



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: August 5, 2024

RE: Finance & Administration Committee Recommendation / Board Approval of
Adjustment to Water Year 2024 OM&R Water Rates

BACKGROUND

Since the adoption of Water Year 2024 OM&R Water Rates in February 2024, several events occurred that triggered the need for a rate adjustment. First, on June 25, 2024, Reclamation increased the South of Delta Agricultural allocation from 40% to 50%.

Second, in July 2024, SLDMWA and the Friant Water Authority (FWA) executed a Second Amended and Restated Memorandum of Understanding, which includes an amended OM&R Cost Recovery Plan with revised cost sharing arrangements and additional cost pools. Under the amended Cost Recovery Plan, OM&R costs associated with the Delta Conveyance Intertie (Intertie) are included in the Upper Cost Pool. Intertie costs for power and conveyance are classified as Intertie variable costs and are included in a new cost pool by that name. FWA only participates in this cost pool under limited circumstances described in the amended Cost Recovery Plan. The Lower DMC and the Mendota Pool each have their own separate cost pools under the new agreement. Deliveries on the Lower DMC no longer share the OM&R cost of the Mendota Pool but do bear the cost of all other charges associated with the transferred works applicable to their delivery. Mendota Pool deliveries that are not conveyed using the DMC, such as water pumped into the Mendota Pool and delivered in the Mendota Pool, and flows from the San Joaquin River that are delivered at the pool, share 25% of the Lower Cost Pool charges and the OM&R costs of Mendota Pool without additional charges for the reserve components associated with the transferred works.

In June 2024, staff requested members to submit their anticipated Water Year (WY) 2024 deliveries to identify delivery volumes through the various cost pools of the transferred works on which to calculate the self-funding rates. After Reclamation's announcement on June 25, 2024, increasing the south-of-Delta agricultural contractor allocation to 50%, staff updated their request for the projections to be reported under the updated allocation scenario of 50% for agricultural contractors. In determining the volume for the revised rate calculation, staff also included 25% "minimum participation" for CVP contractors whose survey response was below their contractual participation amount. The inclusion of the minimum participation added 12,024 Acre-Feet to the delivery base at 50%.

Third, Reclamation recently updated the repayment schedules for the repayment agreements for the rewind of Jones Pumping Plant Units 5 & 6 and issued a repayment schedule for Unit 3, resulting in an overall decrease of \$86,384 in reserve funding necessary for the current year, and for future years.

Accordingly, an adjustment is necessary to recover costs through the WY2024 OM&R water rate including: (1) FY2025 Self-Funding OM&R budget of \$14,980,416, (2) FY2025 EO&M budget of \$10,623,257, (3) FY2025 Debt Service on repayment agreements for the Jones Pumping Plant Rewinds of Units 6, 5, and 3, of \$255,239, \$266,174, and \$337,255 respectively, (4) FY2025 Debt Service on the Series 2021A bonds of \$374,086, and (5) unbudgeted FY2025 pass-thru costs for Project Use Energy of \$24,569,099, San Luis Joint Use of \$18,397,001, and DWR conveyance fees associated with the use of the Intertie estimated at \$3,256,050.

In July 2024, Reclamation provided an updated estimate of power (Project Use Energy, or "PUE") costs to SLDMWA, indicating that SLDMWA's share of a significant variance expected to be due to the Western Area Power Administration (WAPA) could exceed \$14 million. This variance relates to SLDMWA's Water Year 2022 and Water Year 2023. The adjusted rates submitted for approval do not include this anticipated power true-up obligation as was previously discussed in the July, 2024 meetings. Instead, once the amount of the True-Up is certain, staff plans to bill this charge to members in separate billings ratably by the water year that benefitted from the power usage as part of an interim final accounting billing for PUE for each water year.

The Intertie conveyance cost estimate was determined following guidance from the Joint WRC/FAC/BOD workshop held on January 17, 2024. During that workshop, staff was directed to conservatively estimate wheeling fees in order to create a "rainy day" fund in the event that Intertie usage in Water Year 2024 exceeded the historical average volume pumped through this facility which could result in a cash flow shortage for the Authority. After some discussion, staff was further instructed to use a volume of 125,000 Acre-Feet applied to the current DWR wheeling rate charged for water conveyance to the O'Neill Forebay from the Intertie to calculate this cost.

The FY2025 costs associated with each cost pool have been identified in the self-funding budget.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should approve, an adjustment to Water Year 2024 OM&R water rates as calculated under a 50% agricultural contractor allocation.

RECOMMENDATION

Staff recommends approval of the proposed adjustment to Water Year 2024 OM&R water rates assuming a 50% agricultural contractor allocation and member-reported anticipated deliveries with minimum participation volumes included. (**Attachment 1.**)

ANALYSIS

In July 2024, members provided staff with their updated anticipated water deliveries for Water Year 2024 under the requested allocation scenario of 50% in sufficient detail to identify the delivery source and included other sources of water beyond their expected contractual allocation. This included anticipated transfers between members, pumped in water, carryforward water from prior water years and water acquired through other activity agreements among members and non-members. Members also provided their anticipated carry-over into the next water year. The updated delivery data exceeded the previous estimate of delivery volumes through the O'Neill Pumping/Generating Plant by 49,750 Acre-Feet.

The anticipated delivery information provided by members was entered into a revised delivery assumption model that segregated and summed the volumes by the revised cost pools. In addition, staff followed the recent direction of the Board in the amended Cost Recovery Plan to include minimum participation amounts in the model, where applicable.

The summed deliveries by cost pool were used as the numerator in the equation to determine the rate component per cost pool. These costs were then aggregated by delivery area to arrive at WY24 Water Rates. The results of those calculations are as follows:



San Luis & Delta-Mendota Water Authority

**2nd AMENDED MOU - WY24 SELF-FUNDING RATES
WITH BOR SOD AG ALLOCATION @ 50%**

**FAC 08/05/2024 BOD 08/08/2024
RATE COMPARISON TO BOD Approved WY24 RATES**

**Using July 2024 Member Projection of WY24 Deliveries,
based on @ 50% Ag ALLOCATION, DCI CONVEYANCE
per Guidance**

	NEW WY2024 Rate 3/1/24-2/28/25 AMENDED MOU (B2) WY2024	WY2024 Rate 3/1/24-2/28/25 WY24 RATES (B1) WY2024	Variance
WATER SUPPLY			
Irrigation	50%	40%	10%
M&I	75%	75%	0%
Refuge	100%	100%	0%
Exchange/Water Rights	100%	100%	0%
RATES			
Upper DMC	\$20.53	\$21.80	(\$1.27)
Upper DMC - Exchange/Wtr Rts	\$17.88	\$18.18	(\$0.30)
Mendota Pool Only	\$0.46	N/A	N/A
Lower DMC Only	\$21.60	N/A	N/A
Lower DMC/Pool	\$22.06	\$24.66	(\$2.60)
Lower DMC/Pool - Exchange/Wtr Rts	\$19.41	\$21.04	(\$1.63)
San Felipe	\$23.92	\$26.15	(\$2.23)
SLC Above Dos Amigos	\$37.58	\$45.05	(\$7.47)
SLC Below Dos Amigos	\$46.62	\$57.57	(\$10.95)
Volta Wells	\$11.24	\$11.23	\$0.01
San Luis Drain	\$0.19	\$0.23	(\$0.04)

Delivery Volumes through O'Neill (Direct and Storage) 2,185,645 2,135,895 49,750

**Updated 08.05.24 to reflect correct volume for DCI Variable cost component