / JPP	1,225,640	\$ 5,708,732.35	\$ 8,456,916	\$ 8,125,993	\$ 2,748,184	\$ 2,417,261
JPP POWER	767,275	\$ 9,102,108.21	\$ 11,240,579	\$ 10,749,523	\$ 2,138,471	\$ 1,647,415
Intertie O&M	485,232	\$ -	\$ 839,451	\$ 776,371	\$ 839,451	\$ 776,371
Intertie Power	458,632	\$ -	\$ 77,967	\$ 73,381	\$ 77,967	\$ 73,381
Volta Wells	3,686	\$ 288,457.86	\$ 207,153	\$ 207,153	\$ (81,305)	\$ (81,305)
Lower DMC / Pool	615,010	\$ 2,161,859.95	\$ 2,281,687	\$ 2,281,687	\$ 119,827	\$ 119,827
O'Neil Direct O&M	279,109	\$ 712,318.71	\$ 974,090	\$ 974,090	\$ 261,772	\$ 261,772
O'Neil Direct Power	252,509	\$ 400,376.80	\$ 734,801	\$ 734,801	\$ 334,424	\$ 334,424
O'Neil Storage O&M	710,422	\$ 786,404.17	\$ 625,171	\$ 625,171	\$ (161,233)	\$ (161,233)
O'Neil Storage Power	710,422	\$ 434,769.27	\$ 518,608	\$ 518,608	\$ 83,839	\$ 83,839
San Luis Canal O&M	234,997	\$ 9,327,044.72	\$ 9,016,835	\$ 9,016,835	\$ (310,210)	\$ (310,210)
Dos Amigos O&M	232,808	\$ 1,958,394.23	\$ 2,481,733	\$ 2,481,733	\$ 523,339	\$ 523,339
Dos Amigos Power	206,208	\$ 1,246,354.00	\$ 1,791,948	\$ 1,791,948	\$ 545,594	\$ 545,594
SL Drain	212,818	\$ 67,441.14	\$ 91,512	\$ 91,512	\$ 24,071	\$ 24,071
	<u>6,394,768</u>	<u>32,194,261</u>	<u>39,338,452</u>	<u>38,448,807</u>	<u>7,144,191</u>	<u>6,254,546</u>

**SAN LUIS & DELTA-MENDOTA WATER AUTHORITY
 COMPARISON OF 2015 ACTUAL COSTS TO COLLECTIONS
 UNDER PUBLISHED RATES AND PROFORMA RATES USING
 SURVEY DATA WITH MINIMUM PARTICIPATION
 05.01.23 FAC 05.04.23 BOD**





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BOD Approved 8/4/15

SLDMWA - O&M Rates
Recalculated WY2015 SELF-FUNDING SLDMWA O&M WATER RATES
 Finance & Administration Committee / Board of Directors - August 6, 2015

COST POOLS	SLDMWA ANNUAL O&M and POWER								SLDMWA RESERVES	SLJU			TOTAL
	UPPER Upper DMC/JPP	UPPER Interte (Temporary Cost Pool)	JPP PWR	VOLTA WELLS <i>3 year pilot project extended</i>		LOWER Lower DMC/Mendota Pool	O'NEILL P/G O'Neill O&M			DWR COSTS		POWER	
PARTICIPANTS	All Users	All Users Excludes Exchange Cont. and Water Rights	All Users (Actual Pumping Only)	Refuge Level II (Only)	Refuge Level IV (Only)	LowerDMC & MP Users	All Users "Direct"	All Users "Storage"	All Users	San Luis Canal O&M	Dos Amigos O&M	Dos Amigos Power	
COSTS TO BE ALLOCATED**	\$6,130,083	\$925,881	\$11,900,000	\$112,407	\$112,408	\$2,273,285	\$2,147,947	\$1,156,587	\$1,000,000	\$10,100,000	\$2,700,000	\$2,200,000	\$40,758,598
ACRE FEET	888,511	489,061	812,477	2,000	2,000	614,334	335,619	720,739	% of 10 Yr Historical Use	263,248	253,248	253,248	
RATE PER AF	\$6.90	\$1.90	\$14.65	\$56.20	\$56.20	\$3.71	\$6.40	\$1.61	\$1.00	\$38.37	\$10.67	\$8.69	

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SLDMWA COMPONENT RATE PER ACRE FOOT - BY DELIVERY AREA / CONTRACTOR		
Upper DMC	\$26.06	A+Aa+B+G+H
Exchange/Wtr Rts (Upper)	\$24.16	A+B+G+H Excludes Interte
Lower DMC/Pool	\$29.77	A+Aa+B+E+G+H
San Felipe	\$30.85	A+Aa+B+F+H
San Luis Canal Above Dos Amigos	\$69.22	A+Aa+B+F+H+I
San Luis Canal Below Dos Amigos	\$88.58	A+Aa+B+F+H+I+J+K
Exchange/Wtr Rts (Lower)	\$27.87	A+B+E+G+H Excludes Interte
Refuge (Lower)	\$29.77	A+Aa+B+E+G+H
Volta Wells-Refuge Level II	\$56.20	C
Volta Wells-Refuge Level IV	\$56.20	D
San Luis Drain	\$0.43	\$106,348

Direct	Storage
O&M = \$2.91	O&M = \$0.73
O&M DWR = \$0.58	O&M DWR = \$0.15
Pwr = \$2.91	Pwr = \$0.73
\$2.91	\$0.73
\$0.58	\$0.15
\$2.91	\$0.73
\$6.40	\$1.61

WATER SUPPLY ASSUMPTIONS

Irrigation 0%
 M&I 25% Historical Use & Health & Safety
 Refuge BOR Refuge Estimate
 Ex/Wtr Rts SLDMWA Estimate

**COSTS TO BE ALLOCATED		Included in \$		
O&M Budget per above	\$10,168,298	\$ 1,504,534.00	\$ 977,947.00	2.913860657
Required Reserve Funding	\$1,000,000		\$ 526,587.00	0.730620932
San Luis Drain	\$106,348		\$ 1,504,534.00	
Volta Well Project-GGS & Grd H2o Monitoring, & Contract Labor	\$206,300			
Interte: DWR Wheeling, & Other	\$600,000			
POWER				
JPP	\$11,900,000			
Interte	\$84,000			
Volta Wells	\$0			
O'Neill	\$1,500,000	\$ 1,500,000.00	\$ 975,000.00	2.905079867
			\$ 525,000.00	0.728419025
			\$ 1,500,000.00	
SAN LUIS JOINT USE				
DWR - San Luis Canal O&M	\$11,000,000			
DWR - Dos Amigos O&M	\$3,000,000			
DWR - O'Neill	\$300,000	\$ 300,000.00	\$ 195,000.00	0.581015973
			\$ 105,000.00	0.145683805
			\$ 300,000.00	
POWER				
Dos Amigos	\$2,200,000			
	\$42,064,946			

O'Neill Split
65%/35%



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SLDMWA - O&M Rates
PROFORMA WY2015 SELF-FUNDING SLDMWA O&M WATER RATES WITH SURVEY DATA AND 25% MIN AG PARTICIPATION
 Finance & Administration Committee / Board of Directors -MAY 2023

COST POOLS	SLDMWA ANNUAL O&M and POWER								SLDMWA RESERVES	SLJU			TOTAL
	UPPER Upper DMC/ JPP	UPPER Intertie (Temporary Cost Pool)	JPP PWR	VOLTA WELLS <i>3 year pilot project, extended</i>		LOWER Lower DMC/ Mendota Pool	O'NEILL P/G O'Neill O&M			DWR COSTS	POWER		
PARTICIPANTS	All Users	All Users Excludes Exchange Cont. and Water Rights	All Users (Actual Pumping Only)	Refuge Level II (Only)	Refuge Level IV (Only)	LowerDMC & MP Users	All Users "Direct"	All Users "Storage"	All Users	San Luis Canal O&M	Dos Amigos O&M	Dos Amigos Power	
COSTS TO BE ALLOCATED**	\$6,130,083	\$925,881	\$11,900,000	\$112,407	\$112,408	\$2,273,285	\$2,147,947	\$1,156,587	\$1,000,000	\$11,000,000	\$3,000,000	\$2,200,000	\$41,958,598
ACRE FEET	925,658	526,208	849,624	2,000	2,000	614,334	335,619	720,739	% of 10 Yr Historical Use	263,248	253,248	253,248	
RATE PER AF	\$6.63	\$1.76	\$14.01	\$56.20	\$56.20	\$3.71	\$6.41	\$1.61	\$1.00	\$41.79	\$11.85	\$8.69	

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Component	Rate	Area
Upper DMC	\$25.01	A+Aa+B+G+H
Exchange/Wtr Rts (Upper)	\$23.25	A+B+G+H Excludes Intertie
Lower DMC/Pool	\$28.72	A+Aa+B+E+G+H
San Felipe	\$29.81	A+Aa+B+F+H
San Luis Canal Above Dos Amigos	\$71.60	A+Aa+B+F+H+I
San Luis Canal Below Dos Amigos	\$92.14	A+Aa+B+F+H+I+J+K
Exchange/Wtr Rts (Lower)	\$26.96	A+B+E+G+H Excludes Intertie
Refuge (Lower)	\$28.72	A+Aa+B+E+G+H
Volta Wells-Refuge Level II	\$56.20	C
Volta Wells-Refuge Level IV	\$56.20	D
San Luis Drain	\$0.43	\$106,348

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Pwr = \$2.92	Pwr = \$1.61

WATER SUPPLY ASSUMPTIONS

Irrigation 0%
 M&I 25% Historical Use & Health & Safety
 Refuge BOR Refugue Estimate
 Ex/Wtr Rts SLDMWA Estimate

Category	Amount	Included in \$	Value	Rate
O&M Budget per above	\$10,168,298	\$ 1,504,534.00	\$ 977,947.00	2.913860657
Required Reserve Funding	\$1,000,000		\$ 526,587.00	0.730620932
San Luis Drain	\$106,348		\$ 1,504,534.00	
Volta Well Project-GGS & Grd H2o Monitoring, & Contract Labor	\$206,300			
Intertie: DWR Wheeling, & Other	\$600,000			
POWER				
JPP	\$11,900,000			
Intertie	\$84,000	\$0.16		
Volta Wells	\$0			
O'Neill	\$1,500,000	\$ 1,500,000.00	\$ 975,000.00	2.905079867
			\$ 525,000.00	0.728419025
			\$ 1,500,000.00	
SAN LUIS JOINT USE				
DWR - San Luis Canal O&M	\$11,000,000			
DWR - Dos Amigos O&M	\$3,000,000			
DWR - O'Neill	\$300,000	\$ 300,000.00	\$ 195,000.00	0.58
			\$ 105,000.00	0.145683805
			\$ 300,000.00	
POWER				
Dos Amigos	\$2,200,000			
TOTAL	\$42,064,946			

O'Neill Split
65%/35%