



— BUREAU OF —
RECLAMATION

CVPIA True-Up Proportionality Workshop

August 21, 2020

Purpose

Seek input on updating 1993 Guidelines following the court ruling on proportionality and how Reclamation implements Section 3407(d)(2)(A) for Mitigation and Restoration Payments



Agenda

- Restoration Fund Revenues
- 3407(d) Limitations
- Original Methodology for Collections
- Proposed Approach
- Timeline



Restoration Fund Revenues Section 3407

\$50M Indexed October 1992 Price Levels

- Contract Renewals 3404(c)(3)
- Tiered Pricing 3405(d)
- Water Transfer Charges 3405(f)
- Friant Surcharge 3406(c)(1)
- M&I Surcharge 3407(d)(2)(A)
- Mitigation and Restoration Payments (M&R) 3407(d)
- Donations 3407(a)

Historically, the Friant Surcharge and M&R Payments have been the only substantial source of revenue.



M&R Payment Limitations

- Objective of \$50 million from All Sources (1992 Prices)
- M&R not to exceed \$30M on a 3 Year Rolling Avg (1992 Prices)
- M&R not to exceed \$6 per acre foot Ag / \$12 per acre foot M&I Water sold and delivered
- If necessary, irrigators' M&R payments shall be reduced based on Ability to Pay
- Completion reduces \$50M total to \$35M and \$30M M&R to \$15M
- Assessed in the same proportion, measured over a ten-year rolling average, as water and power's respective allocation for repayment of the CVP to the greatest degree practicable.



Original Methodology

- Estimate water revenues and subtract them from the 3-year rolling average ceiling to determine power's initial payment
- Mid Year Adjustment to power payment
- Annual M&R True Up Actuals compared to Estimate



Proposed Approach

- **Water M&R Payments**

- \$6 & \$12 (October 1992 price levels) per acre foot sold and delivered
- If projected water revenues, when combined with power's payment, will cause the fund to exceed \$30 million (October 1992 price levels) on a 3-year rolling average, then the \$6 & \$12 will be reduced an appropriate amount

- **Power M&R Payments**

- Use power's allocation for repayment of the CVP, on a 10-year rolling average, to calculate power's proportional share of actual water receipts (inclusive of all funds) on a 2-year lag

- **See example**



Example

- **Water Payments from 2-Years Prior (Fiscal Year 2019)**
 - Mitigation and Restoration Charges - \$35.9M
 - Other (Friant Surcharge) - \$9.0M
- **Estimated Power 2021 Payments Required for *36% Proportion in 2019**

Estimated Power payment = $((\$35.9\text{M} + \$9.0\text{M}) / (1 - .36)) * .36$

Estimated Power payment = $(\$44.9\text{M} / .64) * .36 = \25.3M
- **If water and power payments in a year would exceed \$30 million on a 3-year rolling average basis, Reclamation would reduce water payments in that year.**

*The 36% is simply used as a placeholder for powers' portion of the 10-year average for repayment of the CVP

**Data contains rounded numbers



| Fiscal Year | Water M&R Payment Actuals | Power M&R Payment Actual | ***Power M&R Payment Under Proposed Method |
|--------------------|--|---|---|
| FY 2010 | 26,155,195 | 10,681,594 | 14,577,475 |
| FY 2011 | 28,653,548 | 20,960,452 | 13,995,413 |
| FY 2012 | 31,898,066 | 20,862,633 | 20,974,052 |
| FY 2013 | 21,783,953 | 17,404,274 | 21,507,981 |
| FY 2014 | 10,518,828 | 34,320,653 | 21,733,991 |
| FY 2015 | 7,046,451 | 40,389,697 | 14,778,078 |
| FY 2016 | 16,315,119 | 40,954,898 | 6,724,435 |
| FY 2017 | 27,585,209 | 26,046,997 | 4,332,013 |
| FY 2018 | 35,631,316 | 9,896,958 | 11,023,028 |
| FY 2019 | 35,974,014 | 30,778,741 | 18,940,508 |
| FY 2020 | 30,397,523 | 19,104,722 | 25,168,316 |

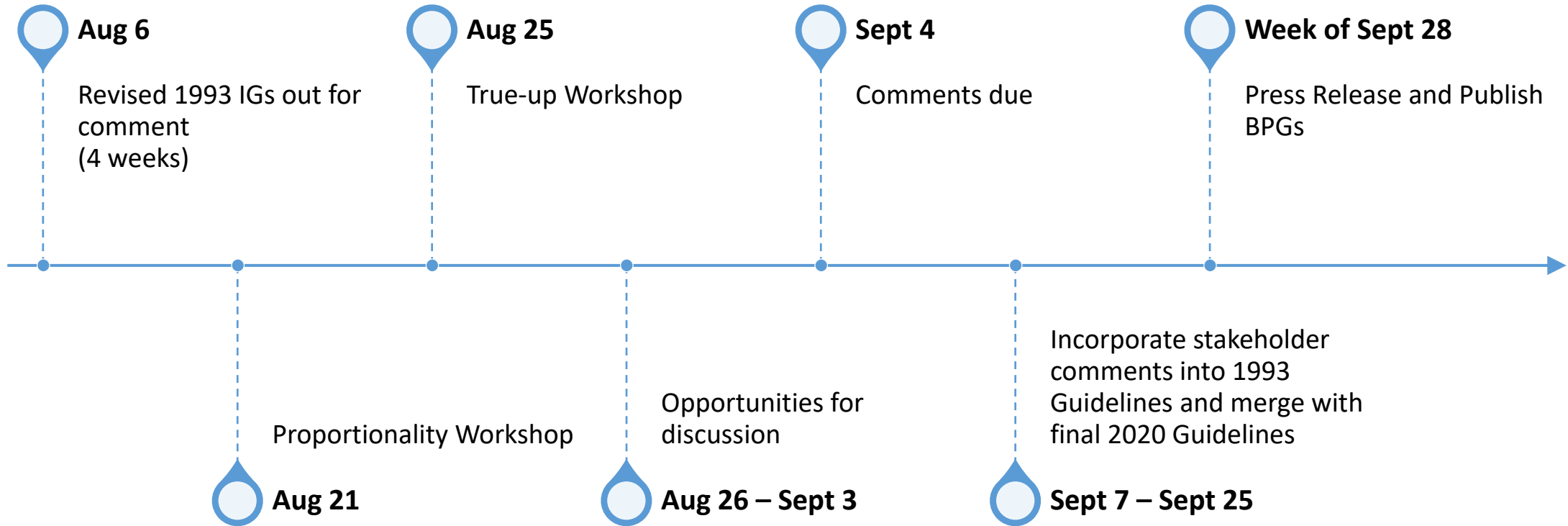


Considerations

- No mid-year adjustment
- No end of the year reconciliation
- Increased certainty for power customers
- Advance planning for Program



Updated Timeline



QUESTIONS

