



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: April 3, 2023

RE: Finance & Administration Committee Recommendation / Board Approval of
Second Revised 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 (Ag) 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. The FY2024 costs associated with each cost pool have been identified 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 hydrologic conditions that continue to improve. The water year is currently forecasted to be non-critical, which will allow settlement/Exchange and refuge contractors a 100% contract allocation. In addition, Reclamation announced allocations of 80% to south-of-Delta agricultural water contractors and 100% to south-of-Delta municipal and industrial contractors. Monthly updates to the allocation are expected, but this second update is significant (a 45% increase). Staff has been directed to recalculate rates if the change in allocation should be greater than 25%.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should approve, the second revised Water Year 2023 OM&R water rates submitted as calculated based on a 80% Ag allocation.

OPTIONS FOR RECOMMENDATION

1. Approve second revised WY2023 OM&R water rates as calculated on the 80% Ag allocation, 100% M&I allocation applied retroactively to deliveries made on or after March 1, 2023 (see **Attachment 1**); or
2. Delay approval of second revision to WY2023 OM&R water rates until after (a) a new member-reported estimated delivery survey is completed, and/or (b) an additional increase to the Ag allocation is made in April 2023.

ANALYSIS

While it is not the Authority's standard practice to make frequent adjustments of OM&R rates, staff has prepared this adjustment as a result of the recent water allocation announcement by Reclamation and prior Board direction for staff to present a second revision if the Ag allocation were to increase by 25 percent or more.

Adjusting the rates to reflect the latest contract allocations will have the effect of decreasing the rates in the amounts identified in the attachment.

ATTACHMENTS

1. Second Revised FY2023 OM&R Water Rates worksheet

SECOND REVISED WY 2023 O & M WATER RATES 80% AG ALLOCATION

FINANCE & ADMINISTRATION COMMITTEE
BOARD OF DIRECTORS

APRIL 06, 2023



San Luis & Delta-Mendota Water Authority

LOS BANOS ADMINISTRATIVE OFFICE
TRACY FIELD OFFICE

LOS BANOS FIELD OFFICE
C.W. "BILL" JONES PUMPING PLANT
O'NEILL PUMPING PLANT



San Luis & Delta-Mendota Water Authority
Notes to Support the Revised WY23 O&M Rates to FAC 04.03.23/BOD 04.06.23

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, 80%, with Contractor projections

M&I - Contractor Estimates, 100%, with Contractor projections

Refuge - 100% used BOR Refuge Estimate

Exchange/Water Rights - 100%

Estimated WY24 Rescheduled Water at 10% of Irrigation and Refuge

Pump-Ins

Miscellaneous Transfers

Mendota Pool Pumpers

Volta Well Pumping

3 Intertie

Intertie volume used for rate setting in WY23, estimated at 1,979,592 a/f per SLDMWA

Final cost allocation for Intertie O&M, Intertie PUE and

DWR Conveyance remains undetermined

Intertie DWR Wheeling budgeted costs reduced to zero

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 = \$ 61,439,044

Total Estimated Recoverable Costs in Water Year 2022 = \$ 57,164,174



San Luis & Delta-Mendota Water Authority

Revised WY23 O&M Rates

Using Member Projection of WY23 Deliveries, based on 80% Ag Allocation

	<u>WY 2023 Rate</u> 3/1/23-2/28/24 <u>Proforma</u> WY2023	<u>WY 2023 Rate</u> 3/1/23-2/28/24 <u>Revised</u> WY2023	Variance
WATER SUPPLY			
Irrigation	80%	35%	45%
M&I	100%	75%	25%
Refuge	100%	100%	0%
Exchange/Water Rights	100%	100%	0%
RATES			
Upper DMC	\$13.65	\$15.91	(\$2.26)
Upper DMC - Exchange/Wtr Rts	\$13.09	\$15.21	(\$2.12)
Lower DMC/Pool	\$16.05	\$18.34	(\$2.29)
Lower DMC/Pool - Exchange/Wtr Rts	\$15.49	\$17.64	(\$2.15)
San Felipe	\$13.68	\$21.42	(\$7.74)
SLC Above Dos Amigos	\$24.56	\$38.63	(\$14.07)
SLC Below Dos Amigos	\$31.94	\$50.30	(\$18.36)
Volta Wells	\$29.14	\$29.14	\$0.00
San Luis Drain	\$0.23	\$0.36	(\$0.13)

Delviery Volumes through O'Neill (Direct and Storage)

2,818,322

2,183,012



SLDMWA - O&M Rates

WY2023 SELF-FUNDING SLDMWA O&M WATER RATES - @ 80% Ag ALLOCATION

Finance & Administration Committee 04.03.23
Board of Directors 04.06.23
Using 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		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	San Luis Canal O&M	Dos Amigos O&M	Dos Amigos Power	
COSTS TO BE ALLOCATED**	\$10,329,519	\$472,900	\$13,742,380	\$69,935	\$3,327,038	\$2,581,099	\$2,910,601	\$6,690,391	\$380,441	\$282,305	\$448,227	\$12,242,258	\$3,472,766	\$4,243,970	\$61,193,831
ACRE FEET	2,818,323	1,979,592	2,818,323	2,400	1,389,051	1,313,857	1,504,465	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	1,125,422	1,046,642	1,046,642	
RATE PER AF	\$3.67	\$0.24	\$4.88	\$29.14	\$2.40	\$1.97	\$1.94	\$2.37	\$0.13	\$0.10	\$0.32	\$10.88	\$3.32	\$4.06	

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	\$13.65	A+Aa+B+F+G+H+I+J
Exchange/Wtr Rts (Upper)	\$13.09	A+B+F+G+H+I Excludes Intertie & 2021A Bonds Reserve
Lower DMC/Pool	\$16.05	A+Aa+B+D+F+G+H+I+J
San Felipe	\$13.68	A+Aa+B+E+G+H+I+J
San Luis Canal Above Dos Amigos	\$24.56	A+Aa+B+E+G+H+I+J+K
San Luis Canal Below Dos Amigos	\$31.94	A+Aa+B+E+G+H+I+J+K+L+M
Exchange/Wtr Rts (Lower)	\$15.49	A+B+D+F+G+H+I Excludes Intertie & 2021A Bonds Reserve
Refuge (Lower)	\$16.05	A+Aa+B+D+F+G+H+I+J
Volta Wells	\$29.14	C
San Luis Drain	\$0.23	\$245,213

Direct	Storage
O&M = \$1.15	O&M = \$1.13
O&M DWR = \$0.10	O&M DWR = \$0.10
Pwr = \$.72	Pwr = \$.71

WATER SUPPLY ASSUMPTIONS

Irrigation	80%
M&I	100%
Refuge	100%
Ex/Wtr Rts	100%

Note: Supply assumptions are based on contractor estimates

O&M	\$1.15	\$1.13
DWR \$	0.10	\$0.10
PUE \$	0.72	\$0.71
	<u>\$1.97</u>	<u>\$1.94</u>

**COSTS TO BE ALLOCATED	
O&M Budget per above -(excludes Volta Wells O&M)	\$17,132,713
Required Reserve Funding	\$6,690,391
Rewind Reserve Funding -Debt Service Unit 6 BOR Rpmt Contract	\$380,441
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
Intertie: DWR Wheeling	\$0
POWER	
JPP	\$13,742,380
Intertie	\$202,094
Volta Wells	\$0
O'Neill	\$2,020,938
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
POWER	
Dos Amigos	\$4,243,970
	<u>\$61,439,044</u>

included in \$			
\$ 3,205,350.70	\$ 1,506,514.83	1.14663531	
	\$ 1,698,835.87	1.129196007	
	<u>\$ 3,205,350.70</u>		
	\$ 949,840.96	0.722940899	
	\$ 1,071,097.25	0.711945611	
	<u>\$ 2,020,938.21</u>		
	\$ 124,743.64	0.09494461	
	\$ 140,668.36	0.093500587	
	<u>\$ 265,412.00</u>		

O'Neill Split
47%/53%

47% O'Neill Direct
53% O'Neill Storage



San Luis & Delta-Mendota Water Authority

Self-Funding O&M Budget Comparison WY23/WY22

Finance & Administration Committee 04.03.23

Board of Directors 04.06.23

	RO&M	EO&M Self-Funding Reserve Obligation	Self-Funding PUE	Self-Funding SLJU	Volta Wells (DPWD & SLWD Only)	Intertie DWR Conveyance	TOTALS
WY23	\$ 17,377,926	\$ 7,801,365	\$ 20,209,382	\$ 15,980,436	\$ 69,935	\$ -	\$ 61,439,044
WY22	\$ (16,013,972)	\$ (7,830,000)	\$ (19,070,926)	\$ (13,199,596)	\$ (76,050)	\$ (973,630)	\$ (57,164,174)
Variance	\$ 1,363,954	\$ (28,635)	\$ 1,138,456	\$ 2,780,840	\$ (6,115)	\$ (973,630)	\$ 4,274,870
	*	*	*	*	*	*	

* 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