



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: February 6, 2023

RE: Finance & Administration Committee Recommendation / Board Approval of
Water Year 2023 OM&R Water Rates

BACKGROUND

Following standard practice, in December, staff requested members to submit their anticipated Water Year (WY) 2023 deliveries to identify delivery volumes through the various cost pools of the transferred works to calculate the self-funding rates. The projections were requested to be reported under three conservative allocation scenarios: 0%, 5%, and 10% for agricultural contractors. In addition, staff was asked to consider a model that would include 25% “minimum participation” for CVP contractors whose survey response was below their contractual participation amount. This alternative approach is discussed in more detail below.

Costs to be recovered through the WY2023 OM&R water rate include: (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.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should approve, Water Year 2023 OM&R water rates that assume a 0%, 5%, or 10% agricultural contractor allocation.

RECOMMENDATION


Staff recommends approval of Water Year 2023 OM&R water rates assuming a 5% or 10% agricultural contractor allocation and member-reported anticipated deliveries. (**Attachment 1.**)

ANALYSIS

At the end of December 2022, members provided to staff their anticipated water deliveries for Water Year 2023 under the requested allocation scenarios in sufficient detail to include 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.

As in prior years, the anticipated delivery information provided by members was entered into a delivery assumption model that segregated and summed the volumes by cost pool. The summed deliveries by cost pool were used as the denominator in the equation to determine the rate component per cost pool. The exercise was repeated for each allocation scenario to derive an estimated price per acre foot in each cost pool. The results of this calculation are as follows:

							
San Luis & Delta-Mendota Water Authority COMPARISON WY23 0% 5% 10% SURVEY - WY22 O&M Rates (Excludes Intertie DWR Conveyance)							
	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2022 Rate 3/1/22-2/28/23			
				Current WY2022	WY23 0%-CY Variance	WY23 5%-CY Variance	WY23 10%-CY Variance
WATER SUPPLY							
Irrigation	0%	5%	10%	0%	0%	5%	10%
M&I	50%	55%	60%	50%	0%	5%	10%
Refuge	75%	100%	100%	75%	0%	25%	25%
Exchange/Water Rights	75%	100%	100%	75%	0%	25%	25%
RATES							
Upper DMC	\$26.11	\$21.93	\$21.18	\$26.66	\$ (0.55)	(\$4.73)	(\$5.48)
Upper DMC - Exchange/Wtr Rts	\$24.90	\$21.06	\$20.36	\$23.33	\$ 1.57	(\$2.27)	(\$2.97)
Lower DMC/Pool	\$30.04	\$25.03	\$24.28	\$30.57	\$ (0.53)	(\$5.54)	(\$6.29)
Lower DMC/Pool - Exchange/Wtr Rts	\$28.84	\$24.17	\$23.46	\$27.24	\$ 1.60	(\$3.07)	(\$3.78)
San Felipe	\$43.38	\$33.98	\$32.03	\$39.19	\$ 4.19	(\$5.21)	(\$7.16)
SLC Above Dos Amigos	\$101.74	\$72.66	\$67.27	\$75.66	\$ 26.08	(\$3.00)	(\$8.39)
SLC Below Dos Amigos	\$141.31	\$98.88	\$91.16	\$100.48	\$ 40.83	(\$1.60)	(\$9.32)
Volta Wells	\$29.14	\$29.14	\$29.14	\$31.69	\$ (2.55)	(\$2.55)	(\$2.55)
San Luis Drain	\$1.32	\$0.84	\$0.76	\$0.91	\$ 0.41	(\$0.07)	(\$0.15)


Under the 0%, 5%, and 10% allocation scenarios, members forecasted the acre-foot volumes going through the O’Neill Pumping plant to be 1,250,708, 1,590,559, and 1,641,339, respectively.

Historically, minimum participation amounts are only included in the calculation of “final” OM&R rates during true up, and not in OM&R rates approved at the beginning of the water year. Under the SLDMWA OM&R Cost Recovery Plan, minimum participation amounts include (1) 25% of an

Irrigation Water Contractor's maximum contractual entitlement in years when the contractor's total deliveries are below 25%, and (2) 60% of Settlement Contractors' maximum contractual Settlement Water entitlement in years when San Joaquin River flood flows partially or fully meet the Settlement Water delivery demands of any of the Settlement Contractors. (Cost Recovery Plan, Section VII.) The determination of whether the minimum participation amount applies to a specific contractor depends on actual deliveries to that contractor. For example, if a contractor's 25% minimum is 15,000 acre-feet, during the true up process, staff determines whether actual deliveries (including transfers) to that contractor was greater than or less than 15,000 acre-feet. In addition to including minimum participation amounts where appropriate, the calculation of "final" OM&R rates during true up includes the use of final audited costs in place of budgeted costs.

Alternative Approach

To be responsive to a Finance & Administration Committee member request, the rate calculation exercise was repeated to determine the effect of using the higher of the member's projected deliveries or minimum participation amounts under each scenario. Under the 0%, 5%, and 10% allocation scenarios, the projected acre-foot volumes, adjusted for minimum participation, going through the O'Neill Pumping plant were projected to be 1,437,371, 1,757,587, and 1,779,385, respectively. Including minimum participation rates increased the O'Neill volumes calculated under the two exercises by 186,663 for a 0% allocation, 167,028 at 5% allocation, and 138,046 at 10% allocation. These amount to differences of 15%, 10.5%, and 8.4%, respectively. The use of the alternative approach translates to lower rates as indicated in the following table:




San Luis & Delta-Mendota Water Authority							
COMPARISON WY23 0% 5% 10% SURVEY W/ 25% MINIMUM PARTICIPATION - WY22 O&M Rates							
(Excludes Intertie DWR Conveyance)							
	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2022 Rate 3/1/22-2/28/23			
				Current	WY23 0%-CY Variance	WY23 5%-CY Variance	WY23 10%-CY Variance
	WY2023	WY2023	WY2023	WY2022			
WATER SUPPLY							
Irrigation	0%	5%	10%	0%	0%	5%	10%
M&I	50%	55%	60%	50%	0%	5%	10%
Refuge	75%	100%	100%	75%	0%	25%	25%
Exchange/Water Rights	75%	100%	100%	75%	0%	25%	25%
RATES							
Upper DMC	\$23.72	\$19.72	\$19.45	\$26.66	\$ (2.94)	(\$6.94)	(\$7.21)
Upper DMC - Exchange/Wtr Rts	\$22.83	\$19.00	\$18.74	\$23.33	\$ (0.50)	(\$4.33)	(\$4.59)
Lower DMC/Pool	\$27.61	\$22.70	\$22.43	\$30.57	\$ (2.96)	(\$7.87)	(\$8.14)
Lower DMC/Pool - Exchange/Wtr Rts	\$26.73	\$21.99	\$21.73	\$27.24	\$ (0.51)	(\$5.25)	(\$5.51)
San Felipe	\$33.27	\$28.97	\$28.56	\$39.19	\$ (5.92)	(\$10.22)	(\$10.63)
SLC Above Dos Amigos	\$62.99	\$57.69	\$57.23	\$75.66	\$ (12.67)	(\$17.97)	(\$18.43)
SLC Below Dos Amigos	\$83.14	\$77.16	\$76.67	\$100.48	\$ (17.34)	(\$23.32)	(\$23.81)
Volta Wells	\$29.14	\$29.14	\$29.14	\$31.69	\$ (2.55)	(\$2.55)	(\$2.55)
San Luis Drain	\$0.63	\$0.61	\$0.61	\$0.91	\$ (0.28)	(\$0.30)	(\$0.30)

The reduced rates under the alternative approach would reduce the short-term costs to the members (see comparison table below). However, If actual deliveries fall short of the calculated volumes, it is possible that lower rates could lead to an under-collection of funds. In this event, when the final accounting is performed, members would be required to make timely payments to cover any shortfall.

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San Luis & Delta-Mendota Water Authority												
COMPARISON WY23 0% 5% 10% SURVEY AND SURVEY W/ 25% MINIMUM PARTICIPATION												
(Excludes Intertie DWR Conveyance)												
	A	B	C	D	E	F	A-B		C-D		E-F	
	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	WY 2023 Rate 3/1/23-2/28/24	DIFFERENCE BETWEEN MODELS					
	Survey Only	Survey with Minimum participation	Survey Only	Survey with Minimum participation	Survey Only	Survey with Minimum participation	0%	5%	10%			
	WY2023	WY2023	WY2023	WY2023	WY2023	WY2023	WY2023	WY2023	WY2023			
WATER SUPPLY												
Irrigation	0%	0%	5%	5%	10%	10%	0%	5%	10%			
M&I	50%	50%	55%	55%	60%	60%	50%	55%	60%			
Refuge	75%	75%	100%	100%	100%	100%	75%	100%	100%			
Exchange/Water Rights	75%	75%	100%	100%	100%	100%	75%	100%	100%			
RATES							AMOUNT	%	AMOUNT	%	AMOUNT	%
Upper DMC	\$26.11	\$23.72	\$21.93	\$19.72	\$21.18	\$19.45	\$2.39	9%	\$2.21	10%	\$1.73	7%
Upper DMC - Exchange/Wtr Rts	\$24.90	\$22.83	\$21.06	\$19.00	\$20.36	\$18.74	\$2.07	8%	\$2.06	10%	\$1.62	6%
Lower DMC/Pool	\$30.04	\$27.61	\$25.03	\$22.70	\$24.28	\$22.43	\$2.43	8%	\$2.33	9%	\$1.85	6%
Lower DMC/Pool - Exchange/Wtr Rts	\$28.84	\$26.73	\$24.17	\$21.99	\$23.46	\$21.73	\$2.11	7%	\$2.18	9%	\$1.73	6%
San Felipe	\$43.38	\$33.27	\$33.98	\$28.97	\$32.03	\$28.56	\$10.11	23%	\$5.01	15%	\$3.47	8%
SLC Above Dos Amigos	\$101.74	\$62.99	\$72.66	\$57.69	\$67.27	\$57.23	\$38.75	38%	\$14.97	21%	\$10.04	10%
SLC Below Dos Amigos	\$141.31	\$83.14	\$98.88	\$77.16	\$91.16	\$76.67	\$58.17	41%	\$21.72	22%	\$14.49	10%
Volta Wells	\$29.14	\$29.14	\$29.14	\$29.14	\$29.14	\$29.14	\$0.00	0%	\$0.00	0%	\$0.00	0%
San Luis Drain	\$1.32	\$0.63	\$0.84	\$0.61	\$0.76	\$0.61	\$0.69	52%	\$0.23	27%	\$0.15	11%
<i>Sum of O'Neill Direct and Storage Volume (AF)</i>	1,250,708	1,467,371	1,590,559	1,758,587	1,641,339	1,779,385	(\$216,663.00)	-17%	(\$168,028.00)	-11%	(\$138,046.00)	-11%

Staff reviewed historical volumes from final accountings compared to the calculated volumes under the two exercises as a means of rationalizing the projected rates. The comparison showed fairly wide swings by cost pool.

Comparison to Historical Volumes											
Period	Upper DMC	Intertie	JPP PWR	VOLTA	Lower DMC/Pool	O'Neill Direct	O'Neill Storage	RESERVES	SLC	DA O&M	DA Power
WY23 0% AG SURVEY	1,202,648	573,600	1,168,372	2,400	846,683	273,446	977,262	1,250,708	197,616	183,783	183,783
WY23 5% AG SURVEY	1,531,137	692,406	1,496,861	2,400	1,073,595	389,699	1,200,860	1,590,559	303,377	282,141	282,141
WY23 10% AG SURVEY	1,582,416	743,685	1,552,640	2,400	1,076,438	431,046	1,210,293	1,641,339	334,305	310,904	310,904
WY23 0% AG SURVEY and/or 25% Min	1,504,000	874,952	1,469,724	2,400	922,482	485,448	1,066,612	1,552,060	404,083	375,797	375,797
WY23 5% AG SURVEY and/or 25% Min	1,635,504	796,773	1,601,228	2,400	1,143,939	406,720	1,288,206	1,694,926	317,053	294,859	294,859
WY23 10% AG SURVEY and/or 25% Min	1,686,088	847,357	1,656,312	2,400	1,146,300	443,852	1,301,157	1,745,009	347,112	322,814	322,814
WY21 FINAL ACCOUNTING	1,102,850	488,064	1,075,990	532	799,704	312,118	890,273	1,202,391	217,924	217,924	217,924
WY20 FINAL ACCOUNTING	1,705,614	990,100	1,644,334	790	959,320	678,537	1,069,619	1,935,053	518,129	512,390	512,390
WY19 FINAL ACCOUNTING	2,319,565	1,731,328	2,286,679	-	1,105,562	1,306,309	1,250,064	1,922,701	1,057,291	1,051,300	1,051,300
WY18 FINAL ACCOUNTING	2,126,205	1,379,621	2,071,803	2,024	1,023,996	1,019,414	1,144,251	1,868,017	792,796	787,802	787,802
WY17 FINAL ACCOUNTING	2,523,384	1,981,307	2,383,849	-	1,187,441	1,566,944	1,336,183	2,013,192	1,158,259	1,152,588	1,152,588
WY16 FINAL ACCOUNTING	1,450,310	611,525	1,218,761	4,123	941,018	391,726	1,025,871	2,168,149	291,332	287,575	287,575
WY15 FINAL ACCOUNTING	1,225,640	485,232	767,275	2,575	615,010	279,109	710,422	2,301,166	234,997	232,808	206,208
WY14 FINAL ACCOUNTING	1,216,949	464,495	769,543	5,518	726,744	336,158	782,799	2,373,748	267,073	257,742	257,742
WY13 FINAL ACCOUNTING	1,649,522	928,970	1,609,472	2,292	985,058	670,025	1,117,299	2,418,976	526,235	521,280	521,280
WY12 FINAL ACCOUNTING	1,975,649	1,201,830	1,931,247	1,276	1,062,454	933,753	1,209,299	2,379,028	749,489	740,939	716,180
WY11 FINAL ACCOUNTING	2,418,678	-	2,412,588	1,918	1,189,184	1,455,082	1,380,965	2,389,393	1,299,525	1,282,033	1,282,033
WY10 FINAL ACCOUNTING	2,097,054	-	2,065,455	0	1,092,523	1,059,826	1,246,969	2,499,955	864,887	857,680	857,680

Further evaluation of the historical delivery volumes shows averages by cost pools that fall in line with volumes developed under both exercises and also averages that exceed the volumes calculated under either scenario:

Analytical Comparison	Upper DMC	Intertie	JPP PWR	VOLTA	Lower DMC/Pool	O'Neill Direct	O'Neill Storage	RESERVES	SLC	DA O&M	DA Power
2 YEAR AVG (WY2020-2021)	1,404,232	739,082	1,360,162	661	879,512	495,328	979,946	1,705,163	368,027	365,157	365,157
5 YEAR AVG (WY2017-2021)	1,955,524	1,314,084	1,892,531	669	1,015,205	976,664	1,138,078	1,842,847	748,880	744,401	744,401
7 YEAR AVG (WY2015-2021)	1,779,081	1,095,311	1,635,527	1,435	947,436	793,451	1,060,955	1,954,793	610,104	606,055	602,255
10 YEAR AVG (WY2012-2021)	1,729,569	1,026,247	1,575,895	1,913	940,631	749,409	1,053,608	2,085,530	581,353	576,235	571,099

Given the range of historical delivery volumes and the consistent practice of calculating minimum participation amounts during the true-up process pursuant to the SLDMWA OM&R Cost Recovery Plan, staff's recommendation regarding the WY2023 rates is to continue the current practice. However, staff recommends initiating conversations with the Finance & Administration Committee regarding possible improvements to the current rate calculation methodology going forward.