



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 7, 2023

RE: Approval of Third Adjustment to Water Year 2023 OM&R Water Rates

BACKGROUND

The Water Authority Board of Directors adopted the initial Water Year (WY) 2023 OM&R rates on February 9, 2023 at a 10% agricultural water contractor allocation, and subsequently approved revised rates in March 2023 based on a 35% Ag Allocation. Rates are calculated based on the approved FY24 OM&R budget and estimated deliveries on forecasted water supply allocations and supplemental water supply information provided by contractors. Costs to be recovered through the WY2023 OM&R water rates are those previously approved by the Board of Directors: (1) FY2024 Self-Funding OM&R budget of \$17,447,862, (2) FY2024 EO&M budget of \$6,690,391, (3) FY2024 Debt Service on repayment agreements for the Jones Pumping Plant Rewinds of Unit 6 and Unit 5 of \$380,441 and \$282,305 respectively, and (4) FY2024 Debt Service on the Series 2021A bonds of \$448,227. Additional costs to be recovered which were previously unknown and not included in the original WY23 self-funding budget are DWR charges for DCI Conveyance (Wheeling). These costs totaled \$1,412,784 through June, 2023. The FY24 costs associated with each cost pool have been identified and updated in the self-funding budget.

On March 28, 2023, the Bureau of Reclamation announced revised 2023 water supply contract allocations based on updated reservoir and improving hydrologic conditions. The water year was forecasted to be non-critical, which resulted in a 100% contract allocation for settlement and Exchange contractors. In addition, Reclamation announced allocations of 80% to south-of-Delta agricultural water contractors and 100% to south-of-Delta municipal and industrial contractors. On April 6, 2023, the Board approved a second adjustment to the WY23 water rates reflecting the agricultural allocation increase of 80%. Monthly updates to the allocation were expected, and staff was directed to recalculate rates if the change in allocation should be greater than 20%.

On April 20, 2023 the Bureau of Reclamation announced revised 2023 water supply contract allocations based on updated reservoir and hydrologic conditions that continue to improve. Settlement and Exchange contractor allocations and south-of-Delta municipal and industrial contractor allocations remain at 100%, and allocations to south-of-Delta agricultural water

contractors were increased to 100%. At the request of the Finance and Administration Committee, Water Authority staff collected updated survey information from member agencies during the month of July and performed analysis necessary to consider the potential for a third adjustment to the Water Year 2023 OM&R water rates.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should approve, a third adjustment the Water Year 2023 OM&R water rates submitted as calculated based on a 100% agricultural contractor allocation.

OPTIONS

Staff does not have a recommendation, but provides two options for consideration:

1. Take no action, and keep the rates as approved in April 2023; or
2. Approve the third adjustment as presented, applied retroactively to deliveries made on or after March 1, 2023 (see **Attachment 1**).

ANALYSIS

Contractor survey responses indicated that many of our contractors may lose a portion of their allocation due to a decrease in demand and lack of storage. The updated anticipated deliveries for WY23 reflect a volume below those calculated for an 80% allocation.

As a result of the responses received, staff identified six contractors that may be subject to minimum participation billing at the final accounting for this water year. As a result, the volumes added for rate setting to account for minimum participation were 11,147 AF for the Upper DMC and 1,411 AF for the Lower DMC.

While it is not the Authority's standard practice to make frequent adjustments of OM&R rates, a third adjustment would align expected deliveries and carry-over with updated information provided by our members and absorb wheeling costs that were not previously budgeted.

Adjusting the rates to reflect the updated allocations and anticipated deliveries would increase most rates and decrease two rates in the amounts identified in the attachment.

ATTACHMENTS

Rate Adjustment Material



San Luis & Delta-Mendota Water Authority
 Notes to Support the discussion on adjusting WY23 O&M Rates
 FAC 08.07.23/BOD 08.10.23

1 O&M Budget - Self Funded

WY23 - Fiscal Year 3/1/23-2/28/24
 RO&M = \$17,531,811.79 total, \$17,447,861.91 SLDMWA Water Users, \$83,949.88 USBR
 1 EO&M = \$6,690,391.23- includes indirect

2 Delivery Assumptions

Ag - Contractor Estimates, 100%, with Contractor projections
 M&I - Contractor Estimates, 100%, with Contractor projections
 Refuge - 100% used BOR Refuge Estimate
 Exchange/Water Rights - 100%
 Estimated Rescheduled Water
 Pump-Ins
 Miscellaneous Transfers
 Mendota Pool Pumpers
 Volta Well Pumping

3 Intertie

Intertie anticipated to be used in WY23, estimated at 1,926,882 a/f per SLDMWA
 Final cost allocation for Intertie O&M, Intertie PUE and
 Total DWR Conveyance remains undetermined
 Intertie DWR Wheeling charges through June 30, 2023 -\$1,412,784

4 Volta Wells

Volta Wells Program estimated at 2,400 a/f - Costs split between DPWD and SLWD

5 PUE SLDMWA Meters

WY23 PUE estimates based on BOR PUE FYE 9/21/23 Billing Plan
 PUE Budget relating to WY22- FY 3/1/22- 2/28/23 = \$19,070,926
 PUE Budget relating to WY23- FY 3/1/23- 2/28/24 = \$20,209,382

6 DWR San Luis Joint Use

WY23 SLJU costs based on DWR Calendar Year Budget Estimates & Historical Actuals
 SLJU projection relating to WY22 - FY 3/1/22- 2/28/23 = \$19,070,926
 SLJU Budget relating to WY23 - FY 3/1/23- 2/28/24 = \$15,980,436
 Federal cost allocation for 2016-2020 = 39.90%

7 EO&M Funding

Funding Obligation:
 1 EO&M Funding Obligation WY23 FY 3/1/23 - 2/28/24 = \$6,690,391.23, EO&M Budget = \$6,690,391.23
 Rewind Debt Service Funding Obligation-BOR Repayment Contract(Unit 6) WY21 FY 3/1/23-2/28/24 = \$380,441
 Rewind Estimated Debt Service Funding Obligation-BOR Repayment Contract Unit 5 WY21 FY 3/1/23-2/28/24 = \$282,305
 Rewind Debt Service Funding Obligation-2021A Bonds WY21 FY 3/1/23-2/28/24 = \$448,227

8 Overall increase in Estimated Recoverable Costs over Prior Year.

Total Estimated Recoverable Costs in Water Year 2023 =	\$ 64,264,612
Total Estimated Recoverable Costs in Water Year 2022 =	\$ 57,164,174

* See page 4 for Detail



**San Luis & Delta-Mendota Water Authority
Revised WY23 O&M Rates**

Using July 2023 Member Projection of WY23 Deliveries, based on 100% Ag Allocation

	<u>WY 2023 Rate</u> 3/1/23-2/28/24 <u>08.07.23 Revision</u>	<u>WY 2023 Rate</u> 3/1/23-2/28/24 <u>Revised 04.03.23</u>	
	WY2023	WY2023	Variance
WATER SUPPLY			
Irrigation	100%	80%	20%
M&I	100%	100%	0%
Refuge	100%	100%	0%
Exchange/Water Rights	100%	100%	0%
RATES			
Upper DMC	\$14.89	\$13.65	\$1.24
Upper DMC - Exchange/Wtr Rts	\$13.59	\$13.09	\$0.50
Lower DMC/Pool	\$17.93	\$16.05	\$1.88
Lower DMC/Pool - Exchange/Wtr Rts	\$16.63	\$15.49	\$1.14
San Felipe	\$14.46	\$13.68	\$0.78
SLC Above Dos Amigos	\$23.31	\$24.56	(\$1.25)
SLC Below Dos Amigos	\$28.91	\$31.94	(\$3.03)
Volta Wells	\$29.14	\$29.14	\$0.00
San Luis Drain	\$0.09	\$0.23	(\$0.14)

Delivery Volumes through O'Neill (Direct and Storage)

2,801,424

2,818,322

(16,899)



SLDMWA - O&M Rates

WY2023 SELF-FUNDING SLDMWA O&M WATER RATES - @ 100% Ag ALLOCATION

Finance & Administration Committee 08.07.23
Board of Directors 08.10.23

Using July 2023 Member Projected Deliveries

COST POOLS	SLDMWA ANNUAL O&M and POWER								SLDMWA			SLJU			TOTAL
	UPPER Upper DMC/ JPP	UPPER Intertie (Temporary Cost Pool)	JPP PWR	VOLTA WELLS	LOWER Lower DMC/ Mendota Pool	O'NEILL P/G O'Neill O&M & PWR		RESERVES	RESERVES Unit 6 Rewind BOR Repayment	RESERVES Two Rewind Units BOR Repayment	RESERVES Two Rewind Units 2021A Bonds	DWR COSTS San Luis Canal O&M	POWER Dos Amigos O&M	POWER Dos Amigos Power	
PARTICIPANTS	All Users	All Users Excludes Exchange Cont. and Water Rights	All Users (Actual Pumping Only)	DPWD SLWD	LowerDMC & MP Users	All Users "Direct"	All Users "Storage"	All Users	All Users	All Users	All Users Excludes Exchange Cont. and Water Rights	All SLJU Users	Dos Amigos Users	Dos Amigos Users	
COSTS TO BE ALLOCATED**	\$10,329,519	\$1,885,683	\$13,742,380	\$69,935	\$3,327,038	\$2,745,850	\$2,745,850	\$6,690,391	\$380,441	\$282,305	\$448,227	\$12,242,258	\$3,472,766	\$4,243,970	\$62,606,613
ACRE FEET	2,765,613	1,926,882	2,738,527	2,400	1,094,727	1,547,885	1,253,539	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	1,384,774	1,381,764	1,381,764	
RATE PER AF	\$3.73	\$0.98	\$5.02	\$29.14	\$3.04	\$1.77	\$2.20	\$2.40	\$0.14	\$0.10	\$0.32	\$8.85	\$2.52	\$3.08	

A Aa B C D E F G H I J K L M

SLDMWA COMPONENT RATE PER ACRE FOOT - BY DELIVERY AREA / CONTRACTOR		
Upper DMC	\$14.89	A+Aa+B+F+G+H+I+J
Exchange/Wtr Rts (Upper)	\$13.59	A+B+F+G+H+I
Lower DMC/Pool	\$17.93	A+Aa+B+D+F+G+H+I+J
San Felipe	\$14.46	A+Aa+B+E+G+H+I+J
San Luis Canal Above Dos Amigos	\$23.31	A+Aa+B+E+G+H+I+J+K
San Luis Canal Below Dos Amigos	\$28.91	A+Aa+B+E+G+H+I+J+K+L+M
Exchange/Wtr Rts (Lower)	\$16.63	A+B+D+F+G+H+I
Refuge (Lower)	\$17.93	A+Aa+B+D+F+G+H+I+J
Volta Wells	\$29.14	C
San Luis Drain	\$0.09	\$245,213

	Direct	Storage
O&M = \$1.04	O&M = \$1.28	
O&M DWR = \$.09	O&M DWR = \$.11	
Pwr = \$.64	Pwr = \$.81	
O&M	\$1.04	\$1.28
DWR	\$0.09	\$0.11
PUE	\$0.64	\$0.81
	\$1.77	\$2.20

WATER SUPPLY ASSUMPTIONS

Irrigation	100%
M&I	100%
Refuge	100%
Ex/Wtr Rts	100%

Note: Supply assumptions are based on contractor estimates

**COSTS TO BE ALLOCATED		included in \$	
O&M Budget per above -(excludes Volta Wells O&M)	\$18,545,496	\$ 3,205,350.70	\$ 1,602,675.35
Required Reserve Funding	\$6,690,391		\$ 1,602,675.35
Rewind Reserve Funding -Debt Service Unit 6 BOR Rpmt Contract	\$380,441	\$ 3,205,350.70	
Rewind Reserve Funding (Est) -Debt Service Unit 5BOR Rpmt Contract	\$282,305		
Rewind Reserve Funding -2021A Bonds	\$448,227		
San Luis Drain	\$245,213		
Volta Wells -DPWD/SLWD	\$69,935		
POWER			
JPP	\$13,742,380		
Intertie	\$202,094		
Volta Wells	\$69,935		
O'Neill	\$2,020,938	\$ 2,020,938.21	\$ 1,010,469.11
			\$ 1,010,469.11
			\$ 2,020,938.21
SAN LUIS JOINT USE			
DWR - San Luis Canal O&M	\$12,242,258		
DWR - Dos Amigos O&M	\$3,472,766		
DWR - O'Neill	\$265,412	\$ 265,412.00	\$ 132,706.00
			\$ 132,706.00
			\$ 265,412.00
POWER			
Dos Amigos	\$4,243,970		
	\$62,921,762		
Intertie Wheeling Through June 30, 2023	\$1,412,784		

O'Neill Split
50%/50%

50% O'Neill Direct
50% O'Neill Storage



San Luis & Delta-Mendota Water Authority

Self-Funding O&M Budget Comparison WY23/WY22

Finance & Administration Committee 08.07.23

Board of Directors 08.10.23

	RO&M	EO&M Self-Funding Reserve Obligation	Self-Funding PUE	Self-Funding SLJU	Volta Wells (DPWD & SLWD Only)	Intertie DWR Conveyance	TOTALS
WY23	\$ 18,790,710	\$ 7,801,365	\$ 20,209,382	\$ 15,980,436	\$ 69,935	\$ 1,412,784	\$ 64,264,612
WY22	\$ (16,013,972)	\$ (7,830,000)	\$ (19,070,926)	\$ (13,199,596)	\$ (76,050)	\$ (973,630)	\$ (57,164,174)
Variance	\$ 2,776,738	\$ (28,635)	\$ 1,138,456	\$ 2,780,840	\$ (6,115)	\$ 439,154	\$ 7,100,438
	*	*	*	*	*	*	

* Included in O&M Rate Calculations

- O&M
- Reserve Obligations
- Project Use Energy (PUE)
- San Luis Joint Use (SLJU)
- Volta Wells (DPWD & SLWD only)
- Intertie DWR Conveyance