



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: March 6, 2023

RE: Finance & Administration Committee Recommendation / Board Approval of
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 water contractor allocation. The 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 February 22, 2023, the Bureau of Reclamation announced initial 2023 water supply contract allocations based on updated reservoir and hydrologic conditions. The water year is currently forecasted to be non-critical, which will allow settlement and Exchange contractors a 100% contract allocation. In addition, Reclamation announced initial allocations of 35% to south-of-Delta agricultural water contractors and 75% to south-of-Delta municipal and industrial contractors. Monthly updates to the allocation are expected, with the first update and possible change expected during the third week of March.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should approve, the revised Water Year 2023 OM&R water rates submitted as calculated based on a 35% agricultural contractor allocation.

RECOMMENDATION

Staff recommends approval of Revised Water Year 2023 OM&R water rates as calculated on the 35% agricultural contractor allocation, 75% municipal and industrial allocation, and member-reported estimated deliveries applied retroactively to deliveries made on or after March 1, 2023 (see **Attachment 1**).

ANALYSIS

While it is not the Authority's standard practice to make frequent adjustments of OM&R rates, staff is recommending this adjustment as a result of the recent water allocation announcement by Reclamation.

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

ATTACHMENT 1

WY 2023 O & M WATER RATES

AT 35 % AG ALLOCATION

Revised – Retroactive to March 1, 2023

FINANCE & ADMINISTRATION COMMITTEE
MARCH 6, 2023

BOARD OF DIRECTORS
MARCH 9, 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 Proposed WY23 O&M Rates to FAC 03.06.23/BOD 03.09.23

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, 35%, with Contractor projections
 M&I - Contractor Estimates 75%, 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 **Conveyance not included in Proposed Draft -Preliminary rates**

Intertie anticipated to be used in WY23, estimated at 1,293,609 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 **Not included in Proposed Draft -Preliminary rates**

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 **Not included in Proposed Draft -Preliminary rates**

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 = \$6,698,391.23
 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 = \$308,000
 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 = | \$ 61,704,456 |
| Total Estimated Recoverable Costs in Water Year 2022 = | \$ 57,164,174 |

* See page 4 for Detail



San Luis & Delta-Mendota Water Authority

Proposed Revision WY23 O&M Rates

Using Member Projection of WY23 Deliveries, based on 35% Ag Allocation

FAC 03.06.23/BOD 03.09.23

| | <u>W Y 2023 Rate</u> 3/1/23-2/28/24 <u>Revised</u> WY2023 | <u>W Y 2023 Rate</u> 3/1/22-2/28/23 <u>Current</u> WY2023 | Variance |
|-----------------------------------|---|---|-----------------|
| WATER SUPPLY | | | |
| Irrigation | 35% | 10% | 25% |
| M&I | 75% | 60% | 15% |
| Refuge | 100% | 100% | 0% |
| Exchange/Water Rights | 100% | 100% | 0% |
| RATES | | | |
| Upper DMC | \$15.75 | \$21.17 | (\$5.42) |
| Upper DMC - Exchange/Wtr Rts | \$15.21 | \$20.36 | (\$5.15) |
| Lower DMC/Pool | \$18.18 | \$24.27 | (\$6.09) |
| Lower DMC/Pool - Exchange/Wtr Rts | \$17.64 | \$23.46 | (\$5.82) |
| San Felipe | \$21.26 | \$32.02 | (\$10.76) |
| SLC Above Dos Amigos | \$38.47 | \$67.26 | (\$28.79) |
| SLC Below Dos Amigos | \$50.14 | \$91.15 | (\$41.01) |
| Volta Wells | \$29.14 | \$29.14 | \$0.00 |
| San Luis Drain | \$0.36 | \$0.76 | (\$0.40) |



SLDMWA - O&M Rates

WY2023 SELF-FUNDING SLDMWA O&M WATER RATES - @ 35% Ag ALLOCATION

Revised March 1, 2023
Finance & Administration Committee 03.06.23
Board of Directors 03.09.23

| 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 | Lower DMC & 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 | \$270,806 | \$13,742,380 | \$69,935 | \$3,327,038 | \$4,887,614 | \$604,087 | \$6,690,391 | \$380,441 | \$282,305 | \$448,227 | \$12,242,258 | \$3,472,766 | \$4,243,970 | \$60,991,737 |
| ACRE FEET | 2,132,340 | 1,293,609 | 2,102,564 | 2,400 | 1,371,354 | 820,246 | 1,362,766 | % of 10 Yr Historical Use | % of 10 Yr Historical Use | % of 10 Yr Historical Use | % of 10 Yr Historical Use | 711,390 | 661,593 | 661,593 | |
| RATE PER AF | \$4.85 | \$0.21 | \$6.54 | \$29.14 | \$2.43 | \$5.96 | \$0.45 | \$3.06 | \$0.17 | \$0.13 | \$0.32 | \$17.21 | \$5.25 | \$6.42 | |

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 | \$15.75 | A+Aa+B+F+G+H+I+J |
| Exchange/Wtr Rts (Upper) | \$15.21 | A+B+F+G+H+I Excludes Intertie & 2021A Bonds Reserve |
| Lower DMC/Pool | \$18.18 | A+Aa+B+D+F+G+H+I+J |
| San Felipe | \$21.26 | A+Aa+B+E+G+H+I+J |
| San Luis Canal Above Dos Amigos | \$38.47 | A+Aa+B+E+G+H+I+J+K |
| San Luis Canal Below Dos Amigos | \$50.14 | A+Aa+B+E+G+H+I+J+K+L+M |
| Exchange/Wtr Rts (Lower) | \$17.64 | A+B+D+F+G+H+I Excludes Intertie & 2021A Bonds Reserve |
| Refuge (Lower) | \$18.18 | A+Aa+B+D+F+G+H+I+J |
| Volta Wells | \$29.14 | C |
| San Luis Drain | \$0.36 | |
| | \$245,213 | |

| Direct | Storage |
|----------------------------------|------------------------------------|
| O&M = \$3.38 | O&M = \$2.7 |
| O&M DWR = \$2.29 | O&M DWR = \$0.02 |
| Pwr = \$2.19 | Pwr = \$1.16 |
| O&M \$3.48 | \$0.27 |
| DWR \$ 0.29 | \$0.02 |
| PUE \$ 2.19 | \$0.16 |
| | \$5.96 \$0.45 |

WATER SUPPLY ASSUMPTIONS

| | |
|------------|------|
| Irrigation | 35% |
| M&I | 75% |
| Refuge | 100% |
| Ex/Wtr Rts | 100% |

Note: Supply assumptions are based on contractor estimates

| **COSTS TO BE ALLOCATED | | | |
|--|--------------|-----------------|----------------------------------|
| O&M Budget per above -(excludes Volta Wells O&M) | \$17,398,125 | Included in \$ | |
| Required Reserve Funding | \$6,690,391 | \$ 3,205,350.70 | \$ 2,852,762.12 3,477,934.818 |
| Rewind Reserve Funding -Debt Service Unit 6 BOR Rpmt Contract | \$380,441 | | \$ 352,588.58 0.258730095 |
| Rewind Reserve Funding (Est) -Debt Service Unit 5BOR Rpmt Contract | \$282,305 | | \$ 3,205,350.70 |
| 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 | \$ 2,020,938.21 | \$ 1,798,635.01 2.19279949 |
| | | | \$ 222,303.20 0.163126467 |
| | | | \$ 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 | | O'Neill Split |
| DWR - O'Neill | \$265,412 | \$ 265,412.00 | \$ 236,216.68 0.287982727 |
| | | | \$ 29,195.32 0.021423575 |
| | | | \$ 265,412.00 |
| POWER | | | |
| Dos Amigos | \$4,243,970 | | |
| | \$61,704,456 | | |



San Luis & Delta-Mendota Water Authority

Self-Funding O&M Budget Comparison WY23/WY22

3.6.23 FAC / 3.9.23 BOD

| | RO&M | EO&M Self-Funding Reserve Obligation | Self-Funding PUE | Self-Funding SLJU | Volta Wells (DPWD & SLWD Only) | Intertie DWR Conveyance | TOTALS |
|-----------------|-----------------|--------------------------------------|------------------|-------------------|--------------------------------|-------------------------|------------------------|
| WY23 | \$ 17,643,338 | \$ 7,801,365 | \$ 20,209,382 | \$ 15,980,436 | \$ 69,935 | \$ - | \$ 61,704,456 |
| WY22 | \$ (16,013,972) | \$ (7,830,000) | \$ (19,070,926) | \$ (13,199,596) | \$ (76,050) | \$ (973,630) | \$ (57,164,174) |
| Variance | \$ 1,629,366 | \$ (28,635) | \$ 1,138,456 | \$ 2,780,840 | \$ (6,115) | \$ (973,630) | \$ 4,540,282 |
| | * | * | * | * | * | * | |

*** 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