A REGULAR MEETING OF THE OPERATING COMMITTEE
of the
CENTRAL COAST WATER AUTHORITY

will be held at 9:00 a.m., on Thursday, March 11, 2021
via URL: https://meetings.ringcentral.com/j/1498273750
or via telephone by dialing 1(623) 404-9000 and entering code 149 827 3750#

CCWA's Committee meetings are conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Orders (N-25-20, N-29-20 and N-35-20), temporarily suspending portions of the Brown Act in response to the COVID-19 pandemic. Members of the Committee will participate in this meeting by video call or telephone.

Public Comment on agenda items may occur via video call or telephonically, or by submission to the CCWA Board Secretary via email at lfw@ccwa.com no later than 8:00 a.m. on the day of the meeting. In your email, please specify (1) the meeting date and agenda item (number and title) on which you are providing a comment and (2) that you would like your comment read into the record during the meeting. If you would like your comment read into the record during the meeting (as either general public comment or on a specific agenda item), please limit your comments to no more than 250 words.

Every effort will be made to read comments into the record, but some comments may not be read due to time limitations. Please also note that if you submit a written comment and do not specify that you would like this comment read into the record during the meeting, your comment will be forwarded to Board members for their consideration.

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Committee less than seventy-two (72) hours prior to the meeting will be available on the CCWA internet web site, accessible at https://www.ccwa.com.

I. Call to Order and Roll Call

II. Public Comment – (Any member of the public may address the Committee relating to any matter within the Committee's jurisdiction. Individual Speakers may be limited to five minutes; all speakers to a total of fifteen minutes.)

III. ✳ Consent Calendar
A. Approve Minutes of the January 14, 2021 Operating Committee Meeting

IV. Executive Director's Report
A. Operations Update
B. Water Supply Situation Report
✳ C. State Water Project Contract Amendments #20 (Contract Extension) and #21 (Water Management Amendment)
✳ D. FY 2019/20 Yearend Budget Status Report
✳ E. CCWA Santa Ynez Pumping Plant Electrical Costs and Proposed Variable Cost Deposit
♦ ✳ F. CCWA FY 2021/22 Preliminary Budget

Continued

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✳ Indicates attachment of document to agenda packet
♦ The CCWA FY 2021/22 Preliminary Budget has been provided to Committee members and is available on-line at www.CCWA.com, if you require a hard copy please contact Lisa Watkins at lfw@ccwa.com

V. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to Government Code section 54956.9(d)(4): 1 case

VI. RETURN TO OPEN SESSION

VII. Reports from Committee Members for Information Only

VIII. Date of Next Regular Meeting: July 11, 2021
April 8, 2021 there will be a Special Joint meeting of the Central Coast Water Authority Operating Committee and San Luis Obispo County Flood Control and Water Conservation District State Water Subcontractors Advisory Committee

IX. Adjournment

MINUTES OF THE

CENTRAL COAST WATER AUTHORITY
OPERATING COMMITTEE

January 14, 2021

The Operating Committee meeting was conducted pursuant to California Government Code Section 54953 and Governor Newsom's Executive Order, N-29-20, temporarily suspending portions of the Brown Act to implement social distancing in response to the COVID-19 pandemic. Committee members participated in this meeting by video call or telephone. Public Comment on agenda items also occurred telephonically.

Ms. Lisa Watkins, Board Secretary, confirmed that all Committee members could hear each other, had received a copy of the meeting agenda, and could hear the proceedings.

I. Call to Order and Roll Call

Mr. Garcia, Committee Chair, called the January 14, 2021, Central Coast Water Authority Operating Committee meeting held at 255 Industrial Way, Buellton, California, to order at 9:00 a.m.

Committee members present:

Paeter Garcia	-	Santa Ynez River Water Conservation District, ID#1
John McInnes	-	Goleta Water District
Rose Hess	-	City of Buellton
Robert McDonald	-	Carpinteria Valley Water District
Shad Springer	-	City of Santa Maria
Shannon Sweeney	-	City of Guadalupe
Catherine Taylor	-	City of Santa Barbara
Nick Turner	-	Montecito Water District

Matt Van der Linden, Advisory Member for the City of Solvang was also present.

II. Public Comment

There was no public comment.

III. Consent Calendar

A. Approve Minutes of the October 8, 2020 Operating Committee Meeting
B. Approve Minutes of the November 30, 2020 Joint Meeting of the Operating Committee and San Luis Obispo County Flood Control and Water Conservation District State Water Subcontractors Advisory Committee

Motion to approve the consent calendar was made by Mr. Springer, seconded by Mr. Garcia, and carried following a roll call vote with Committee Members Garcia, McDonald, Springer, Taylor and Turner in favor, Ms. Sweeney abstaining, and none opposed.

IV. Executive Director's Report

A. Operations Update

John Brady, CCWA Deputy Director, reported plant production, chemical costs, and totals pumped into Lake Cachuma:

	Plant Production (AF)	Chemical Costs ($/AF)	SYPF Pumping Total (AF)
October 2020	1,211.27	$33.92	73.75
November 2020	326.71	$41.09	90.00
December 2020	605.03	$59.88 Total Chem $31.15 PAC $28.73	9.92

Mr. Brady provided an update on various projects completed during the CCWA Winter shutdown during November 2020, including the pipeline biofilm treatment and the chlorine scrubber unit replacement projects and the first phase of the Riser and Manway Repair projects.

General items:

- The SYPP Surge Tank Pedestal project is currently out to bid.
- There was a break in the Bradbury Bypass pipeline in early January. The break occurred at a fabricated flange, and will be repaired by CCWA staff.
- The SYPP switchboard project has been scheduled for March 2021.
- Staff has begun the Urban Water Management Plan preparation with the assistance of Provost & Pritchard.
- Preparation of the FY 2021/22 Budget is underway.

B. Water Supply Situation Report

Ray Stokes, CCWA Executive Director, provided an update on the precipitation, and snow pack levels within the State of California. Currently, indications are the year is well below normal in terms of water. Mr. Stokes provided a summary of the current delivery status of CCWA Table A, carryover and banked water.

C. Water Delivery Schedules for Year 2021 and Estimate for FY 2021/2022

Mr. Brady reported the schedules were included in the meeting materials for the information of the Committee.

D. State Water Project Contract Amendment #21 (Water Management Amendment)

Mr. Stokes reviewed several matters related to Santa Barbara County's approval of Amendment 21 to the State Water Contract that have arisen with the County as the State Water Contract holder. County staff have indicated the County may charge a fee to CCWA participants, in the event any CCWA participant desires to transfer their State water allocation outside of Santa Barbara County on a temporary basis.

E. FY 2021/22 Budget Preparation Schedule

The FY 2021/22 Budget Preparation Schedule was included in the meeting materials for the information of the Committee. The Draft FY 2021/22 Budget will be reviewed by the Committee at its March 11, 2021 meeting.

The Committee adjourned to closed session at 10:05 AM.

V. Closed Session

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of litigation pursuant to Government Code section 54956.9(d) (4): 2 cases

VI. Return to Open Session

The Committee reconvened to open session at 10:42 AM.

Ms. Hastings, CCWA General Counsel, announced there were no reportable actions as a result of closed session.

VII. Reports from Committee Members for Information Only

There were no reports from the Committee members.

VIII. Date of Next Regular Meeting:

March 11, 2021 is the date of the next Regular meeting.

IX. Adjournment

The meeting was adjourned at 10:45 AM.

Respectfully submitted,

_____
Elizabeth F. Watkins
Secretary to the Board

CENTRAL COAST WATER AUTHORITY

MEMORANDUM

March 2, 2021

TO: CCWA Operating Committee

FROM: Ray A. Stokes
Executive Director

SUBJECT: State Water Project Contract Amendments #20 (Contract Extension) and #21 (Water Management Amendment)

DISCUSSION

On Tuesday, March 2, 2021, the Board of Directors for the Santa Barbara County Flood Control and Water Conservation District (District) approved execution of the "Contract Extension" amendment to the State Water Project Contract when the amendment is eligible to be executed per the Department of Water Resources. A copy of that amendment is included as an attachment to this report for your information.

The District Board tabled consideration of the Water Management Amendment pending further negotiations with CCWA.

CCWA staff will provide an update of those negotiations at the March 11, 2021 meeting of the Operating Committee.

RAS

Attachment: State Water Project Water Supply Contract Extension Amendment, Preliminary Execution Version #4

STATE OF CALIFORNIA
CALIFORNIA NATURAL RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 20 (THE CONTRACT EXTENSION AMENDMENT)
TO WATER SUPPLY CONTRACT BETWEEN THE STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES AND SANTA BARBARA COUNTY FLOOD
CONTROL AND WATER CONSERVATION DISTRICT FOR CONTINUED SERVICE
AND THE TERMS AND CONDITIONS THEREOF

THIS AMENDMENT to the Water Supply Contract is made this _____ day of _____, 20__ , pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through its Department of Water Resources, herein referred to as the "State," and Santa Barbara County Flood Control and Water Conservation District, herein referred to as the "Agency."

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RECITALS

A. The State and the Agency entered into and subsequently amended a water supply contract (the "contract"), dated February 26, 1963, providing that the State shall supply certain quantities of water to the Agency and providing that the Agency shall make certain payments to the State, and setting forth the terms and conditions of such supply and such payments; and

B. Article 2 of the contract provides that the contract shall remain in effect for the longest of the following: (1) the project repayment period, which, as defined in the contract, is to end on December 31, 2035; (2) 75 years from the original date of the contract; and (3) the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities; and

C. The longest of the above referenced periods in Article 2 would have ended in this contract on February 26, 2038; and

D. Article 4 of the contract provides that the Agency, by written notice to the State at least six (6) months prior to the expiration of the term of the contract (as specified in Article 2), may elect to receive continued service under the contract under certain conditions specified therein and under other terms and conditions that are reasonable and mutually agreed upon by the State and the Agency; and

E. The State and representatives of certain State Water Project Contractors have negotiated and executed a document (Execution Version dated June 18, 2014), the subject of which is "Agreement in Principle Concerning Extension of the State Water Project Water Supply Contracts" (the "Agreement in Principle"); and

F. The Agreement in Principle describes the terms and conditions of the continued service upon which the State and certain State Water Project Contractors mutually proposed to develop contractual amendments consistent with the Agreement In Principle; and

G. The State and Contractors subsequently prepared an amendment to their respective contracts to implement the provisions of the Agreement in Principle, and such amendment was named the "Amendment for Continued Service and the Terms and Conditions Thereof"; and

H. The State and the Agency desire to implement continued service under the contract under the terms and conditions of this Amendment for Continued Service and the Terms and Conditions Thereof to the water supply contract; and

I. The Agency's execution of this Amendment for Continued Service and the Terms and Conditions Thereof is the equivalent of the Agency's election under Article 4 to receive continued service under the contract under the conditions provided in Article 4, and the mutually agreed terms and conditions herein are the other reasonable and equitable terms and conditions of continued service referred to in Article 4.

NOW, THEREFORE, IT IS MUTUALLY AGREED that the following changes and additions are hereby made to the Agency's water supply contract with the State:

AMENDED CONTRACT TEXT

I. ARTICLES 1, 2, 22 THROUGH 29, 50 AND 51 ARE DELETED IN THEIR ENTIRETY AND REPLACED WITH THE FOLLOWING TEXT:

1. DEFINITIONS.

When used in this contract, the following terms shall have the meanings hereinafter set forth:

(a) **"Additional Project Conservation Facilities"** shall mean the following facilities and programs, which will serve the purpose of preventing any reduction in the Minimum Project Yield as hereinafter defined:

(1) Those Project Facilities specified in Section 12938 of the Water Code;

(2) Those facilities and programs described in (A), (B), (C), (D), and (E) below which, in the State's determination, are engineeringly feasible and capable of producing Project Water which is economically competitive with alternative new water supply sources, *provided* that in the State's determination, the construction and operation of such facilities and programs will not interfere with the requested deliveries of Annual Table A Amount to any Contractor other than the sponsoring Contractor, and will not result in any greater annual charges to any Contractor other than the sponsoring Contractor than would have occurred with the construction at the same time of alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct.

The following facilities and programs shall hereinafter be referred to as "Local Projects":

(A) On-stream and off-stream surface storage reservoirs not provided for in Section 12938 of the Water Code, that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(B) Groundwater storage facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(C) Waste water reclamation facilities that will produce Project Water for the System for a period of time agreed to by the sponsoring Contractor;

(D) Water and facilities for delivering water purchased by the State for the System for a period of time agreed to by the sponsoring Contractor; *provided* that the economic test specified herein shall be applied to the cost of these facilities together with the cost of the purchased water; and

(E) Future water conservation programs and facilities that will reduce demands by the sponsoring Contractor for Project Water from the System for a period of time agreed to by the sponsoring Contractor and will thereby have the effect of increasing Project Water available in the Delta for distribution.

(3) Whether a Local Project described in (2) above shall be considered economically competitive shall be determined by the State by comparing, in an engineering and economic analysis, such Local Project with alternative new water supply sources which are either reservoirs located north of the Delta or off-Aqueduct storage reservoirs located south or west of the Delta designed to supply water to the California Aqueduct. The analysis for such alternative new water supply sources shall use the average cost per acre-foot of yield in the latest studies made for such sources by the State and shall compare those facilities with the proposed Local Project using commonly accepted engineering economics. In the case of a Local Project to be funded in part by the State as part of the System and in part from other sources, the economic analysis specified herein shall be applied only to the portion to be funded by the State as part of the System.

(4) The Local Projects in (2) above shall not be constructed or implemented unless or until:

(A) The sponsoring Contractor signs a written agreement with the State which:

(i) Contains the sponsoring Contractor's approval of such facility or program;

(ii) Specifies the yield and the period of time during which the water from the Local Project shall constitute Project Water; and

(iii) Specifies the disposition of such Local Project or of the yield from such Local Project upon the expiration of such period of time.

(B) All Contractors within whose boundaries any portion of such Local Project is located, and who are not sponsoring Contractors for such Local Project give their written approval of such Local Project.

(5) "Sponsoring Contractor" as used in this Article 1(a) shall mean the Contractor or Contractors who either will receive the yield from facilities described in 2(A), (B), (C), or (D) above, or agree to reduce demands for Project Water from the System pursuant to 2(E) above.

(6) In the event of a shortage in water supply within the meaning of Article 18(a), the determination of whether to count, in whole or in part, the yield from facilities described in 2(A), (B), (C), or (D) above, or the reduced demand from future conservation programs described in 2(E) above in the allocation of deficiencies among Contractors will be based on a project-by-project evaluation taking into consideration such factors as any limitation on the use of the water from such facilities and whether the sponsoring Contractor has access to Project Water from the Delta as an alternate to such facilities.

(b) **"Agricultural Use"** shall mean any use of water primarily in the production of plant crops or livestock for market, including any use incidental thereto for domestic or stock-watering purposes.

(c) **"Annual Table A Amount"** shall mean the amount of Project Water set forth in Table A of this Contract that the State, pursuant to the obligations of this contract and applicable law, makes available for delivery to the Agency at the delivery structures provided for the Agency. The term Annual Table A Amount shall not be interpreted to mean that in each year the State will be able to make that quantity of Project Water available to the Agency. The Annual Table A Amounts and the terms of this contract reflect an expectation that under certain conditions only a lesser amount, allocated in accordance with this contract, may be made available to the Agency. This recognition that full Annual Table A Amounts will not be deliverable under all conditions does not change the obligations of the State under this contract, including but not limited to, the obligations to make all reasonable efforts to complete the Project Facilities, to perfect and protect water rights, and to allocate among Contractors the supply available in any year, as set forth in Articles 6(b), 6(c), 16(b) and 18, in the manner and subject to the terms and conditions of those articles and this contract. Where the term "annual entitlement" appears elsewhere in this contract, it shall mean "Annual Table A Amount." The State agrees that in future amendments to this and other Contractor's contracts, in lieu of the term "annual entitlement," the term "Annual Table A

Amount" will be used and will have the same meaning as "annual entitlement" wherever that term is used.

(d) **"Area of Origin Statutes"** shall mean Sections 10505 and 11460 through 11463 of the Water Code as now existing or hereafter amended.

(e) **"Article 51(e) Amounts"** shall mean the annual amounts determined pursuant to Article 51(e)(1).

(f) **"Billing Transition Date"** shall mean January 1 of the first calendar year starting at least six (6) months after the Contract Extension Amendment Effective Date.

(g) **"Burns-Porter Bond Act"** shall mean the California Water Resources Development Bond Act, comprising Chapter 8, commencing at Section 12930, of Part 6 of Division 6 of the Water Code, as enacted in Chapter 1762 of the Statutes of 1959.

(h) **"Capital Costs"** shall mean all costs Incurred subsequent to authorization of a facility for construction by the Legislature or by administrative action pursuant to Section 11290 of the Water Code and to the Burns-Porter Bond Act, including those so Incurred prior to the beginning of the Project Repayment Period as herein defined and any accrued unpaid interest charges thereon at the rates specified herein, which are properly chargeable to the construction of and the furnishing of equipment for the facilities of the System, including the costs of surveys, engineering studies, exploratory work, designs, preparation of construction plans and specifications, acquisition of lands, easements and rights-of-way, and relocation work, all as shown upon the official records of the Department of Water Resources.

(i) **"Carry-over Table A Water"** shall mean water from a Contractor's Annual Table A Amount for a respective year, which is made available for delivery by the State in the next year pursuant to Article 12(e).

(j) **"Central Valley Project Act"** shall mean the Central Valley Act comprising Part 3, commencing at Section 11100, of Division 6 of the Water Code**.**

(k) **"Contract Extension Amendment"** shall mean the substantially similar amendments to the Contractors' Water Supply Contracts that include, among other things, an extension of the term of the contract to December 31, 2085.

(l) **"Contract Extension Amendment Effective Date"** shall mean the date on which the Contract Extension Amendment becomes effective with regard to this contract. The State shall provide a written notice to the Agency specifying the Contract Extension Amendment Effective Date once the applicable conditions set out in the Contract Extension Amendment have been met.

(m) "**Contractor"** shall mean any entity that has executed, or is an assignee of, a contract of the type published in Department of Water Resources Bulletin No. 141,

dated November 1965, with the State for a dependable supply of water made available by the System, except such water as is made available by the facilities specified in Section 12934(d)(6) of the Water Code, as such contracts have been amended from time to time.

(n) **"Delta"** shall mean the Sacramento-San Joaquin Delta as defined in Section 12220 of the Water Code on the date of approval of the Burns-Porter Bond Act by the voters of the State of California.

(o) **"East Branch Aqueduct"** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Perris, Riverside County.

(p) **"Economic Useful Life"** shall mean the period during which the State expects to derive economic benefit from using an asset, as determined by the State.

(q) **"Financial Information System"** shall mean the system of record designated by the State as the authoritative source for the recording of all financial data values relating to the System.

(r) **"Financing Costs"** shall mean the following:

(1) principal of and interest on Revenue Bonds,

(2) debt service coverage required by the applicable bond resolution or indenture in relation to such principal and interest,

(3) deposits to reserves required by the bond resolution or indenture in relation to such Revenue Bonds, and

(4) premiums for insurance or other security obtained in relation to such Revenue Bonds.

(s) **"Incurred"** shall mean the following with respect to the timing of a cost:

(1) Capital Costs and operation, maintenance, and power costs allocated irrespective of the amount of Project Water delivered to the Contractors are "Incurred" when the expenditure for the good, service or other consideration is recorded in the State's financial information system, regardless of the date the good, service or other consideration is provided; and

(2) operation, maintenance, and power costs allocated in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors are "Incurred" when the good, service or other consideration is provided, regardless of when the expenditure for the good, service or other

consideration is recorded in the financial information system.

(t) **"Initial Project Conservation Facilities"** shall mean the following Project Facilities specified in Section 12934(d) of the Water Code:

(1) All those facilities specified in subparagraph (1) thereof.

(2) Those facilities specified in subparagraph (3) thereof to the extent that they serve the purposes of water conservation in the Delta, water supply in the Delta, and transfer of water across the Delta.

(3) A reservoir near Los Banos in Merced County as specified in subparagraph (2) thereof.

(4) The reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to a reservoir near Los Banos in Merced County, to the extent required for water conservation through conveyance of water diverted from the Delta to offstream storage in such reservoir as determined by the State.

(5) Those facilities specified in subparagraph (5) thereof which are incidental to the facilities included under (1), (2), (3), and (4) above.

(6) Those facilities specified in subparagraph (7) thereof which are necessary and appurtenant to the facilities included under (1), (2), (3), (4), and (5) above.

(u) **"Interruptible Water"** shall mean Project Water available as determined by the State that is not needed for fulfilling Contractors' Annual Table A Amount deliveries as set forth in their water delivery schedules furnished pursuant to Article 12 or for meeting project operational requirements, including storage goals for the current or following years.

(v) **"Manufacturing Use"** shall mean any use of water primarily in the production of finished goods for market.

(w) "**Maximum Annual Table A Amount"** shall mean the maximum annual amount set forth in Table A of this contract, and where the term "maximum annual entitlement" appears elsewhere in this contract it shall mean "Maximum Annual Table A Amount."

(x) **"Minimum Project Yield"** shall mean the dependable annual supply of project water to be made available assuming completion of the initial project conservation facilities and additional project conservation facilities. The project's capability of providing the Minimum Project Yield shall be determined by the State on the basis of coordinated operations studies of initial project conservation facilities and additional project conservation facilities, which studies shall be based upon factors

including but not limited to:

(1) the estimated relative proportion of deliveries for agricultural use to deliveries for municipal use assuming Maximum Annual Table A Amounts for all Contractors and the characteristic distributions of demands for these two uses throughout the year; and

(2) agreements now in effect or as hereafter amended or supplemented between the State and the United States and others regarding the division of utilization of waters of the Delta or streams tributary thereto.

(y) **"Monterey Amendment"** shall mean the substantially similar amendments to Contractors' Water Supply Contracts that included, among other provisions, the addition of Articles 51 through 56.

(z) **"Municipal Use"** shall mean all those uses of water common to the municipal water supply of a city, town, or other similar population group, including uses for domestic purposes, uses for the purposes of commerce, trade or industry, and any other use incidental thereto for any beneficial purpose.

(aa) **"Nonproject Water"** shall mean water made available for delivery to Contractors that is not Project Water as defined in Article 1(ah).

(ab) **"Project Facilities"** shall mean those facilities of the System which will, in whole or in part, serve the purposes of this contract by conserving water and making it available for use in and above the Delta and for export from the Delta and from such additional facilities as are defined in Article 1(a)(2), and by conveying water to the Agency. Such Project Facilities shall consist specifically of "Project Conservation Facilities" and "Project Transportation Facilities", as hereinafter defined.

(ac) **"Project Conservation Facilities"** shall mean such Project Facilities as are presently included, or as may be added in the future, under 1(a) and 1(t).

(ad) **"Project Interest Rate"** shall mean the following:

(1) Prior to the Billing Transition Date, the weighted average interest rate on bonds, advances, or loans listed in this section to the extent the proceeds of any such bonds, advances, or loans are for construction of the State Water Facilities defined in Section 12934(d) of the Water Code, the additional project conservation facilities, and the supplemental conservation facilities (except off-aqueduct power facilities; water system facilities; advances for delivery structures, measuring devices and excess capacity; and East Branch Enlargement Facilities). The Project Interest Rate shall be calculated as a decimal fraction to five places by dividing (i) the total interest cost required to be paid or credited by the State during the life of the indebtedness or advance by (ii) the total

of the products of the various principal amounts and the respective terms in years of all such amounts. The bonds, advances, or loans used in calculating the project interest rate shall be:

(A) General obligation bonds issued by the State under the Bond Act, except that any premium received on the sale of these bonds shall not be included in the calculation of the project interest rate,

(B) Revenue Bonds issued after May 1, 1969,

(C) Bonds issued by the State under any other authority granted by the Legislature or the voters,

(D) Bonds issued by any agency, district, political subdivision, public corporation, or nonprofit corporation of this State,

(E) Funds advanced by any Contractor without the actual incurring of bonded debt therefore, for which the net interest cost and terms shall be those which would have resulted if the Contractor had sold bonds for the purpose of funding the advance, as determined by the State,

(F) Funds borrowed from the General Fund or other funds in the Treasury of the State of California, for which the total interest cost shall be computed at the interest rate earned over the period of such borrowing by moneys in the Surplus Money Investment Fund of such Treasury invested in securities, and

(G) Any other financing capability available in the Treasury of the State of California at whatever interest rate and other financing costs are provided in the law authorizing such borrowing. However, the use of other financing from the State Treasury is intended to involve only short term borrowing at interest rates and other financing costs no greater than those charged to other State agencies during the same period until such time as the Department can sell bonds and reimburse the source of the short term borrowing from the proceeds of the bond sale.

(2) On and after the Billing Transition Date, the Project Interest Rate shall be four and six hundred and ten thousandths percent (4.610%) per annum.

(ae) **"Project Repayment Period"** shall mean that period of years commencing on January 1, 1961, and extending until December 31, 2035.

(af) **"Project Revenues"** shall mean revenues derived from the service of Project Water to Contractors and others, and from the sale or other disposal of electrical energy generated in connection with operation of Project Facilities.

(ag) **"Project Transportation Facilities"** shall mean the following Project Facilities:

(1) All those facilities specified in subparagraph (2) of Section 12934(d) of the Water Code except: The reservoir near Los Banos in Merced County; the reach of the San Joaquin Valley-Southern California Aqueduct extending from the Delta to the reservoir near Los Banos in Merced County, to the extent required for water conservation as determined by the State; the North Bay Aqueduct extending to a terminal reservoir in Marin County; the South Bay Aqueduct extending to terminal reservoirs in the Counties of Alameda and Santa Clara; the Pacheco Pass Tunnel Aqueduct extending from a reservoir near Los Banos in Merced County to a terminus in Pacheco Creek in Santa Clara County; and the Coastal Aqueduct beginning on the San Joaquin Valley-Southern California Aqueduct in the vicinity of Avenal, Kings County, and extending to a terminus at the Santa Maria River.

(2) Facilities for the generation and transmission of electrical energy of the following types:

(A) Hydroelectric generating and transmission facilities, whose operation is dependent on the transportation of Project Water, or on releases to channels downstream of Project Facilities defined under (1) above. Such facilities shall be called "project aqueduct power recovery plants", and

(B) All other generating and associated transmission facilities, except those dependent on water from Project Conservation Facilities, for the generation of power. These facilities shall be called "off-aqueduct power facilities" and shall consist of the State's interest in the Reid-Gardner and any other generating and associated transmission facilities, constructed or financed in whole or in part by the State, which are economically competitive with alternative power supply sources as determined by the State.

(3) Those facilities specified in subparagraph (7) of Section 12934(d) of the Water Code which are necessary and appurtenant to the facilities included under (1) and (2) above.

(ah) **"Project Water"** shall mean water made available for delivery to the Contractors by the Project Conservation Facilities and the Project Transportation Facilities included in the System.

(ai) **"Revenue Bonds"** shall mean the following types of instruments payable from the sources provided in the Central Valley Project Act: revenue bonds, notes, refunding bonds, refunding notes, bond anticipation notes, certificates of indebtedness,

and other evidences of indebtedness**.**

(aj) **"Subject to Approval by the State"** shall mean subject to the determination and judgment of the State as to acceptability.

(ak) **"Supplemental Conservation Facilities"** shall mean those facilities provided for in Section 12938 of the Water Code which will serve the purpose of supplying water in addition to the Minimum Project Yield and for meeting local needs.

(al) **"Supplemental Water"** shall mean water made available by Supplemental Conservation Facilities, in excess of the Minimum Project Yield.

(am) **"System"** shall mean the State Water Resources Development System as defined in Section 12931 of the Water Code.

(an) **"System Revenue Account"** shall mean the special account created pursuant to Water Code Section 12937(b) into which are deposited all revenues derived from the sale, delivery or use of water or power and all other income or revenue, derived by the State, from the System, with the exception of revenue attributable to facilities financed with revenue bonds issued pursuant to the Central Valley Project Act (Water Code Section 11100 et seq.).

(ao) **"Water Supply Contract"** shall mean one of the contracts described in the definition of Contractor in Article 1(m).

(ap) **"Water System Facilities"** shall mean the following facilities to the extent that they are financed with Revenue Bonds or to the extent that other financing of such facilities is reimbursed with proceeds from Water System Facility Revenue Bonds:

(1) The North Bay Aqueduct,

(2) The Coastal Branch Aqueduct,

(3) Delta Facilities, including Suisun Marsh facilities, to serve the purposes of water conservation in the Delta, water supply in the Delta, transfer of water across the Delta, and mitigation of the environmental effects of Project Facilities, and to the extent presently authorized as project purposes, recreation and fish and wildlife enhancement,

(4) Local projects as defined in Article 1(a)(2) designed to develop no more than 25,000 acre-feet of project yield from each project,

(5) Land acquisition prior to December 31, 1995, for the Kern Fan Element of the Kern Water Bank,

(6) Additional pumps at the Banks Delta Pumping Plant,

(7) The transmission line from Midway to Wheeler Ridge Pumping Plant,

(8) Repairs, additions, and betterments to Project Facilities,

(9) A Project Facilities corporation yard,

(10) A Project Facilities operation center, and

(11) Capital projects which are approved in writing by the State and eighty (80) percent of the affected Contractors as "Water System Facilities", *provided* that the approving Contractors' Table A amounts exceed eighty (80) percent of the Table A amounts representing all affected Contractors and *provided further* that "affected Contractors" for purposes of this subdivision (11) shall mean those Contractors which would be obligated to pay a share of the debt service on Revenue Bonds issued to finance such project**.**

(aq) **"Water System Facility Revenue Bonds"** shall mean Revenue Bonds issued after January 1, 1987 for Water System Facilities identified in Article 1(ap).

(ar) **"West Branch Aqueduct"** shall mean that portion of the San Joaquin Valley-Southern California Aqueduct specified in Section 12934(d)(2) of the Water Code extending from the South Portal of the Tehachapi Tunnels to a terminus in the vicinity of Newhall, Los Angeles County.

(as) **"Year"** shall mean the 12-month period from January 1 through December 31, both dates inclusive.

(at) **"Year of Initial Water Delivery"** shall mean the year when Project Water will first be available for delivery to a Contractor pursuant to its contract with the State.

(au) **"Treatment Plant"** shall mean the water treatment plant and appurtenant facilities constructed by the Authority located, at Tank 1-Polonio Pass of the Coastal Branch between the State's valves 7 and 8.

(av) **"Treatment Facilities"** shall mean the treatment plant defined in Article 1(au) and those facilities on the Coastal Branch relating to water treatment and water quality monitoring.

2. TERM OF CONTRACT.

This contract shall become effective on the date first above written and shall remain in effect for the longer of the following:

1. December 31, 2085, or

2. The period ending with the latest maturity date of any bond issue used to finance the construction costs of Project Facilities.

22. DELTA WATER CHARGE

The payments to be made by each Contractor shall include an annual charge designated as the Delta Water Charge, which shall be separately calculated and stated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Delta Water Charge for Costs Incurred Prior to the Billing Transition Date**. The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date**.**

(1) *Recovery of Costs of Project Conservation Facilities*. The Delta Water Charge for costs Incurred prior to the Billing Transition Date, together with the total revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities, shall return to the State during the Project Repayment Period all costs of the Project Conservation Facilities Incurred prior to the Billing Transition Date**,** including capital, operation, maintenance, power, and replacement costs, which are allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article.

(2) *Components of Charge.* For each Contractor receiving Project Water in any year through December 31, 1969, the Delta Water Charge shall be the product of $3.50 and the Contractor's Annual Table A Amount for the respective year. For each Contractor receiving Project Water in the year 1970, the Delta Water Charge shall be the product of $6.65 and the Contractor's Annual Table A Amount for that year. The $6.65 rate for the year 1970 shall consist of a capital component of $5.04 and a minimum operation, maintenance, power and replacement component of $1.61. For each Contractor receiving Project Water in the year 1971, the Delta Water Charge shall be the product of $7.24 and the Contractor's Annual Table A Amount for that year. The $7.24 rate for the year 1971 shall consist of a capital component of $5.44 and a minimum operation, maintenance, power and replacement component of $1.80.

After December 31, 1971, the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall consist and be the sum of the following components as these are computed in accordance with subdivisions (a)(3) and (a)(4) of this article: a capital component; a minimum operation, maintenance, power and replacement component; and a variable operation, maintenance, power and replacement component.

(3) *Charge Components Expressed as Rates*. The Capital Cost, the minimum operation, maintenance, power, and replacement, and the variable operation, maintenance, power, and replacement components of the Delta Water

Charge for costs Incurred prior to the Billing Transition Date, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during the Project Repayment Period, respectively, the following categories of the costs allocated to the purpose of water conservation in, above, and below the Delta pursuant to subdivisions (c)(1) through (c)(3) of this article:

(A) Capital Costs;

(B) operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractors; and

(C) operation, maintenance, power, and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities. Each component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be computed on the basis of a rate which, when charged during the Project Repayment Period for each acre-foot of the sum of the yearly totals of Annual Table A Amounts of all Contractors, will be sufficient, together with that portion of the revenues derived prior to the Billing Transition Date from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, to return to the State during the Project Repayment Period all costs included in the respective category of costs covered by that component. Each such rate shall be computed in accordance with the following formula:

$$\frac{(c_1 - r_1)(1+i)^{-1} + (c_2 - r_2)(1+i)^{-2} + \cdots + (c_n - r_n)(1+i)^{-n}}{e_1(1+i)^{-1} + e_2(1+i)^{-2} + \cdots + e_n(1+i)^{-n}}$$

Where:

i = The Project Interest Rate.

c = The total costs included in the respective category of costs and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

r = That portion of the revenues derived from the sale or other disposal of electrical energy allocated by the State to repayment of the costs included in the respective category and Incurred during the respective year of the Project Repayment Period (prior to the Billing Transition Date).

1, 2, and *n* appearing below *c* and *r* = The respective year of the Project Repayment Period during which the costs included in the respective category are Incurred, *n* being the last year of the Project Repayment Period.

e = With respect to the Capital Cost and minimum operation, maintenance, power, and replacement components, the total of Annual Table A Amounts of all Contractors for the respective year of the Project Repayment Period.

e = With respect to the variable operation, maintenance, power, and replacement component, the total of the amounts of Project Water delivered to all Contractors for the respective year of the expired portion of the Project Repayment Period, together with the total of Annual Table A Amounts of all Contractors for the respective year of the unexpired portion of the Project Repayment Period.

1, 2, and *n* appearing below *e* of = The respective year of the Project Repayment Period in which the Annual Table A Amounts or Project Water deliveries occur, *n* being the last year the Project Repayment Period.

n used as an exponent = The number of years in the Project Repayment Period.

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(4) *Determination of Charge Components.* The Capital Cost and minimum operation, maintenance, power, and replacement components of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the Contractor's Annual Table A Amount for the respective year. The

variable operation, maintenance, and power component of the charge shall be the product of the appropriate rate computed under subdivision (a)(3) of this article and the number of acre-feet of Project Water delivered to the Contractor during the respective year; *provided*, that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be the product of such rate per acre-foot and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(5) *Redetermination of Rates.* The rates to be used in determining the components of the Delta Water Charge pursuant to subdivision (a)(4) of this article and to become effective on January 1, 1970, shall be computed by the State in accordance with subdivision (a)(3) of this article prior to that date. Such computation shall include an adjustment which shall account for the difference, if any, between revenues received by the State under the Delta Water Charge prior to January 1, 1970, and revenues which would have been received under the charge prior to that date had it been computed and charged in accordance with subdivisions (a)(3) and (4) of this article. Upon such computation, a document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article. The State shall recompute such rates each year thereafter, and each such recomputation shall take account of and reflect increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct the Project Conservation Facilities described in subdivisions (c)(1) through (c)(3) of this article, Annual Table A Amounts, deliveries of Project Water, Project Interest Rate, revenues from the sale or other disposal of electrical energy, and all other factors which are determinative of such rates. In addition, each such recomputation shall include an adjustment of the rates for succeeding years which shall account for the differences, if any, between projections of costs used by the State in determining such rates for all preceding years, and actual costs Incurred by the State during such years. Upon each such recomputation, an appropriately revised copy of the document establishing such rates shall be prepared by the State and attached to this contract as an amendment of this article.

(6) *Water System Facility Revenue Bond Charges.* Notwithstanding provisions of Article 22(a)(1) through (5), the capital and the minimum operation, maintenance, power and replacement component of the Delta Water Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the Agency's share of the portion of the Water System Facility Revenue Bond Financing Costs allocable to Project Conservation Facilities for Capital Costs Incurred prior to the Billing Transition Date. Charges to the Agency for these costs shall be calculated in accordance with Article 50(a).

(b) **Delta Water Charge for Costs Incurred On or After the Billing Transition Date**. The provisions of this subdivision (b) of this article shall apply only to costs Incurred on or after the Billing Transition Date**.**

(1) *Components of the Delta Water Charge for Costs Incurred On or After the Billing Transition Date.* The Delta Water Charge for costs Incurred on or after the Billing Transition Date shall consist of the following components as these are computed in accordance with subdivisions (b)(2) through (b)(4) of this article:

(A) Capital component,

(B) Minimum operation, maintenance, power, and replacement component, and

(C) Variable operation, maintenance, and power component.

(2) *Determination of Charge Components.* These three components of the Delta Water Charge for each calendar year, together with that portion of the revenues derived during such calendar year from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities which is allocated by the State to repayment of the respective category of costs, shall return to the State during such calendar year the following categories, respectively, of the costs allocated pursuant to subdivisions (c)(1) through (c)(3) of this article to the purpose of water conservation in, above, and below the Delta.

(A) the capital component consisting of Capital Costs of Project Conservation Facilities to be recovered during such calendar year as and to the extent provided in subdivision (b)(3) of this article,

(B) the minimum operation, maintenance, power, and replacement component consisting of operation, maintenance, power, replacement costs of Project Conservation Facilities Incurred during such calendar year irrespective of the amount of Project Water delivered to the Contractors, and

(C) the variable operation, maintenance, and power component consisting of operation, maintenance, and power costs of Project Conservation Facilities Incurred during such calendar year in an amount

which is dependent upon and varies with the amount of Project Water delivered to the Contractors;

provided that each of the above categories of costs shall be inclusive of the appropriate costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities; and *provided further* that revenues generated in connection with the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities shall not reduce or be credited against charges pursuant to subdivision (b)(3)(D)(i) of this article (charges for Water System Facility Revenue Bond Financing Costs).

(3) *Categories of Capital Costs.*

(A) The amount of the capital component of the Delta Water Charge shall be determined in three steps as follows:

(i) first, an allocation to the Agency of Capital Costs of Project Conservation Facilities as provided in subdivisions (c)(1) through (c)(3) of this article,

(ii) second, a determination of the type and source of payment of each Capital Cost in accordance with subdivision (b)(3)(B) of this article, and

(iii) third, a computation of the annual payment to be made by the Agency as provided in subdivision (b)(3)(C) and (b)(3)(D) of this article.

(B) Annual Capital Costs of Project Conservation Facilities shall be divided into five categories of type and source of payment:

(i) Project Conservation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(ii) Project Conservation Facility Capital Costs to be paid with the proceeds of Bonds issued under the Burns-Porter Bond Act,

(iii) Project Conservation Facility Capital Costs to be paid with amounts in the SWRDS Reinvestment Account,

(iv) Project Conservation Facility Capital Costs to be paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(v) Project Conservation Facility Capital Costs prepaid by the Agency.

(C) The projected amounts of Project Conservation Facility Capital Costs in each such category to be allocated annually to the Agency shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (c)(1) through (c)(3) and (b)(6) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table B by the State.

TABLE B
PROJECTED ALLOCATIONS TO
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
OF PROJECT CONSERVATION FACILITY CAPITAL COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE

Year	Projected Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvest-ment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the Agency
1*					
2					
3					

* Year commencing with the Billing Transition Date.

(D) The annual amount to be paid by the Agency under the capital component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following categories:

(i) Water System Facility Revenue Bonds: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Project Conservation Facilities,

(ii) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Conservation Facility Capital Costs,

(iii) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Conservation Facility Capital Costs Incurred during prior calendar years (but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account, and

(iv) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Conservation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years.

(E) The projected amounts of each category of charges to be paid annually by the Agency under this capital component shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (b), which principles and procedures shall be controlling as to allocations of types of capital component charges to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table C by the State.

TABLE C
PROJECTED CHARGES TO
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
UNDER THE CAPITAL COMPONENT OF THE DELTA WATER CHARGE FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	**Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act**	**Costs to be Paid with Amounts in the SWRDS Reinvestment Account**	**Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial**
1				
2				
3				

* Year commencing with the Billing Transition Date.

(4) *Minimum Operation, Maintenance, Power and Replacement Charge – Determination; Repayment Table.*

The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(A) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table D by the State.

TABLE D
DELTA WATER CHARGE -- ESTIMATED MINIMUM OPERATION, MAINTENANCE, POWER AND REPLACEMENT COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by Agency
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(5) *Variable Operation, Maintenance and Power Charge–Determination; Repayment Table.*

The amount to be paid each year by the Agency under the variable operation, maintenance and power component of the Delta Water Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in subdivision (b)(6)(B) of this article; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table E by the State.

TABLE E
DELTA WATER CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE AND POWER COMPONENT FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by Agency
1*	
2	
3	
4	

* Year commencing with the Billing Transition Date.

(6) *Allocation of Charges to the Agency.*

(A) The capital and minimum operation, maintenance, and power components of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the Agency in proportion to the ratio of the Agency's Annual Table A Amount for such calendar year to the total of the Annual Table A Amounts for all Contractors for such calendar year.

(B) The variable operation, maintenance, and power component of the Delta Water Charge for each calendar year for costs Incurred on or after the Billing Transition Date shall be allocated to the Agency in proportion to the ratio of the number of acre-feet of Project Water delivered to the Agency during such calendar year to the number of acre-feet of Project Water delivered to all Contractors during such calendar year; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, such variable component during such period shall be calculated as if the number of acre-feet wasted had been delivered.

(7) *Delta Water Charge -- Repayment Schedule.*

The amounts to be paid by the Agency for each year on or after the Billing Transition Date under the Capital Cost component, minimum operation, maintenance, power and replacement component and the variable operation, maintenance, and power component of the Delta Water Charge shall be set forth by the State in Table F, which Table F shall constitute a summation of Tables C, D, and E; *provided* that each of the amounts set forth in Table F shall be subject

to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this Article 22 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

TABLE F
REPAYMENT SCHEDULE -- DELTA WATER CHARGE FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2				
3				
4				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Delta Water Charge for Costs Incurred Both Before and On or After the Billing Transition Date**. The provisions of this subdivision (c) shall be applicable to costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Allocation of Costs to Project Purposes.*

(A) Prior to the time that Additional Project Conservation Facilities or Supplemental Conservation Facilities are constructed, the Delta Water Charge shall be determined on the basis of an allocation to project purposes, by the separable cost-remaining benefits method, of all actual and projected costs of all those Initial Project Conservation Facilities located in and above the Delta, and upon an allocation to the purposes of water conservation and water transportation, by the proportionate use of facilities method, of all actual and projected costs of the following Project Facilities located below the Delta: The aqueduct intake facilities at the Delta, Pumping Plant I (Harvey O. Banks Delta Pumping Plant), the aqueduct from the Delta to San Luis Forebay (O'Neill Forebay), San Luis Forebay (O'Neill Forebay), and San Luis Reservoir: *provided,* that all of the actual and projected costs properly chargeable to the generation and transmission of electrical energy in connection with operation of Project Conservation Facilities shall be allocated to the purpose of water conservation in, above, and below the Delta; *provided further*, that allocations to purposes the cost of which are to be paid by the

United States shall be as determined by the United States.

(B) Wherever reference is made, in connection with the computation, determination, or payment of the Delta Water Charge, to the costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities that are reimbursable by the Contractors as determined by the State.

(C) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract "development of public recreation" shall include recreation capital and operation and maintenance.

(2) *Additional Conservation Facilities.* Commencing in the year in which the State first awards a major construction contract for construction of a major feature of Additional Project Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Additional Project Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the foregoing allocations and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to the foregoing provisos, of all projected costs of such feature of the Additional Project Conservation Facilities; *provided,* that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State; *provided, further,* that all costs of Additional Project Conservation Facilities Incurred prior to the award of a major construction contract, shall be included in the Delta Water Charge computations in the year in which they are Incurred.

(3) *Supplemental Conservation Facilities.* Upon the construction of the Supplemental Conservation Facilities, the Delta Water Charge shall be paid by all Contractors for Supplemental Water, as well as by Contractors for Project Water, and, together with revenues derived from the sale or other disposal of electrical energy generated in connection with operation of Project Conservation Facilities and Supplemental Conservation Facilities, shall return to the State, in addition to those costs of the Project Conservation Facilities allocated to the purpose of water conservation, in, above, and below the Delta pursuant to subdivision (c)(1) of this article, all costs of such Supplemental Conservation Facilities, including capital, operation, maintenance, power, and replacement costs which are allocated to the purpose of water conservation, in, above, and below the Delta pursuant hereto. Commencing in the year in which the State first awards a major construction contract for construction of a major feature of any Supplemental Conservation Facilities, or first commences payments under a contract with a federal agency in the event a major feature of Supplemental Conservation Facilities is constructed by such federal agency under an agreement requiring the State to pay all or part of the costs of such construction, the Delta Water Charge shall be determined on the basis of the allocations made pursuant to subdivision (c)(1) of this article, and upon an allocation to project purposes, by the separable costs-remaining benefits method and subject to provisos corresponding to those contained in such subdivision (c)(1), of all projected costs of such feature of the Supplemental Conservation Facilities. Commencing in the same year, the computation of the rates to be used in determining the components of the Delta Water Charge shall include the Annual Table A Amounts under all contracts for Supplemental Water. If the repayment period of any bonds sold to construct Supplemental Conservation Facilities or the repayment period under any agreement with a federal agency for repayment of the costs of Supplemental Conservation Facilities constructed by such federal agency extends beyond the repayment period of the contract, the Delta Water Charge shall be determined and redetermined on the basis of such extended repayment period as the State determines to be appropriate; *provided,* that if the agreement with such federal agency allows repayment of costs of a portion of a facility to be deferred, the associated costs of such portion shall be excluded from the Delta Water Charge computations until repayment of such deferred costs or interest thereon is commenced by the State.

(4) *Local Projects.* The determination of the Delta Water Charge shall be made by including the appropriate costs and quantities of water, calculated in accordance with subdivisions (a) and (b) above, for all Additional Project Conservation Facilities as defined in Article 1(a). In the event a Local Project as defined in Article 1(a)(2) will, pursuant to written agreement between the State and the sponsoring Contractor, be considered and treated as an Additional Project Conservation Facility for less than the estimated life of the facility, the Delta Water Charge will be determined on the basis of that portion of the appropriate cost and water supply associated with such facility as the period of time during which such facility shall be considered as an Additional Project

Conservation Facility bears to the estimated life of such facility. No costs for the construction or implementation of any Local Project are to be included in the Delta Water Charge unless and until the written agreement required by Article 1(a) has been entered into.

(5) *Water Purchased By the State.* In calculating the Delta Water Charge under subdivisions (a) and (b) of this article, the component for operation, maintenance, power and replacement costs shall include, but not be limited to, all costs to the State Incurred in purchasing water, which is competitive with alternative sources as determined by the State, for delivery as Project Water.

(6) *Replacement Cost Treatment*. Replacement costs of Project Conservation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power, and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

23. TRANSPORTATION CHARGE.

The payments to be made by each Contractor shall include an annual charge designated as the Transportation Charge, which shall be separately stated and calculated for costs Incurred prior to the Billing Transition Date and costs Incurred on or after the Billing Transition Date.

(a) **Transportation Charge for Costs Incurred Prior to the Billing Transition Date**. The provisions of this subdivision (a) and Articles 24(a) and (c), 25 and 26 shall apply to costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities*. The Transportation Charge for costs Incurred prior to the Billing Transition Date shall return to the State during the Project Repayment Period such costs of all Project Transportation Facilities necessary to deliver Project Water to the Contractor and which are allocated to the Contractor in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge for Costs Incurred Prior to the Billing Transition Date*. The Transportation Charge for costs Incurred Prior to the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, power, and replacement component; and a variable operation, maintenance and power component, as these components are defined in and determined under Articles 24(a) and (c), 25, and 26, respectively.

(b) **Transportation Charge for Costs Incurred On or After the Billing Transition Date**. The provisions of this subdivision (b) and Articles 24(b) and (c), 25 and 26 shall apply to costs Incurred on or after the Billing Transition Date.

(1) *Recovery of Costs of Project Transportation Facilities*. The Transportation Charge for costs Incurred on or after the Billing Transition Date shall return to the State during each such calendar year all costs which are Incurred on or after the Billing Transition Date of all Project Transportation Facilities necessary to deliver Project Water to the Agency and which are allocated to the Agency in accordance with the cost allocation principles and procedures hereinafter set forth.

(2) *Components of Transportation Charge.* The Transportation Charge for costs Incurred on or after the Billing Transition Date shall consist of a capital component; a minimum operation, maintenance, and power component; and a variable operation, maintenance, and power component, as these components are defined in and determined under Articles 24(b) and (c), 25, and 26, respectively.

(c) **Segregation of Aqueduct Reaches for All Transportation Charge Purposes**. For the purpose of allocations of costs among Contractors pursuant to

subdivisions (a) and (b) of this article, and Articles 24, 25 and 26, the Project Transportation Facilities shall be segregated into such aqueduct reaches as are determined by the State to be necessary for such allocations of costs. Subject to such modifications as are determined by the State to be required by reason of any request furnished by the Agency to the State pursuant to Article 17(a) of this contract, or by reason of contracts entered into by the State with other Contractors, the aqueduct reaches of the Project Transportation Facilities, a portion of the costs of which may be allocated to the Agency, are established as provided in Table G; *provided* that those costs of the aqueduct reaches from the Delta through the outlet of San Luis Reservoir which are allocated to the purpose of water conservation in, above, and below the Delta for the purpose of determining the Delta Water Charge, as hereinbefore set forth, shall not be included in the Transportation Charge.

TABLE G
PROJECT TRANSPORTATION FACILITIES NECESSARY TO DELIVER WATER TO SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Aqueduct Reach	Major Features of Reach
CALIFORNIA AQUEDUCT	
Delta through Bethany Reservoir	Intake Channel Clifton Court Forebay Fish Protective Facilities Delta Pumping Plant Bethany Reservoir
Bethany Reservoir to Orestimba Creek	Aqueduct
Orestimba Creek to O'Neill Forebay	Aqueduct
O'Neill Forebay to Dos Amigos Pumping	O'Neill Forebay and Dam Aqueduct
Dos Amigos Pumping Plant to Panoche Creek	Dos Amigos Pumping Plant Aqueduct
Panoche Creek to Five Points	Aqueduct
Five Points to Arroyo Pasajero	Aqueduct
Arroyo Pasajero to Kettleman City	Aqueduct
Kettleman City through Milham Avenue	Aqueduct
Milham Avenue through Avenal Gap	Aqueduct
COASTAL BRANCH – PHASE I	
Avenal Gap to Devil's Den Pumping Plant	Aqueduct Las Perillas Pumping Plant Badger Hill Pumping Plant
COASTAL BRANCH – PHASE II	
Devil's Den Pumping Plant through Tank 1	Devil's Den Pumping Plant Bluestone Pumping Plant Polonio Pass Pumping Plant Aqueduct Tank 1
Tank 1 through Chorro Valley Turnout	Aqueduct Tank 2 Cuesta Tunnel

Aqueduct Reach	Major Features of Reach
Chorro Valley Turnout through Lopez Turnout	Aqueduct West Corral De Piedra Tunnel
Lopez Turnout through Guadalupe Turnout	Aqueduct
COASTAL BRANCH EXTENSION	
Guadalupe Turnout to Southern Pacific Railroad Crossing near Casmalia	Aqueduct
Southern Pacific Railroad crossing near Casmalia through Tank 5	Aqueduct Tank 5

(This table was labeled Table I in original contract provisions)

(d) **Provisions Applicable to the Transportation Charge for Costs Incurred Both Before and On or After the Billing Transition Date**.

(1) Wherever reference is made, in connection with the computation, determination, or payment of the Transportation Charge, to the allocation or payment of costs of any facility or facilities included in the System, such reference shall be only to those costs of such facility or facilities which are reimbursable by the Contractors as determined by the State.

(2) The State, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the State, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs. Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public. In administering this Contract “development of public recreation” shall include recreation capital and operation and maintenance.

24. TRANSPORTATION CHARGE -- CAPITAL COMPONENTS.

(a) **Transportation Charge Capital Component for Costs Incurred Prior to the Billing Transition Date**. The provisions of this subdivision (a) shall apply only to Capital Costs Incurred prior to the Billing Transition Date.

(1) *Recovery of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The amount of the capital component of the Transportation Charge for Capital Costs Incurred prior to the Billing Transition Date shall be determined in two steps as follows:

(A) first, an allocation of such costs to the Contractor in accordance with subdivision (a)(2) of this article, and

(B) second, a computation of annual payments to be made by the Contractor of such allocated costs and interest thereon, computed at the Project Interest Rate in accordance with subdivision (a)(3) of this article.

(2) *Allocation of Capital Costs of Project Transportation Facilities Incurred Prior to the Billing Transition Date.* The total amount of Capital Costs Incurred prior to the Billing Transition Date of each aqueduct reach to be returned to the State shall be allocated among all Contractors entitled to delivery of Project Water from or through such reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

The projected amounts of Capital Costs to be allocated annually to the Agency under the capital component of the Transportation Charge shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this subdivision (a) and subdivision (c)(1) of this article, which principles and procedures shall be controlling as to allocations of Capital Costs to the Agency. Such amounts will be set forth in Table H by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a), *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28.

TABLE H
PROJECTED ALLOCATIONS OF CAPITAL COSTS INCURRED PRIOR TO THE BILLING TRANSITION DATE OF PROJECT TRANSPORTATION FACILITIES TO SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Projected Allocation in Thousands of Dollars
1*	
2	
3	
4	

* Year in which State commences construction of Project Transportation Facilities.
(This table was labeled Table C in original contract provisions)

(3) *Determination of Capital Component of Transportation Charge for Costs Incurred Prior to the Billing Transition Date.* The Agency's annual payment of its allocated Capital Costs Incurred prior to the Billing Transition Date and interest thereon, computed at the Project Interest Rate and compounded annually, shall be determined in accordance with a repayment schedule established by the State and determined in accordance with the principles set forth in (A), (B), and (C) below, which principles shall be controlling as to the Agency's payment of its allocated Capital Costs. The Agency's repayment schedule will be set forth in Table I by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table I shall be subject to redetermination by the State, pursuant to Article 28.

(A) The Agency's annual payment shall be the sum of the amounts due from the Agency on the Agency's allocated Capital Costs for the then current year and for each previous year where each such amount will pay, in not more than fifty (50) equal annual installments of principal and interest, the Agency's allocated Capital Costs for the respective year and interest thereon, computed at the Project Interest Rate and compounded annually.

(B) The Agency may make payments at a more rapid rate if approved by the State.

(C) Such annual Transportation Charge payments shall cease when all allocated Capital Costs and interest thereon, computed at the Project Interest Rate and compounded annually, are repaid.

TABLE I
TRANSPORTATION CHARGE FOR COSTS INCURRED PRIOR TO THE BILLING TRANSITION DATE -- CAPITAL COST COMPONENT
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
(In Thousands of Dollars)

Year	Annual Payment of Principal	Annual Interest Payment	Total Annual Payment by Agency
1*			
2**			
3			
4			

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table D in original contract provisions)

(4) Notwithstanding provisions of subdivisions 24(a)(1) through (a)(3) of this article, the capital component of the Transportation Charge for costs Incurred prior to the Billing Transition Date shall include an annual charge to recover the Agency's share of the portion of Water System Facility Revenue Bond Financing Costs allocable to Project Transportation Facilities. Charges to the Agency for these costs shall be calculated in accordance with Article 50(a).

(b) **Transportation Charge Capital Component for Costs Incurred On or After the Billing Transition Date**. The provisions of this subdivision (b) shall apply only to Capital Costs Incurred on or after the Billing Transition Date.

(1) The amount of the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined in three steps as follows:

(A) first, an allocation of Capital Costs to the Contractor as provided in subdivision (b)(2) of this article,

(B) second, a determination of the type and source of payment of each Capital Cost as provided in subdivision (b)(3) of this article, and

(C) third, a computation of the annual payment to be made by the Contractor as provided in subdivision (b)(4) and (b)(5) of this article.

(2) The total amount of Capital Costs of each aqueduct reach to be returned to the State under the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach by the proportionate use of facilities method of cost allocation and in accordance with Article 23(c) and subdivision (c)(1) of this article.

(3) Annual Capital Costs of Project Transportation Facilities shall be divided into five categories of type and source of payment:

(A) Project Transportation Facility Capital Costs paid with the proceeds of Water System Facility Revenue Bonds,

(B) Project Transportation Facility Capital Costs paid with the proceeds of bonds issued under the Burns-Porter Bond Act,

(C) Project Transportation Facility Capital Costs paid with amounts in the SWRDS Reinvestment Account,

(D) Project Transportation Facility Capital Costs paid annually for assets that will have a short Economic Useful Life or the costs of which are not substantial, and

(E) Project Transportation Facility Capital Costs prepaid by the Agency.

The projected amounts of Project Transportation Facility Capital Costs of each type to be allocated annually to the Agency shall be determined by the State in accordance with the cost allocation principles and procedures set forth in Article 23(c)(1) through (c)(3) and this subdivision (b)(3), which principles and procedures shall be controlling as to allocations of each type of Capital Costs to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such projected amounts will be set forth in Table J by the State.

TABLE J
PROJECTED ALLOCATIONS TO
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
OF PROJECT TRANSPORTATION FACILITY CAPITAL COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE

Year	Allocations in Thousands of Dollars				
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act	Costs to be Paid with Amounts in the SWRDS Reinvest-ment Account	Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial	Costs Prepaid by the Agency
1*					
2					
3					

* Year commencing with the Billing Transition Date

(4) The capital component of the Transportation Charge for a calendar year for costs Incurred on or after the Billing Transition Date shall consist of the following to the extent the related Capital Costs are allocated to the Agency:

(A) Water System Facility Revenue Bond: a charge determined in accordance with Article 50(b) to recover Water System Facility Revenue Bond Financing Costs Incurred during such calendar year that relate to the financing of Water System Facilities that are Project Transportation Facilities,

(B) Burns-Porter Act Bonds: a charge to recover the amount to be paid by the State of California during such calendar year in accordance with the Burns-Porter Bond Act for the principal of and interest on bonds issued under the Burns-Porter Bond Act on or after the Billing Transition Date for Project Transportation Facility Capital Costs,

(C) SWRDS Reinvestment Account: a charge determined in accordance with subdivision (b)(5) of Article 61 to amortize Project Transportation Facility Capital Costs Incurred during prior calendar years

(but not prior to the Billing Transition Date) that have been paid with amounts from the SWRDS Reinvestment Account, and

(D) Capital Assets with Short Economic Life or Costs of which are Not Substantial: a charge to recover the Capital Costs to be Incurred during such calendar year of Project Transportation Facility assets with a short Economic Useful Life or the costs of which are not substantial as determined by the State and any such Capital Costs Incurred but not charged in the prior two calendar years,

(5) *Projected Charges.* The projected amounts of the charges to be allocated annually to the Agency under the capital component of the Transportation Charge for costs Incurred on or after the Billing Transition Date shall be determined by the State in accordance with the cost allocation principles and procedures set forth in this Article, which principles and procedures shall be controlling as to allocations of capital component charges to the Agency; *provided* that these amounts shall be subject to redetermination by the State in accordance with Article 28. Such amounts are projected to be as set forth in Table K by the State.

TABLE K
PROJECTED CHARGES UNDER THE CAPITAL COMPONENT OF THE TRANSPORTATION CHARGE FOR COSTS INCURRED ON OR AFTER THE BILLING TRANSITION DATE TO SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Projected Charges in Thousands of Dollars			
	Costs to be Paid with Proceeds of Water System Facility Revenue Bonds	**Costs to be Paid with the Proceeds of Bonds issued under the Burns-Porter Bond Act**	**Costs to be Paid with Amounts in the SWRDS Reinvestment Account**	**Costs to be Paid Annually for Assets That Will Have a Short Economic Useful Life or the Costs of which are Not Substantial**
1*				
2				
3				

* Year commencing with the Billing Transition Date.

(c) **Provisions Applicable to the Transportation Charge For Costs Incurred Both Prior To and On or After the Billing Transition Date**. The provisions of this subdivision (c) shall be applicable to Capital Costs Incurred both prior to and on or after the Billing Transition Date.

(1) *Proportionate Use Factors.* The measure of the proportionate use by each Contractor of each reach shall be the average of the following two ratios:

(A) the ratio of the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach to the total of the Maximum Annual Table A Amounts of all Contractors to be delivered from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period, and

(B) the ratio of the capacity provided in the reach for the transport and delivery of Project Water to the Contractor to the total capacity provided in the reach for the transport and delivery of Project Water to all Contractors served from or through the reach from the year in which charges are to be paid through the end of the Project Repayment Period.

Allocations of Capital Costs to the Agency pursuant hereto shall be on the basis of relevant values which will be set forth in Table L by the State as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach of the Project Transportation Facilities for the transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that these values shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in this subdivision shall be controlling as to allocations of Capital Costs to the Agency. Proportionate use of facilities factors for prior years shall not be adjusted by the State in response to changes or transfers of Table A Amounts among Contractors unless otherwise agreed by the State and the parties to the transfer and unless there is no impact on past charges or credits of other Contractors.

TABLE L
[TABLE L shall set forth the relevant values that shall serve as the basis for allocation of all Transportation Charge Costs]
(This table was labeled Table B in original contract provisions)

(2) *Determinations Using Proportionate Use Factors.* The total amount in each category of Capital Costs allocated to a Contractor shall be the sum of the products obtained when there is multiplied, for each aqueduct reach necessary to deliver water to the Contractor, the total amount of the Capital Costs of the reach in that category to be returned to the State under the Transportation Charge by the average of the two foregoing ratios for such reach as such average is set forth in the appropriate table included in its contract.

(3) *Excess Capacity.* In the event that excess capacity is provided in any aqueduct reach for the purpose of making Project Water available in the future to an agency or agencies with which the State has not executed contracts at the time of any allocation of costs pursuant to this subdivision, the prospective Maximum Annual Table A Amount or Amounts to be supplied by such excess capacity, as determined by the State, shall be deemed to be contracted for by such agency or agencies for the purpose of such allocation of costs, to the end that the Capital Costs of providing such excess capacity are not charged to any Contractor entitled by virtue of an executed contract to the delivery of Project Water from or through that aqueduct reach at the time of such allocation. Where additional capacity is provided in any aqueduct reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project Facilities, then, for the purpose of any allocation of costs pursuant to this subdivision:

(A) the Maximum Annual Table A Amount to be delivered from or through the reach of each Contractor entitled to delivery of Project Water from or through the reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach bears to the total of the Maximum Annual Table A Amounts to be delivered from or through the reach under all contracts; and

(B) the capacity provided in the reach for each Contractor entitled to delivery of Project Water from or through the reach shall be increased in the same proportion that the Contractor's Maximum Annual Table A Amount to be delivered from or through the reach is increased pursuant to (A) above.

(4) *Power Facilities.* The Capital Costs of project aqueduct power recovery plants shall be charged and allocated in accordance with this Article 24.

The Capital Costs of off-aqueduct power facilities shall be charged and allocated in accordance with Article 25(d).

(5) *Capital Costs of Excess Capacity.* In the event that any Contractor, pursuant to Article 12(b), requests delivery capacity in any aqueduct reach which will permit maximum monthly deliveries to such Contractor in excess of the percentage amounts specified in such Article 12(b) for the uses designated therein, such Contractor shall furnish to the State, in advance of the construction of such aqueduct reach, funds sufficient to cover the costs of providing such excess capacity, which funds shall be in an amount which bears the same proportion to the total Capital Costs of such reach, including the costs of providing such excess capacity, as such excess capacity bears to the total capacity of such reach, including such excess capacity. For the purpose of any allocation of costs pursuant to subdivision (c)(1) of this article, the total Capital Costs of such aqueduct reach shall be allocated among all Contractors entitled to delivery of Project Water from or through the reach in the following manner:

(A) The costs which would have been Incurred for such reach had no such excess capacity been provided shall be estimated by the State and allocated among all such Contractors in the manner provided in such subdivision (c)(1); and

(B) the amount of the difference between such estimated costs and the projected actual costs of such reach shall be allocated to the Contractor or Contractors for which such excess capacity is provided.

Where such excess capacity is provided for more than one Contractor, the costs allocated to them under (B) above shall be further allocated between or among them in amounts which bear the same proportion to the total of such allocated costs as the amount of such excess capacity provided for the respective Contractor bears to the total of such excess capacity provided in such reach. In the event that the funds advanced by a Contractor pursuant to this subdivision are more or less than the costs so allocated to such Contractor under (B) above, the account of such Contractor shall be credited or debited accordingly.

(6) *Replacement Cost Treatment*. Replacement costs of Project Transportation Facilities shall be treated as either Capital Costs or as minimum operation, maintenance, power and replacement costs, as determined by the State considering the Economic Useful Life of the asset being replaced and other relevant factors.

(7) *Coastal Branch Extension Facilities.* Notwithstanding provisions of Articles 24(a) through 24(c), Capital Costs associated with Coastal Branch Extension Facilities as defined in Article 49(a) shall be collected under the Coastal Branch Extension Transportation Charge [Article 49(b)].

(8) *Coastal Aqueduct Excess Capacity.* Charges paid by the Agency under the capital cost component of the Transportation Charge which are determined by the State to be attributable to excess capacity provided on the Coastal Branch for the purpose of reducing power costs, shall be returned to the Agency with interest computed at the Surplus Money Investment Fund rate.

25. TRANSPORTATION CHARGE -- MINIMUM OPERATION, MAINTENANCE, POWER, AND REPLACEMENT COMPONENT.

The provisions of this article shall apply to costs incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose**. The minimum operation, maintenance, power, and replacement component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power, and replacement costs Incurred irrespective of the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to subdivision (b) of this article; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated minimum replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the minimum replacement costs for the year in which such deposits are made.

(b) **Allocation**. The total projected minimum operation, maintenance, power, and replacement costs of each aqueduct reach of the Project Transportation Facilities for the respective year shall be allocated among all Contractors entitled to delivery of Project Water from such facilities by the proportionate use of facilities method of cost allocation, in the same manner and upon the same bases as are set forth for the allocation of Capital Costs in subdivisions (c)(1) through (c)(3) of Article 24; *provided* that such minimum operation, maintenance, power, and replacement costs as are Incurred generally for the Project Transportation Facilities first shall be allocated to each aqueduct reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs Incurred directly for the reach bears to the total of all direct costs for all aqueduct reaches.

(c) **Determination; Repayment Table**. The amount to be paid each year by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall be determined in accordance with subdivision (b) of this article on the basis of the relevant values to be set forth for the respective aqueduct reaches in Table L, included in Article 24; *provided* that these values shall be subject to redetermination by the State in accordance with Article 28. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table M as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table M shall be subject to redetermination by the State in accordance with Article 28.

TABLE M
TRANSPORTATION CHARGE -- MINIMUM OPERATION MAINTENANCE, POWER, AND REPLACEMENT COMPONENT
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by Agency*
1**	
2	
3	
4	

* Payment shall start with respect to each aqueduct reach in the year following the year in which the State completes construction of the respective reach.

** Year in which the State commences construction of Project Transportation Facilities.

(This table was labeled Table E in original contract provisions)

(d) **Off-Aqueduct Power Facilities**. Notwithstanding the provisions of subdivisions (a) through (c) of this Article or of Article 1(h), the costs of off-aqueduct power facilities shall be determined and allocated as follows:

(1) The off-aqueduct power costs shall include all annual costs the State incurs for any off-aqueduct power facility, which shall include, but not be limited to, power purchases, annual Financing Costs, and associated operation and maintenance costs of such facility, less any credits, interest earnings, or other monies received by the State in connection with such facility or Revenue Bonds issued to finance the Capital Costs of such facility. In the event the State finances all or any part of an off-aqueduct power facility directly from funds other than bonds or borrowed funds, in lieu of such annual principal and interest payments, the repayment of Capital Costs as to that part financed by such other funds shall be determined on the basis of the schedule that would have been required under Article 24.

(2) The annual costs of off-aqueduct power facilities as computed in (1) above shall initially be allocated among Contractors in amounts which bear the same proportions to the total amount of such power costs that the total estimated electrical energy (kilowatt hours) required to pump through Project Transportation Facilities the desired delivery of Annual Table A Amounts for that year, as submitted pursuant to Article 12(a)(1) and as may be modified by the State pursuant to Article 12(a)(2), bears to the total estimated electrical energy

(kilowatt hours) required to pump all such amounts for all Contractors through Project Transportation Facilities for that year, all as determined by the State.

(3) An interim adjustment in the allocation of the power costs calculated in accordance with (2) above, may be made in May of each year based on April revisions in approved schedules of deliveries of project and nonproject water for Contractors for such year. A further adjustment shall be made in the following year based on actual deliveries of project and nonproject water for Contractors; *provided, however,* that in the event no deliveries are made through a pumping plant, the adjustments shall not be made for that year at that plant.

(4) To the extent the monies received or to be received by the State from all Contractors for off-aqueduct power costs in any year are determined by the State to be less than the amount required to pay the off-aqueduct power costs in such year, the State may allocate and charge that amount of off-aqueduct power costs to the Agency and other Contractors in the same manner as costs under the capital component of the Transportation Charge are allocated and charged. After that amount has been so allocated, charged and collected, the State shall provide a reallocation of the amounts allocated pursuant to this paragraph (4), such reallocation to be based on the allocations made pursuant to (2) and (3) above for that year, or in the event no such allocation was made for that year, on the last previous allocation made pursuant to (2) and (3) above. Any such reallocation of costs incurred prior to the Billing Transition Date shall include appropriate interest thereon at the Project Interest Rate.

(e) The total minimum operation, maintenance, power and replacement component due that year from each Contractor shall be the sum of the allocations made under the proportionate use of facilities method provided in subdivision (b) of this article and the allocations made pursuant to subdivision (d) of this article for each Contractor.

26. TRANSPORTATION CHARGE -- VARIABLE OPERATION, MAINTENANCE AND POWER COMPONENT.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date.

(a) **Purpose**. The variable operation, maintenance, and power component of the Transportation Charge shall return to the State those costs of the Project Transportation Facilities necessary to deliver water to the Contractor which constitute operation, maintenance, power and replacement costs Incurred in an amount which is dependent upon and varies with the amount of Project Water delivered to the Contractor and which are allocated to the Contractor pursuant to (1) and (2) below; *provided* that to the extent permitted by law, the State may establish reserve funds to meet anticipated variable replacement costs; and deposits in such reserve funds by the State: (1) shall be made in such amounts that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the variable replacement costs for the year in which such deposits are made.

(b) **Determination**. The amount of this variable operation, maintenance, and power component shall be determined as follows:

(1) *Determination of Charge Per Acre-Foot.* There shall be computed for each calendar year for each aqueduct reach of the Project Transportation Facilities a charge per acre-foot of water which will return to the State the total projected variable operation, maintenance and power costs of the reach for such calendar year. This computation shall be made by dividing such total by the number of acre-feet of Project Water estimated to be delivered from or through the reach to all Contractors during the year.

(2) *Determination of Charge Per Reach to the Contractor.* The amount of the variable component shall be the product of the sum of the charges per acre-foot of water, determined under (1) above, for each aqueduct reach necessary to deliver water to the Contractor, and the number of acre-feet of Project Water delivered to the Contractor during the year through such reach; *provided* that when Project Water has been requested by a Contractor and delivery thereof has been commenced by the State, and, through no fault of the State, such water is wasted as a result of failure or refusal by the Contractor to accept delivery thereof, the amount of such variable component to be paid by such Contractor during such period shall be the product of the above sum and the sum of the number of acre-feet of Project Water delivered to the Contractor and the number of acre-feet wasted.

(c) **Credit Relating to Project Aqueduct Power Recovery Plants**. There shall be credited against the amount of the variable operation, maintenance, and power component to be paid by each Contractor, as determined pursuant to subdivision (a) of this article, a portion of the projected net value of any power recovered during the

respective year at project aqueduct power recovery plants located upstream on the particular aqueduct reach from the delivery structures for delivery of Project Water to the Contractor. Such portion shall be in an amount which bears the same proportion to such projected net value that the number of acre-feet of Project Water delivered to the Contractor through such plants during the year bears to the number of acre-feet of Project Water delivered to all Contractors through such plants during the year.

(d) **Determination of Total Variable Component Charge**. The amount to be paid each year by the Agency under the variable operation, maintenance, and power component of the Transportation Charge shall be determined in accordance with subdivision (a) of this article for the respective aqueduct reaches in Table L included in Article 24. Such amounts and any appropriate interest thereon for costs incurred prior to the Billing Transition Date shall be set forth by the State in Table N as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a); *provided* that the amounts set forth in Table N shall be subject to redetermination by the State in accordance with Article 28.

TABLE N
TRANSPORTATION CHARGE -- ESTIMATED VARIABLE OPERATION, MAINTENANCE, AND POWER COMPONENT
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Total Annual Payment by Agency*
1**	
2	
3	
4	

* Payments start with year of initial water delivery.

** Year in which the State commences construction of the Project Conservation Facilities.

(This table was labeled Table F in original contract provisions)

27. TRANSPORTATION CHARGE -- REPAYMENT SCHEDULE.

The amounts to be paid by the Agency for each year under the Capital Cost and minimum operation, maintenance, power, and replacement components of the Transportation Charge, and under the variable operation, maintenance, and power component of such charge on the basis of then estimated deliveries, shall be set forth by the State in Table O as soon as designs and cost estimates have been prepared by it subsequent to receipt of requests from the Agency as to the maximum monthly delivery capability to be provided in each aqueduct reach for transport and delivery of Project Water to the Agency, pursuant to Article 17(a), which Table O shall constitute a

summation of Tables I, K, M, and N; *provided* that each of the amounts set forth in Table O shall be subject to redetermination by the State in accordance with Article 28; *provided further* that the principles and procedures set forth in Articles 24, 25, and 26 shall be controlling as to such amounts. Such amounts shall be paid by the Agency in accordance with the provisions of Article 29.

TABLE O
REPAYMENT SCHEDULE--TRANSPORTATION CHARGE
SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

Year	Capital Cost Component	Minimum Component	Variable Component	Total
1*				
2**				
3				
4				

* Year in which State commences construction of Project Transportation Facilities.

** Year of first payment.

(This table was labeled Table G in original contract provisions)

28. DELTA WATER CHARGE AND TRANSPORTATION CHARGE -- REDETERMINATION.

(a) **Redetermination of Transportation Charges for Costs Incurred Prior to the Billing Transition Date**. The provisions of this subdivision (a) shall apply only to costs Incurred prior to the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change*. The State shall redetermine the values and amounts set forth in Tables H through O (referred to in the original contract provisions as Tables B through G) of this contract in the year following the year in which the State commences construction of the Project Transportation Facilities and each year thereafter during the Project Repayment Period in order that the Transportation Charge to the Agency and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred prior to the Billing Transition Date to construct the Project Transportation Facilities described in Table G of this contract, Annual Table A Amounts, estimated deliveries, Project Interest Rate, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State. Such adjustment shall be computed by the State and paid by the Agency or credited to the Agency's account in the manner described in (b) and (c) below.

(2) *Adjustment: Transportation Charge -- Capital Component For Costs Incurred Prior to the Billing Transition Date*. Adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the Agency for costs Incurred prior to the Billing Transition Date, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination, shall be paid in the year following the redetermination; *provided* that the Agency may elect to exercise the option whereby when the redetermined Transportation Charge for the following year, with adjustments, including adjustments of the operation, maintenance, power, and replacement components provided for in subdivision (a)(3) of this article, is more or less than the last estimate of the charge provided pursuant to Article 27 for the corresponding year, without adjustments, an amount equal to the total of such difference shall be deducted

from or added to the adjusted capital component for that year and paid or credited in accordance with the following schedule:

Percent that Transportation Charge for costs Incurred prior to the Billing Transition Date differs from last estimate (+ or -)	**Period, in years, for amortizing the difference in indicated charge**
for 10% or less	no amortization
more than 10%, but not more than 20%	2
more than 20%, but not more than 30%	3
more than 30%, but not more than 40%	4
more than 40%	5

Such payments or credits shall be equal semi-annual amounts of principal and interest on or before the 1st day of January and the 1st day of July, with interest computed at the Project Interest Rate and compounded annually, during varying amortization periods as set forth in the preceding schedule; *provided* that for the purpose of determining the above differences in the Transportation Charge for costs Incurred prior to the Billing Transition Date, the variable operation, maintenance, and power component shall be computed on the basis of the same estimated Project Water deliveries as was assumed in computing pursuant to Article 26(c).

(3) *Adjustment: Transportation Charge -- Minimum and Variable Components for costs Incurred prior to the Billing Transition Date*. One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum and variable operation, power, and replacement components for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination, together with accrued interest charges or credits thereon computed at the then current Project Interest Rate on the amount of the underpayment or overpayment and compounded annually for the number of years from the year the underpayment or overpayment occurred to and including the year following the redetermination.

(4) *Exercise of Option*. The option provided for in subdivision (a)(2) of this article shall be exercised in writing on or before the January 1 due date of the first payment of the capital component of the Transportation Charge for the year in which the option is to become effective. Such option, once having been exercised, shall be applicable for all of the remaining years of the Project Repayment Period.

(5) *Project Interest Rate Adjustments.* Notwithstanding the provisions of subdivision (a)(2) of this article, adjustments for prior overpayments and

underpayments shall be repaid beginning in the year following the redetermination by application of a unit rate per acre-foot which, when paid for the projected portion of the Agency's Annual Table A Amount will return to the State, during the Project Repayment Period, together with interest thereon computed at the Project Interest Rate and compounded annually, the full amount of the adjustments resulting from financing after January 1, 1987, from all bonds, advances, or loans listed in Article 1(ad) except for Article 1(ad)(3) and except for bonds issued by the State under the Central Valley Project Act after January 1, 1987 for facilities not listed among the Water System Facilities in Article 1(ap). Notwithstanding the immediately preceding exception, such amortization shall also apply to any adjustments in this component charge resulting from a change in the Project Interest Rate due to any refunding after January 1, 1986 on bonds issued under the Central Valley Project Act. However, amortization of adjustments resulting from items listed in subdivisions (1)(ad)(4) through (7) of Article 1 shall be limited to a period which would allow the Department to repay the debt service on a current basis until such time as bonds are issued to reimburse the source of such funding. In no event shall this amortization period be greater than the Project Repayment Period.

(6) *No Adjustment of Water System Facility Revenue Bond Financing Costs*. The use of Water System Facility Revenue Bonds for financing facilities listed in Article 1(ap) shall not result in adjustments for prior underpayments or overpayments of the capital component of the Transportation Charge to the Agency under the provisions of this article. In place of making such adjustments, charges to the Agency for Water System Facility Revenue Bond Financing Costs will be governed by Article 50(a).

(b) **Redetermination of Delta Water Charges and Transportation Charges for Costs Incurred On or After the Billing Transition Date**. The provisions of this subdivision (b) shall apply only to costs Incurred on or after the Billing Transition Date.

(1) *Determinative Factors Subject to Retroactive Change*. The State shall redetermine the values and amounts set forth in Tables B through F and Tables J through O of this contract each calendar year commencing on or after the Billing Transition Date in order that the Delta Water Charge and the Transportation Charge to the Agency for costs Incurred on or after the Billing Transition Date and the components thereof may accurately reflect the increases or decreases from year to year in projected costs, outstanding reimbursable indebtedness of the State Incurred to construct Project Conservation Facilities and Project Transportation Facilities, Annual Table A Amounts, estimated deliveries, and all other factors which are determinative of such charges. In addition, each such redetermination shall include an adjustment of the components of the Delta Water Charge and Transportation Charge to be paid by the Agency for succeeding years which shall account for the differences, if any, between those factors used by the State in determining the amounts of such components for all preceding years and the factors as then currently known by the State, as

applicable. Such adjustment shall be computed by the State and paid by the Agency or credited to the Agency's account in the manner described in subdivisions (b)(2) and (b)(3) of this article.

(2) *Adjustment: Delta Water Charge and Transportation Charge -- Capital Components for Costs Incurred On or After the Billing Transition Date*. Adjustments for prior underpayments or overpayments of the capital component of the Delta Water Charge and the Transportation Charge to the Agency for costs Incurred on or after the Billing Transition Date shall be paid in the year following the redetermination.

(3) *Adjustment: Delta Water Charge and Transportation Charge -- Minimum and Variable Components for Costs Incurred On or After the Billing Transition Date* One-twelfth of the adjustments for prior underpayments or overpayments of the Agency's minimum operation, maintenance, power, and replacement component and variable operation, maintenance and power component of the Delta Water Charge and Transportation Charge for each year shall be added or credited to the corresponding components to be paid in the corresponding month of the year following the redetermination.

29. TIME AND METHOD OF PAYMENT OF DELTA WATER CHARGE AND TRANSPORTATION CHARGE.

The provisions of this article shall apply to costs Incurred both prior to and on or after the Billing Transition Date. References to the Delta Water Charge shall include the Delta Water Charge for costs Incurred prior to the Billing Transition Date and the Delta Water Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable, and references to the Transportation Charge shall include the Transportation Charge for costs Incurred prior to the Billing Transition Date and the Transportation Charge for costs Incurred on or after the Billing Transition Date, separately, as applicable.

(a) **Initial Payments**.

(1) *Delta Water Charge.* Payments by the Agency under the Delta Water Charge shall commence in the Year of Initial Water Delivery to the Agency.

(2) *Capital Component of the Transportation Charge*. Payments by the Agency under the capital component of the Transportation Charge shall commence in the year following the year in which the State commences construction of the Project Transportation Facilities.

(3) *Minimum Operation, Maintenance, Power, and Replacement Component*. Payments by the Agency under the minimum operation, maintenance, power, and replacement component of the Transportation Charge shall commence for each aqueduct reach in the year following the year in which construction of that reach is completed.

(4) *Variable Operation, Maintenance, Power, and Replacement Component*. Payments by the Agency under the variable operation, maintenance, power and replacement component of the Transportation Charge shall commence in the Year of Initial Water Delivery to the Agency.

(b) **Annual Statement of Charges**. The State shall, on or before July 1 of each year, commencing with the year preceding the year in which payment of the respective charge is to commence pursuant to this article, furnish the Agency with a written statement of the following items:

(1) the charges to the Agency for the next succeeding year under the capital components and minimum operation, maintenance, power, and replacement components of the Delta Water Charges and Transportation Charges; *provided* that charges for Financing Costs shall be stated as separate items in the Statement of Charges;

(2) the unit charges to the Agency for the next succeeding year under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge; and

(3) the total charges to the Agency for the preceding year under the variable operation, maintenance, power and replacement components of such Delta Water Charge and Transportation Charge; *provided* that through December 31, 1969, the Delta Water Charge shall be based upon a unit rate of $3.50 per acre-foot and shall be paid by the Contractors on the basis of their respective Annual Table A Amounts, as provided in Article 22(b).

All such statements shall be accompanied by the latest revised copies of the documents amendatory to Article 22 and of the tables included in Articles 24 through 27, together with such other data and computations used by the State in determining the amounts of the above charges as the State deems appropriate.

(c) **Monthly Statements**. The State shall, on or before the fifteenth day of each month of each year, commencing with the Year of Initial Water Delivery to the Agency, furnish the Agency with a statement of the charges to the Agency for the preceding month under the variable operation, maintenance, power and replacement components of the Delta Water Charge and Transportation Charge. Such charges shall be determined by the State in accordance with the relevant provisions of Articles 22 and 26 of this contract, upon the basis of metered deliveries of Project Water to the Agency, except as otherwise provided in those articles.

(d) **Semiannual Payments of Capital Components**. The Agency shall pay to the State, on or before January 1 of each year, one-half (1/2) of the charge to the Agency for the year under the capital component of the Delta Water Charge and one-half (1/2) of the charge to the Agency for the year under the capital component of the Transportation Charge, as such charges are stated pursuant to subdivision (b) of this article; and shall pay the remaining one-half (1/2) of each of such charges on or before July 1 of that year.

(e) **Monthly Payments of Minimum Operation, Maintenance, Power, and Replacement Component**. The Agency shall pay to the State, on or before the first day of each month of each year, one-twelfth (1/12) of the sum of the charges to the Agency for the year under the minimum operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, as such charges are stated pursuant to subdivision (b) of this article.

(f) **Monthly Payments of Variable Operation, Maintenance, Power, and Replacement Component**. The Agency shall pay to the State on or before the fifteenth day of each month of each year, the charges to the Agency under the variable operation, maintenance, power, and replacement components of the Delta Water Charge and Transportation Charge, respectively, for which a statement was received by the Agency during the preceding month pursuant to subdivision (c) of this article, as

such charges are stated in such statement.

(g) **Contest of Charges**. In the event that the Agency in good faith contests the accuracy of any statement submitted to it pursuant to subdivision (b) or (c) of this article, it shall give the State notice thereof at least ten (10) days prior to the day upon which payment of the stated amounts is due. To the extent that the State finds the Agency's contentions regarding the statement to be correct, it shall revise the statement accordingly, and the Agency shall make payment of the revised amounts on or before the due date. To the extent that the State does not find the Agency's contentions to be correct, or where time is not available for a review of such contentions prior to the due date, the Agency shall make payment of the stated amounts on or before the due date, but may make the contested part of such payment under protest and seek to recover the amount thereof from the State.

50. WATER SYSTEM FACILITY REVENUE BOND FINANCING COSTS.

(a) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred Prior to the Billing Transition Date**. The provisions of this subdivision (a) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred prior to the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds.

(1) *Elements of Charge*. Annual charges to recover such Water System Facility Revenue Bond Financing Costs shall consist of two elements.

(A) The first element shall be an annual charge to the Agency for repayment of Capital Costs of Water System Facilities as determined under Articles 22(a) and 24(a) of this contract with interest at the Project Interest Rate. For conservation facilities, the charge shall be a part of the capital component of the Delta Water Charge in accordance with the provisions of Article 22(a) applicable to Capital Costs Incurred prior to the Billing Transition Date. For transportation facilities, the charge shall be a part of the capital component of the Transportation Charge in accordance with the provisions of Article 24(a) applicable to Capital Costs Incurred prior to the Billing Transition Date.

(B) The second element shall be the Agency's share of a Water System Facility Revenue Bond Surcharge to be paid in lieu of a Project Interest Rate adjustment. The total annual amount to be paid by all Contractors under this element shall be the difference between the total annual charges under the first element and the annual Financing Costs of the related Water System Facility Revenue Bonds. The amount to be paid by each Contractor shall be calculated annually as if the Project Interest Rate were increased to the extent necessary to produce revenues from all Contractors sufficient to pay such difference for that year. In making that calculation, adjustments in the Agency's transportation capital component charges for prior overpayments and underpayments shall be determined as if amortized over the remaining years of the Project Repayment Period.

(2) *Identification of Surcharge on Invoices.* The Water System Facility Revenue Bond Surcharge will be identified in the Agency's invoice.

(3) *Timing of Surcharge Payments*. Surcharge payments shall be made in accordance with Article 29(f) of this contract.

(4) *Termination of Surcharge*. The Water System Facility Revenue Bond Surcharge under Article 50(a)(1)(B) shall cease for each series of Water System Facility Revenue Bonds when that series is fully repaid. However, the

annual charge determined pursuant to Article 50(a)(1)(A) shall continue to be collected for the time periods otherwise required under Articles 22 and 24.

(5) *Reduction of Charges.* After the Department has repaid the California Water Fund in full and after each series of Water System Facility Revenue Bonds is repaid, the Department will reduce the charges to all Contractors in an equitable manner in a total amount that equals the amount of the charges under Article 50(a)(1)(A) that the Department determines is not needed for future financing of facilities of the System which, in whole or in part, will serve the purposes of the water supply contract with the Agency.

(b) **Water System Facility Revenue Bonds to Finance Capital Costs Incurred On or After the Billing Transition Date**. The provisions of this subdivision (b) shall apply to the Financing Costs of Revenue Bonds issued to finance Water System Facility Capital Costs Incurred on or after the Billing Transition Date. Charges to all Contractors for such Financing Costs shall return to the State each year an amount equal to the Financing Costs the State incurs in that year for such Water System Facility Revenue Bonds. The amount of this charge shall be calculated in two steps as follows:

(1) *Allocation of Water System Facility Capital Costs*. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are conservation facilities shall be allocated among all Contractors in proportion to each Contractor's Maximum Annual Table A Amount. Capital Costs Incurred on or after the Billing Transition Date of Water System Facilities that are transportation facilities shall be allocated among all Contractors in accordance with Article 24(c).

(2) *Determination of Annual Financing Cost Amounts*. The State shall determine and charge the Agency each year the amount of the Financing Costs the State incurs in that year for the Water System Facility Revenue Bonds issued to finance such Water System Facility Capital Costs allocated to the Agency.

(c) **Provisions Applicable to All Water System Facility Revenue Bonds**. The provisions of this article shall apply to all Water System Facility Revenue Bonds.

(1) *Credits for Excess Amounts.* The State shall provide credits to the Contractors for excess reserve funds, excess debt service coverage, interest, and other earnings of the State in connection with payment of the Financing Costs of such Water System Facility Revenue Bonds, when and as permitted by the applicable bond resolution or indenture. When such credits are determined by the State to be available, such credits shall be promptly provided to the Contractors and shall be in proportion to the payments of Water System Facility Revenue Bond Financing Costs from each Contractor. Reserves, bond debt service coverage, interest, and other earnings may be used to retire bonds.

(2) *Allocation of Maturities Permitted.* When calculating charges for Water System Facility Revenue Bond Financing Costs, the State may allocate portions of particular maturities of Water System Facility Revenue Bonds and the Financing Costs associated with such maturities to particular Water System Facilities, in order to establish a reasonable relationship between the Economic Useful Life of such facilities and the term of bonds issued to finance such facilities, and may determine the Financing Costs allocated to the Agency on the basis of such maturity allocation.

(3) *Supplemental Bills for Unanticipated Financing Costs.* The State may submit a supplemental bill to the Agency for the year if necessary to meet unanticipated costs for Water System Facility Revenue Bond Financing Costs for which the State can issue a statement of charges under this article and any other article of this contract providing for payments that are pledged to the payment of Revenue Bonds issued to finance Project Facility Capital Costs allocated to the Agency. The relative amounts of any supplemental billing made to the Agency and to other Contractors for Revenue Bond purposes shall be governed by the otherwise applicable article. Payment of any supplemental billing shall be due thirty days after the date of the invoice.

(4) *Insurance on Contractor Obligations.* To the extent economically feasible and justifiable, as determined by the State after consultation with Contractors, the State shall maintain insurance or other forms of security protecting bondholders and non-defaulting Contractors against costs resulting from the failure of any Contractor to make the payments required by this article.

(5) *Consultation on Financing Plan.* Before issuing each series of Water System Facility Revenue Bonds, the State shall consult with the Contractors, prepare a plan for the State's future financing of Water System Facilities, and give the Agency an opportunity to comment on the plan. The plan shall include but not be limited to the size of any Water System Facility Revenue Bond issuances and the form of any necessary resolutions, indentures or supplements.

(6) *Defaults*.

(A) If a Contractor defaults partially or entirely on its payment obligations with respect to Water System Facility Revenue Bond Financing Costs and sufficient insurance or other security protecting the non-defaulting Contractors is not provided under subdivision (c)(4) of this article, the State shall allocate a portion of the default to each non-defaulting Contractor. The Agency's share of the default shall be equal to an amount determined by multiplying the total default amount to be charged to all non-defaulting Contractors by the ratio that the Agency's Maximum Annual Table A Amount bears to the total of the Maximum Annual Table A Amounts of all non-defaulting Contractors. However, such amount shall not exceed in any year 25 percent of the Water System

Facility Revenue Bond Financing Costs that are otherwise payable by the Agency in that year. The amount of default to be charged to non-defaulting Contractors shall be reduced by any receipts from insurance protecting non-defaulting Contractors and bond debt service coverage from a prior year and available for such purpose.

(B) If a Contractor defaults partially or entirely on its payment obligations under this article, the State shall also pursuant to Article 20, upon six months' notice to the defaulting Contractor, suspend water deliveries under Article 20 to the defaulting Contractor so long as the default continues. The suspension of water deliveries shall be proportional to the ratio of the default to the total Water System Facility Revenue Bond Financing Cost payments due from the defaulting Contractor. However, the State may reduce, eliminate, or not commence suspension of deliveries pursuant to this subparagraph if it determines suspension in the amounts otherwise required is likely to impair the defaulting Contractor's ability to avoid further defaults or that there would be insufficient water for human consumption, sanitation, and fire protection. The State may distribute the suspended water to the non-defaulting Contractors on terms it determines to be equitable.

(C) During the period of default, credits otherwise due the defaulting Contractor shall be applied to payments due from the defaulting Contractor.

(D) Except as otherwise provided in subparagraph (c) of this article, the defaulting Contractor shall repay the entire amount of the default to the State with interest compounded annually at the Surplus Money Investment Fund rate before water deliveries that had been suspended shall be fully resumed to that Contractor. If the defaulting Contractor makes a partial repayment of its default, the Department may provide a proportional restoration of suspended deliveries. The amount of the default to be repaid shall include any amounts previously received by the State from insurance proceeds, bond debt service coverage, or other reserves, and payments from other Contractors pursuant to this subparagraph (c)(6). The defaulting Contractor shall not be entitled to any

make-up water deliveries as compensation for any water deliveries suspended during the period when the Contractor was in default.

(E) At such time as the default amount is repaid by the defaulting Contractor, the non-defaulting Contractors shall receive credits in proportion to their contributions towards the amount of the default with interest collected by the State on the defaulted amount.

(F) In the event there is an increase in the amount a non-defaulting Contractor contributes to reserves and/or bond debt service coverage, such increase shall be handled in the same manner as provided in subparagraph (a) of this article.

(G) Action taken pursuant to this subdivision shall not deprive the State of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

(7) *No Article 51 Reduction.* Amounts of Water System Facility Revenue Bond Financing Costs payable under this contract shall not be affected by any reductions in payments pursuant to Article 51.

(8) *Contract Extension.* In the event the Contract Extension Amendment takes effect, but not all Contractors sign the amendment, the following shall apply: If and to the extent that the charges under Article 50(b)(1) and 50(b)(2) of the water supply contracts of Contractors that have not executed the Contract Extension Amendment ("non-signing Contractors") are not sufficient to recover the annual Financing Costs that relate to Revenue Bonds issued to finance capital costs that are Incurred after the Billing Transition Date and are allocable to such non-signing Contractors, the amount of the shortfall shall be determined. Such shortfall shall be charged to the Contractors that have executed the Contract Extension Amendment ("signing Contractors") in proportion to each such signing Contactor's total Water System Facility Revenue Bond Financing Cost charges under Article 50(b) of this contract.

51. FINANCIAL ADJUSTMENTS.

(a) **Article Expiration.**

This Article 51 shall be effective through December 31, 2035 and shall be of no further effect on and after January 1, 2036; provided, however, that the provisions of this Article 51 may, to the extent applicable, continue to be used and applied on and after January 1, 2036 for the purpose of truing up amounts owed by the Agency to the State or by the State to the Agency for the calendar years up to and ending with calendar year 2035.

(b) **State Water Facilities Capital Account.**

(1) The State shall establish a State Water Facilities Capital Account to be funded from revenues available under Water Code section 12937(b)(4). Through procedures described in this article and as limited by this article, the State may consider as a revenue need under subdivision (c)(2)(v) of this article and may deposit in the State Water Facilities Capital Account the amounts necessary to pay capital costs of the State Water Facilities for which neither general obligation bond nor revenue bond proceeds are available, including but not limited to planning, reconnaissance and feasibility studies, the San Joaquin Valley Drainage Program and, through the year 2000, the CALFED Bay-Delta Program.

(2) The Director of the Department of Water Resources shall fully consult with the Contractors and consider any advice given prior to depositing funds into this account for any purposes. Deposits into this account shall not exceed the amounts specified in subdivision (c)(2)(v) of this article.

(3) The State shall use revenue bonds or other sources of moneys rather than this account to finance the costs of construction of any major capital projects.

(4) Five years following the Contract Extension Amendment Effective Date, the SWRDS Finance Committee shall review the State Water Facilities Capital Account to determine whether to recommend to the Director that this account be closed. If the Director determines to close the account, the State shall transfer any balance in the account to the SWRDS Support Account.

(5) Unless closed sooner, the State Water Facilities Capital Account shall terminate on December 31, 2035 and the State shall transfer any balance in such account to the SWRDS Support Account.

(c) **Calculation of Financial Needs.**

(1) Each year the State shall calculate in accordance with the timing provisions of Articles 29 and 31 the amounts that would have been charged (but for this article) to each Contractor as provided in other provisions of this contract.

(2) Each year the State shall also establish its revenue needs for the following year for the following purposes, subject to the following limitations:

(i) The amount required to be collected under the provisions of this contract, other than this article, with respect to all revenue bonds issued by the State for Project Facilities.

(ii) The amount required for payment of the reasonable costs of the annual maintenance and operation of the State Water Resources Development System and the replacement of any parts thereof as described in Water Code section 12937(b)(1). These costs shall not include operation and maintenance costs of any Federal Central Valley Project facilities constructed by the United States and acquired by the State of California after 1994, other than the State's share of the joint use facilities which include San Luis Reservoir, the San Luis Canal and related facilities.

(iii) The amount required for payment of the principal of and interest on the bonds issued pursuant to the Burns-Porter Act as described in Water Code section 12937(b)(2).

(iv) Any amount required for transfer to the California Water Fund in reimbursement as described in Water Code section 12937(b)(3) for funds utilized from said fund for construction of the State Water Resources Development System.

(v) For the years 1998 and thereafter, the amount needed for deposits into the State Water Facilities Capital Account as provided in subdivision (b) of this article, but (A) not more than $6 million per year for the years 1998, 1999 and 2000, and (B) not more than $4.5 million per year for the years 2001 and thereafter.

(3) The State shall reduce the annual charges in the aggregate for all Contractors by the amounts by which the hypothetical charges calculated pursuant to subdivision (c)(1) above exceed the revenue needs determined pursuant to subdivision (c)(2) above; provided that the reduction in annual charges in the aggregate for all Contractors shall not exceed $48 million in any year beginning with the first calendar year following the Contract Extension Amendment Effective Date. The provisions regarding the reduction in annual charges that were in effect prior to the Contract Extension Amendment Effective Date shall continue to apply to the entire calendar year in which the Contract Extension Amendment Effective Date

occurs. The reductions under this article shall be apportioned among the Contractors as provided in subdivisions (d), (e), (f) and (g) of this article. Reductions to Contractors shall be used to reduce the payments due from the Contractors on each January 1 and July 1; provided, however, that to the extent required pursuant to subdivision (h) of this article, each Agricultural Contractor shall pay to the Agricultural Rate Management Trust Fund an amount equal to the reduction allocated to such Agricultural Contractor. Any default in payment to the trust fund shall be subject to the same remedies as any default in payment to the State under this contract. To determine whether the reduction in annual charges in the aggregate for all Contractors equals the $48 million limit specified in this subdivision (c)(3), it shall be assumed that all Contractors have executed the Contract Extension Amendment and will share in the available rate reductions consistent with the proportions as provided in this contract, regardless of whether one or more Contractors do not receive a reduction under their respective Water Supply Contracts.

(4) The supplemental billing provisions authorized under this Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or the Director in his or her discretion accepts a recommendation from the SWRDS Finance Committee to eliminate the use of supplemental billing prior to that date.

(i) The State shall inform the SWRDS Finance Committee if the available System cash balances are projected by the State to fall during the succeeding one hundred twenty (120) days to an amount below an amount equal to ninety (90) days operating expenditures. The SWRDS Finance Committee shall make a recommendation in light of such circumstances to the Director.

(ii) The State may submit a supplemental billing to the Agency for the year in an amount not to exceed the amount of the prior reductions for such year under this Article if necessary to meet unanticipated costs for purposes identified in Water Code Section 12937(b)(1) and (2) for which the State can issue billings under other provisions of this contract, subject to the following procedures and limitations:

(a) The State may only issue supplemental bills pursuant to the provisions of this Article 51(c)(4) when available System cash

balances are projected to be less than the amount equal to 90 days operating expenditures.

(b) The term "available System cash balances," for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean available amounts in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service within the next two years), General Operating Account, SWRDS Reinvestment Account, and SWRDS Support Account (to the extent the funds in the SWRDS Support Account are not projected to be needed for non-reimbursable expenditures within the next two years).

(c) The term "operating expenditures" for purposes of subdivision (a) of this Article 51(c)(4)(ii) shall mean the costs described in California Water Code Section 12937(b) chargeable to the State Water Project as water supply.

(d) Any supplemental billing made to the Agency for these purposes shall be in the same proportion to the total supplemental billings to all Contractors for these purposes as the prior reduction in charges to the Agency in that year bears to the total reduction in charges to all Contractors in that year and shall be treated as reducing the amount of the reduction made available for that year to the Contractor by the amount of the supplemental bill to the Contractor.

(5) The State may also submit a supplemental billing to the Agency for the year if necessary to meet unanticipated costs for revenue bond debt service and coverage for which the State can issue a statement of charges under provisions of this contract other than this article. The relative amounts of any supplemental billing made to the Agency and to other Contractors for revenue bond purposes shall be governed by such other applicable provisions of this contract.

(6) Payment of any supplemental billing shall be due thirty days after the date of the invoice. Delinquency and interest on delinquent amounts due shall be governed by Article 32.

(d) **Apportionment of Reductions between Agricultural and Urban Contractors.**

(1) Commencing with the first calendar year following the Contract Extension Amendment Effective Date, the State shall apportion available reductions for each year in accordance with this Article.

(2) Annual reductions in the aggregate amount of $48 million are projected to be available in the first calendar year following the Contract Extension Amendment Effective Date and each succeeding year through calendar year 2035 and shall be applied as follows:

(i) If reductions are available in an aggregate amount that equals $48 million, $11,856,000 of reductions shall be apportioned among the Agricultural Contractors, and $36,144,000 of reductions shall be apportioned among the Urban Contractors.

(ii) If reductions are available in an aggregate amount less than $48 million in any of these years, the reductions shall be divided on a 24.7%-75.3% basis between the Agricultural Contractors and the Urban Contractors respectively.

(3) No Contractor shall be entitled to receive in any year any additional reductions, including any additional reductions to make up for deficiencies in past projected reductions and any additional reductions above an aggregate annual amount of $48 million.

(4) Reductions in annual charges to a Contractor pursuant to this Article 51 (d) shall only be made prospectively beginning with the later of the first calendar year following the Contract Extension Amendment Effective Date or the first calendar year following the date the Contractor executes the Contract Extension Amendment. Apportionments of reductions shall be calculated on the assumption that all Contractors have executed such amendment.

(e) **Revenues and Reports.**

(1) Each year, beginning with the first calendar year commencing after the Contract Extension Amendment Effective Date, the Director shall determine the amount of available Article 51(e) Amounts. The Director shall determine the aggregate amount that would have been charged to all Contractors in any year but for this Article 51 and from that amount shall deduct the sum of

(i) the amount of revenues needed for the purposes specified in subdivisions (c)(2)(i), (ii), (iii), (iv) and (v) plus

(ii) $48 million.

The remaining amount, if any, shall be referred to herein as "Article 51(e) Amounts".

(2) The State shall allocate available Article 51(e) Amounts as follows: The Director in his or her discretion shall allocate and transfer or deposit up to 80% of available Article 51(e) Amounts, as determined on a projected basis, and up to 100% of available Article 51(e) Amounts, as determined on an actual basis, into the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account. Any Article 51(e) Amounts determined on an actual basis to be remaining in the Systems Revenue Account after the Director allocates and transfers such amounts to the General Operating Account, the SWRDS Support Account and/or the SWRDS Reinvestment Account shall remain in the Systems Revenue Account and shall be tracked separately in the State's Financial Information System. The Director shall have full discretion regarding the use of the amounts remaining in the Systems Revenue Account.

(3) The State shall prepare and distribute an Annual Rate Reduction Determination Report setting out the factors used to determine reductions in rates pursuant to Article 51(c). The report shall include a display of the distribution of gross annual revenues before, among other items, recreation and fish and wildlife expenditures, contributions to the State Water Facilities Capital Account and reduction in rates pursuant to Article 51(c). The report shall also include a display of the distribution and/or allocation of net annual revenues after reduction in rates pursuant to Article 51(c), to the General Operating Account, SWRDS Support Account, SWRDS Reinvestment Account, 51(e) Sub-Account of the Systems Revenue Account, Davis-Dolwig Fund, State Water Facilities Capital Account, and Suspended Costs, as applicable.

(4) The System Financial Activity Report, which is required to be prepared quarterly pursuant to Article 61(d), shall include annual and accumulated Article 51(e) Amounts and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year for each fund or account into which Article 51(e) Amounts have been transferred or deposited. The System Financial Activity Report should also have sufficient detail to provide comprehensive accounting of annual Article 51(e) Amounts and the uses of the annual Article 51(e) Amounts to enable the SWRDS Finance Committee to assess the use of these amounts.

(f) **Apportionment of Reductions Among Urban Contractors.**

Reductions in annual charges apportioned to Urban Contractors under subdivision (d) of this article shall be further allocated among Urban Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Urban Contractor shall be based on each Urban Contractor's proportionate share of total allocated capital costs as calculated below, for both project conservation and project transportation facilities, repaid by all Urban Contractors over the project repayment period.

(1) The conservation capital cost component of the reduction allocation shall be apportioned on the basis of maximum annual Table A amount. Each Urban Contractor's proportionate share shall be the same as the percentage of that Contractor's maximum annual Table A amount to the total of all Urban Contractors' maximum annual Table A.

(2) The transportation capital cost component of the reduction allocation shall be apportioned on the basis of transportation capital cost component repayment obligations, including interest over the project repayment period. Each Urban Contractor's proportionate share shall be the same as the percentage that the Contractor's total transportation capital cost component repayment obligation is of the total of all Urban Contractors' transportation capital cost component repayment obligations.

(i) Recalculations shall be made annually through the year 1999. Beginning in the year 2000 recalculations shall be made every five years unless an Urban Contractor requests a recalculation for an interim year and does so by a request in writing delivered to the Department by January 1 of the year in which the recalculation is to take place.

(ii) The transportation capital cost component repayment obligations, for purposes of this Article 51(f), shall be based in the year of recalculation on the then most recent Department of Water Resources Bulletin 132, Table B-15, "Capital Cost Component of Transportation Charge for Each Contractor," or its equivalent, excluding any costs or Table A amount associated with transfers of Table A amounts from Agricultural Contractors pursuant to Article 53.

(3) To reflect the relative proportion of the conservation capital cost component and the transportation capital cost component to the total of all capital cost repayment obligations, the two cost components shall be weighted as follows:

(i) The conservation capital cost component shall be weighted with a thirty percent (30%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of maximum annual Table A Amounts as calculated in subdivision (f)(1) of this article by thirty percent (30%).

(ii) The transportation capital cost component shall be weighted with a seventy percent (70%) factor. The weighting shall be accomplished by multiplying each Urban Contractor's percentage of transportation capital cost component repayment obligations as calculated in subdivision (f)(2) of this article by seventy percent (70%).

(iii) A total, weighted capital cost percentage shall be calculated for each Urban Contractor by adding the weighted conservation capital cost component percentage to their weighted transportation capital cost component percentage.

(4) The total amount of the annual charges to be reduced to Urban Contractors in each year shall be allocated among them by multiplying the total amount of annual charges to be reduced to the Urban Contractors by the total, weighted capital cost percentages for each such Contractor. If the amount of the reduction to an Urban Contractor is in excess of that Contractor's payment obligation to the Department for that year, such excess shall be reallocated among the other Urban Contractors.

(5) In the case of a permanent transfer of urban Table A amounts, the proportionate share of annual charge reductions associated with that Table A amount shall be transferred with the Table A amount to the buying Contractor. In the case of an Table A amount transfer by either Santa Barbara County Flood Control and Water Conservation District or San Luis Obispo County Flood Control and Water Conservation District, the reductions in annual charges to that agency shall be allocated (a) on the basis of that Table A amount being retained by that agency which bears Coastal Branch Phase II transportation costs, (b) on the basis of that Table A amount being retained by that agency which does not bear Coastal Branch Phase II transportation costs, and (c) on the basis of the balance of that agency's Table A amount which also does not bear Coastal Branch Phase II transportation costs.

(g) **Apportionment of Reductions Among Agricultural Contractors.**

(1) Reductions in annual charges apportioned to Agricultural Contractors under subdivision (d) of this article shall be allocated among the Agricultural Contractors pursuant to this subdivision. The amount of reduction of annual charges for each Agricultural Contractor for the years 1997 through 2001 shall be based on each Agricultural Contractor's estimated proportionate share of the total project costs, excluding the variable operation, maintenance, power and replacement components of the Delta Water Charge and the Transportation Charge and also excluding off-aqueduct power charges, to be paid by all Agricultural Contractors for the years 1997 through 2035, calculated without taking into account this article. For purposes of these calculations, Kern County Water Agency's and Dudley Ridge Water District's estimated project costs shall not

include any costs associated with the 45,000 acre-feet of Annual Table A Amounts being permanently relinquished by those Contractors pursuant to subdivision (j) of Article 53. Also, for purposes of these calculations, an Agricultural Contractor's estimated project costs shall not be reduced by the transfer of any of the 130,000 acre-feet of Annual Table A Amounts provided for in subdivisions (a) through (i) of Article 53. The proportionate shares for 1997 through 2001 shall be calculated as follows:

(i) Each Agricultural Contractor's statement of charges received on July 1, 1994, shall be the initial basis for calculating the proportionate shares for the five years 1997 through 2001.

(ii) Each Agricultural Contractor's estimated capital and minimum components of the Delta Water Charge and the Transportation Charge (excluding off-aqueduct power charges) and Water Revenue Bond Surcharge shall be totaled for the years 1997 through 2035.

(iii) Kern County Water Agency and Dudley Ridge Water District totaled costs shall be reduced for the 45,000 acre-feet of annual Table A amount being permanently relinquished by them.

(iv) Any reductions in an Agricultural Contractor's totaled costs resulting from the transfer of any of the 130,000 acre-feet of annual Table A amount shall be re-added to that Contractor's costs.

(v) Each Agricultural Contractor's proportionate share shall be computed by dividing that Contractor's total costs by the total costs for all Agricultural Contractors determined pursuant to subparagraphs (ii), (iii) and (iv) above.

(2) The reductions in annual charges, for 1997 through 2001, shall be calculated using the method described in subdivision (g)(1) of this article.

(3) The allocation shall be recalculated using the same method described in subdivision (g)(1) of this article every five years beginning in 2002, if any Agricultural Contractor requests such a recalculation. Any recalculation shall be based on project cost data beginning with the year that the recalculation is to become effective through 2035.

(h) **Agricultural Rate Management Trust Fund.**

(1) Establishment. Through a trust agreement executed contemporaneously with this amendment, the State and the Agricultural Contractors that sign the Monterey Amendments shall establish the Agricultural Rate Management Trust Fund with a mutually agreed independent trustee.

(2) Separate Accounts. The trustee shall maintain within the trust fund a separate account for each Agricultural Contractor that signs the trust agreement to hold deposits made pursuant to this article.

(3) Deposits. Each Agricultural Contractor that signs the trust agreement shall deposit into such Contractor's account within the trust fund, at the same time as payments would otherwise be required by this contract to be made to the State, an amount equal to the amount by which such Contractor's charges under this contract have been reduced by reason of this article, until the balance in such Contractor's account within the trust fund is the same percentage of $150,000,000 as such Contractor's percentage share of reductions made available to all Agricultural Contractors as specified in subdivision (g) of this article. In 2002 and every fifth year thereafter, the Agricultural Contractors will review the maximum accumulation in the trust fund (the "Cap") and determine whether the cap should be adjusted. However, the Cap shall not be reduced below an aggregate of $150,000,000 for all Agricultural Contractor accounts.

(4) Trust Fund Disbursements.

(i) In any year in which the State's allocation of water to an Agricultural Contractor by April 15th of that year is less than one-hundred percent (100%) of the Contractor's requested annual Table A amount for that year, the trustee shall, to the extent there are funds in that Contractor's account, distribute to the State from such account for the benefit of that Contractor an amount equal to the percentage of the total of that Contractor's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum operation, maintenance, power and replacement components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of that Contractor's annual Table A amount for that year that was not allocated to it by the State by April 15th of that year.

(ii) In addition to the provisions of subdivision (h)(4)(i) of this article, if on April 15 of any year any of the irrigable land within the Tulare Lake Basin Water Storage District (Tulare) is flooded, and Tulare in writing requests the trustee to do so, the trustee shall, to the extent there are funds in Tulare's account, distribute to the State from such account for the benefit

of Tulare an amount equal to the percentage of the total of Tulare's statement of charges for that year, as redetermined by the State on or about May 15th of that year, for (a) the Delta Water Charge; (b) the capital cost and minimum components of the Transportation Charge (including off-aqueduct power charges); and (c) the water system revenue bond surcharge, that is equal to the percentage of the irrigable land within Tulare that is flooded on April 15.

(iii) Each Agricultural Contractor shall remain obligated to make payments to the State as required by other articles in this contract. Any amount to be disbursed pursuant to subdivisions (h)(4)(i) and (h)(4)(ii) shall be paid by the trustee to the State on July 1 of the year involved and shall be credited by the State toward any amounts owed by such respective Agricultural Contractor to the State as of that date. However, an Agricultural Contractor may direct the trustee to make the disbursement to that Agricultural Contractor which shall in turn make the payment to the State as required by other provisions of this contract. If the amount to be disbursed exceeds the amount owed to the State by such Contractor as of July 1, the excess shall be disbursed by the Trustee to the State at the time of and in payment of future obligations owed to the State by such Contractor. Alternatively, upon the request of such Contractor, all or part of the excess shall be paid by the trustee to that Contractor in reimbursement of prior payments by the Contractor to the State for that year.

(5) Payment of Supplemental Bills. In any year in which a supplemental bill has been submitted to an Agricultural Contractor pursuant to subdivision (c)(4) of this article, such supplemental bill shall be treated as reducing by an equal amount the obligation of such Contractor for that year to make payments into the Agricultural Rate Management Trust Fund. To the extent that such Contractor has already made payments to the trust fund in an amount in excess of such Contractor's reduced trust fund payment obligation, such Contractor may request the trustee to use the excess from the trust fund to pay the supplemental bill.

(6) Discharge of Payment Obligation. Each payment to the State by the trust fund shall discharge and satisfy the Agricultural Contractor's obligation to pay the amount of such payment to the State. No reimbursement of the trust fund by the Agricultural Contractor for such payments shall be required. However, each Agricultural Contractor shall continue to make deposits to the trust fund matching the amount of each year's reductions as provided in subdivision (d) of this article so long as the amount in that Contractor's account is less than its share of the Cap.

(7) Distribution of Funds in Excess of the Cap. Whenever accumulated funds (including interest) in an Agricultural Contractor's account in the trust fund exceed that Contractor's share of the Cap, or the estimated remaining payments the Contractor is required to make to the State prior to the end of the project

repayment period, that Contractor may direct the trustee to pay such excess to the Contractor.

(8) Termination of Trust Fund. At the end of the project repayment period, the Agricultural Rate Management Trust Fund shall be terminated and any balances remaining in the accounts for each of the Agricultural Contractors shall be disbursed to the respective Agricultural Contractors.

(i) **Definitions. For the purposes of this article, the following definitions will apply:**

(1) "Agricultural Contractor" shall mean the following agencies as they now exist or in any reorganized form:

(i) County of Kings,

(ii) Dudley Ridge Water District,

(iii) Empire West Side Irrigation District,

(iv) Kern County Water Agency for 848,130 acre-feet of its Table A amount,

(v) Oak Flat Water District,

(vi) Tulare Lake Basin Water Storage District.

(2) "Urban Contractor" shall mean every other agency having a long term water supply contract with the State as they exist as of the date of this amendment or in any reorganized form as well as Kern County Water Agency for 134,600 acre-feet of its Table A amount.

(j) **Except as provided in subdivisions (c)(4) and (c)(5)**, this article shall not be interpreted to result in any greater State authority to charge the Contractors than exists under provisions of this contract other than this article.

NEW CONTRACT ARTICLE

II. ARTICLE 61 IS ADDED TO THE CONTRACT AS A NEW ARTICLE AS FOLLOWS:

61. FINANCIAL ACCOUNTS AND ACTIVITIES

(a) **General Operating Account**

(1) The State shall maintain a General Operating Account to provide the moneys needed for the following purposes:

(i) To pay or provide for the payment of System costs which are reimbursable by one or more Contractors under their respective Water Supply Contracts in the event System revenues available for such payment are insufficient for such purpose; or

(ii) To pay or provide for the payment of System costs for any System purpose in the event of a System emergency as defined in Article 61(a)(1)(iii).

(iii) A System Emergency, as used in this Article 61(a)(1)(ii) shall mean an immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the System which requires immediate attention and remedial action.

(2) The maximum amount in the General Operating Account shall be set, adjusted and funded as follows:

(i) Upon the Contract Extension Amendment Effective Date, the maximum amount shall be $150 million.

(ii) On or before the first September 1 occurring five (5) years after the Contract Extension Amendment Effective Date and every five (5) years thereafter, the State shall present a business case analysis of the maximum amount reasonably necessary or appropriate to be maintained in the General Operating Account, including an evaluation of the maximum amount and its relationship to the business risks associated with the System cash flow, to the SWRDS Finance Committee for recommendation to the Director regarding a General Operating Account maximum amount

adjustment, provided that the maximum amount shall not be less than $150 million.

(iii) To fund the General Operating Account to its maximum amount, the Director may, in his or her discretion, transfer to the General Operating Account (1) amounts determined to be available pursuant to Article 51(e); (2) earnings from the investment of amounts in the General Operating Account; (3) amounts in the SWRDS Reinvestment Account; and (4) amounts in the SWRDS Support Account.

(iv) If the Director determines to decrease the maximum amount pursuant to Article 61(a)(2)(ii), or the maximum amount is otherwise exceeded, the excess amount in the General Operating Account shall be transferred to the SWRDS Reinvestment Account.

(v) The State shall replenish the amounts used from the General Operating Account (1) through charges to the Contractors to the extent the Contractors are obligated to reimburse the State for the costs paid with such amounts and (2) from the SWRDS Support Account or other available revenues (including the sources described in subparagraph (iii) of this Article 61(a)(2)) for costs not reimbursable by the Contractors under their respective Water Supply Contracts.

(vi) General Operating Account investment earnings shall be used to fund the General Operating Account to its maximum amount or, in the Director's discretion, transferred to the SWRDS Support Account and/or the SWRDS Reinvestment Account.

(3) The State shall prepare monthly reports on the balance in and use of the General Operating Account for the Director, and shall provide those reports to the SWRDS Finance Committee. The SWRDS Finance Committee may periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

(b) **SWRDS Reinvestment Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Reinvestment Account to provide a continuing source of investment revenue to provide amounts to be transferred to or deposited in the General Operating Account, the SWRDS Reinvestment Account, and the SWRDS Support Account.

(2) To fund the SWRDS Reinvestment Account, the Director may, in his or her discretion, transfer to the SWRDS Reinvestment Account (i) amounts determined to be available pursuant to Article 51(e), (ii) earnings from the investment of amounts in the SWRDS Reinvestment Account, (iii) payments by

the Contractors for capital costs funded from the SWRDS Reinvestment Account, (iv) amounts from the SWRDS Support Account, and (v) amounts from the General Operating Account.

(3) Amounts in the SWRDS Reinvestment Account may be used and/or invested as follows:

(i) To pay capital costs of Project Facilities to the extent those costs are reimbursable by one or more Contractors under their respective Water Supply Contracts. Such capital costs shall be reimbursed to the State in accordance with item 5 of this subparagraph (b) below.

(ii) To pay capital costs of Project Facilities pending reimbursement of the State with the proceeds of revenue bonds issued by the State; and

(iii) To make temporary investments in accordance with the statutory limitations on such investments.

(4) The State shall prepare regular reports on the SWRDS Reinvestment Account for the Director and shall provide those reports to the SWRDS Finance Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Reinvestment Account.

(5) *Amortization of Costs Financed with Amounts in the SWRDS Reinvestment Account.* Charges to amortize Project Facility Capital Costs paid with amounts from the SWRDS Reinvestment Account shall return to the State, in equal annual amounts over an amortization period determined by the State, the amount of each such cost together with an interest charge on the unamortized balance thereof.

(i) The length of such amortization periods may be from ten (10) to fifty (50) years, *provided* that if the capital asset has an Economic Useful Life of less than ten (10) years, the amortization period may be a comparable period of less than ten (10) years.

(ii) The interest charge shall be at a rate equal to the market interest rate at the time the cost is Incurred on municipal Revenue Bonds with the following characteristics:

(a) the same rating as the rating on Revenue Bonds issued by the State to finance Project Facilities, and

(b) the same term as the length of the amortization period, all as determined by the State.

(iii) For the purposes of this subdivision (b)(5), the State may aggregate the Capital Costs of each Project Facility Incurred during each calendar year and determine a composite interest rate and a composite amortization period applicable to the amortization of such costs.

(iv) The amortization charges relating to the costs Incurred during each calendar year shall commence the calendar year starting one year after the end of the calendar year in which such costs were Incurred, and the amount to be amortized shall include capitalized interest for the period from the date or dates the costs are Incurred to the date of commencement of amortization.

(c) **SWRDS Support Account**

(1) Commencing with the Contract Extension Amendment Effective Date, the State shall establish and maintain a SWRDS Support Account to provide a source of funds to pay System costs that are not chargeable to the Contractors under their respective Water Supply Contracts and for the payment of which there are no other monies available.

(2) To fund the SWRDS Support Account, the Director may, in his or her discretion, transfer to the SWRDS Support Account (i) amounts determined to be available pursuant to Article 51(e); (ii) amounts in the SWRDS Reinvestment Account, (iii) investment earnings in the General Operating Account; (iv) earnings from the investment of amounts in the SWRDS Support Account; and (v) other available revenues. The State shall not charge the Agency to replenish the SWRDS Support Account for costs not otherwise chargeable to the Agency under this contract.

(3) If the State is reimbursed or other amounts are appropriated and received for a cost paid from the SWRDS Support Account, the State shall deposit the amount reimbursed or received in the SWRDS Support Account.

(4) The State shall prepare regular reports on the SWRDS Support Account for the Director and shall provide those reports to the SWRDS Finance

Committee. The State shall consult with the SWRDS Finance Committee about the investments and activities to be funded from the SWRDS Support Account.

(d) **System Financial Activity Report and Reporting Principles**

(1) The State shall prepare and distribute quarterly a System Financial Activity Report that contains the following information:

(i) By fund or account, the activity in the following funds and accounts: the General Operating Account, the SWRDS Support Account, the SWRDS Reinvestment Account, the 51(e) Sub-Account of the Systems Revenue Account, the Davis-Dolwig Fund, and the State Water Facilities Capital Account, and the activity with respect to suspended costs.

(ii) The data in the System Financial Activity Report shall be auditable, which includes an audit trail from the costing ledger (currently the Utility Cost Accounting Billing System, as of the Contract Extension Amendment Effective Date) to the general ledger (currently SAP, as of the Contract Extension Amendment Effective Date) or the Bulletin 132 estimates to the System Financial Activity Report.

(2) Appendix B, entitled System Reporting Principles, contains principles and guidelines which shall be followed, to the extent applicable, in the preparation of System financial reports and financial management reports.

(e) **State Water Resources Development System Finance Committee**

(1) The State shall establish a joint State and Contractors finance committee, which shall be referred to as the State Water Resources Development System Finance Committee or SWRDS Finance Committee. The membership of the SWRDS Finance Committee shall include both representatives from the State and the Contractors.

(2) The primary purpose of the SWRDS Finance Committee shall be to make recommendations to the Director concerning the financial policies of the System. The State and the Contractors shall describe the scope of the SWRDS Finance Committee in a charter mutually agreeable to the State and the Contractors.

(f) **Cost Recovery**

In general, the State should seek reimbursement for all System costs from the appropriate customers and users of System facilities. With respect to those System costs that are reimbursable by the Contractors, the State should allocate

financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate Contractors. If the State proposes to not charge any Contractor the full amount that the State is entitled to charge the Contractor under the contract, the State shall present a written proposal to the SWRDS Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. The State shall submit such proposal in writing to the SWRDS Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the SWRDS Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals shall comply with the structure set out in the SWRDS Finance Committee charter referenced in Article 61(e)(2).

NEW CONTRACT APPENDIX

III. APPENDIX B IS ADDED TO THE CONTRACT AS A NEW APPENDIX AND SHALL READ AS FOLLOWS:

APPENDIX B

SYSTEM REPORTING PRINCIPLES

A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.

1. Principle 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP. The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.

2. Principle 2: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.

3. Principle 3: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.

4. Principle 4: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.

5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.

6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:

(1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.

(2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage,

retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.

(3) Data with "integrity" has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.

(4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.

(5) Data integrity state or condition is to be measured by the validity and reliability of the data values.

(6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IT IS FURTHER MUTUALLY AGREED that the following provisions, which shall not be part of the Water Supply Contract text, shall be a part of this Amendment and be binding on the Parties.

AMENDMENT IMPLEMENTING AND ADMINISTRATIVE PROVISIONS

1. EFFECTIVE DATE OF CONTRACT EXTENSION AMENDMENT.

(a) The Contract Extension Amendment shall take provisional effect ("provisional effective date pursuant to subparagraph (a)") on the last day of the calendar month in which both of the following occur: (i) the State and 15 or more Contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet, have executed (or committed in a form satisfactory to the State to execute) the Contract Extension Amendment and (ii) no legal action addressing the validity or enforceability of the Contract Extension Amendment or any aspect thereof has been filed within sixty days of such execution or, if filed, a final judgment of a court of competent jurisdiction has been entered sustaining or validating the Contract Extension Amendments. Subject to subparagraph (b), the provisional effective date pursuant to paragraph (a) shall be the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(b) If any part of the Contract Extension Amendment of any Contractor is determined by a court of competent jurisdiction in a final judgment or order to be invalid or unenforceable, the Contract Extension Amendments of all Contractors shall be of no force and effect except as provided in subparagraph(c).

(c) The unenforceability and lack of effectiveness of all Contractors' Contract Extension Amendments as provided for in subparagraph (b) may be avoided only if the part of the Contract Extension Amendment determined to be invalid or unenforceable is explicitly waived in writing by the State and 15 or more Contractors, with an aggregate maximum annual Table A amount exceeding 3,200,000 acre feet , in which case the Contract Extension Amendment shall take provisional effect ("provisional effective date pursuant to subparagraph (c)") on the last day of the calendar month in which the requisite waivers are received, but only as to those Contractors submitting such a waiver in writing, subject to subparagraph (e). The provisional effective date pursuant subparagraph (c) shall become the Contract Extension Amendment Effective Date if the conditions set out in subparagraph (e) are met.

(d) If any Contractor has not executed a Contract Extension Amendment or has not submitted a waiver pursuant to subparagraph (c), whichever is applicable, within sixty (60) days of the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the amendment shall not take effect as to such Contractor, unless the Contractor and the State, in its discretion, thereafter execute such Contractor's contract extension amendment or the Contractor thereafter submits, and the State in its discretion accepts,

the waiver, whichever applies, in which case the Contract Extension Amendment Effective Date for purposes of that Contractor's contract and any associated terms shall be as agreed upon by the State and Contractor.

(e) (1) If at the end of the applicable 60-day period specified in subparagraph (d), 24 or more Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have executed the amendment (or committed to execute the amendment in a form satisfactory to the State) or submitted a waiver pursuant to subparagraph (c), as applicable, the provisional effective date pursuant subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, shall become the Contract Extension Amendment Effective Date.

(2) If at the end of the applicable 60 day period specified in subparagraph (d), 24 or more Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have not executed (or committed to execute) the amendment or submitted a waiver pursuant to subparagraph (c), as applicable, then the State, after consultation with the Contractors that have executed (or committed to execute) the amendment or submitted a waiver, as applicable, shall within 30 days following such 60 day period determine in its discretion whether to make the provisional effective date pursuant to subparagraph (a) or the provisional effective date pursuant to subparagraph (c), as applicable, the Contract Extension Amendment Effective Date. The State shall promptly notify all Contractors of the State's determination. If the State determines, pursuant to this subparagraph 1(e)(2) to allow the contract amendment to take effect, it shall take effect only as to those Contractors consenting to the amendment taking effect pursuant to this subparagraph 1(e)(2)

(f) (1) During the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, the State and a minimum of 24 Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet which have executed (or committed to execute) the Contract Extension Amendment may agree in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered (including to waive the "no force and effect " provision in subsection (b)) and instead allow the Contract Extension Amendment to take effect as to such Contractors, subject to such conditions, if any, agreed upon, by the State and such contactors. In such case, the State shall promptly notify all Contractors of the effective date of the Contract Extension Amendment.

(2) If, during the pendency of a legal action addressing the validity or enforceability of the Contract Extension Amendment, less than 24 Contractors with an aggregate maximum annual Table A amount exceeding 3,950,000 acre feet have agreed in writing to waive any limitation barring the Contract Extension Amendment from taking effect until a final judgment of a court of competent jurisdiction has been entered as provided in subsection (1)(f)(1) above, then a Contractor which has so agreed in writing may request the State to consider allowing the contract extension amendment to take effect with the agreement of less than 24 Contractors. Upon

receiving such a request, the State, after consultation with the Contractors that have agreed in writing to waive any limitation as provided in subsection (1)(f)(1) above, may determine in its discretion whether to allow the Contract Extension Amendment to take effect with less than 24 Contractors agreeing in writing to waive the limitation. The State shall promptly notify all Contractors if the State's determines to allow the Contract Extension Amendment to take effect, and include in such notice the effective date of the Contract Extension Amendment and any conditions that would apply. If the State determines, pursuant to this subparagraph 1(f)(2) to allow the contract amendment to take effect, it shall take effect only as to those Contractors consenting to the amendment taking effect pursuant to subparagraph 1(f)(1).

2. POST BILLING TRANSITION DATE ESTIMATES.

If the State determines it to be necessary, the State may rely on estimates and later true-up for billing and reporting purposes in the initial years after the Billing Transition Date.

3. WAIVER AND RELEASE.

Subject to the Contract Extension Amendment taking effect, the Agency does hereby forever waive, release and discharge the State, and its current and former officers, agents and employees, from any and all past and present protests, claims, damages, actions and causes of action of every kind and description, now existing or hereafter arising, known or unknown, that were or could be or could have been asserted relating to the State's adjustment made prior to the execution date of this Contract Extension Amendment in connection with the proportional responsibility, for System facilities south of and including the Dos Amigos Pumping Plant, between (i) water supply and (ii) recreation and fish and wildlife enhancement.

4. OTHER CONTRACT PROVISIONS.

Except as amended by this amendment, all provisions of the contract shall be and remain the same and in full force and effect, provided, however, that any reference to the definition of a term in Article 1, shall be deemed to be a reference to the definition of that term, notwithstanding that the definition has been re-lettered within Article 1. In preparing a consolidated contract, the parties agree to update all such references to reflect the definitions' lettering within Article 1.

5. COUNTERPART.

This Contract Extension Amendment may be signed in counterpart.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the date first above written.

Approved as to Legal Form
and Sufficiency:

_____
Chief Counsel
Department of Water Resources

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

_____
Director

_____
Date

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

_____
Signature

_____
Title

_____
Date

CENTRAL COAST WATER AUTHORITY

MEMORANDUM

March 11, 2021

TO: CCWA Operating Committee

FROM: Lisa M. Long
Controller

SUBJECT: FY 2019/20 Year End Budget Status Report

Attached is the FY 2019/20 Year End Budget Report for CCWA Fixed O&M costs. This report compares the FY 2019/20 Fixed O&M budget and actual experience. CCWA Variable costs are trued-up quarterly through the Quarterly Variable Assessment Invoicing process, and therefore are not included in this report.

SUMMARY

Fixed O&M Credit *(Exhibit #1)*

CCWA Fixed O&M expenses, including interest income and other credits were $534,519 less than budgeted. Please see the table on page three for the summary of differences between the budget and actual expenses.

Investment and Other Income

Investment and other income on the Authority's general fund total is $277,711 and is comprised of the following:

- Interest income earned on the Authority's general fund in the amount of $187,187. Allocation of general fund interest is based on the actual payments by project participants for each financial reach.
- Miscellaneous income sources total $90,524, which includes an insurance refund of $71,785 and reimbursements of $18,739 for SDI and Worker's Compensation coordinated benefits.

Debt Service Assessments

Debt service assessments for the year totaled $10.3 million.

Water Deliveries *(Exhibit #2)*

Delivery requests for FY 2019/20 were 34,644 acre-feet, including 1,215 acre feet exchanged between the Santa Ynez River Water Conservation District, ID #1 and the South Coast project participants. Actual water deliveries for the fiscal year were 18,586 acre-feet, including 2,137

acre feet exchanged between Santa Ynez ID #1 and the South Coast project participants, resulting in a difference of 16,058 acre-feet.

Fixed Operating Expenses and Capital Improvement Projects

Total operating expenses and capital projects for the year were about $8.1 million, or $0.5 million less than budgeted. The following are the highlights explaining the budget surplus.

Personnel Expenses Personnel expenses are about $129,000 less than budgeted. About $129,000 is due to a retirement and open positions for a portion of the year. Approximately $51,000 is due to reduced PERS Retirement costs associated with those personnel changes, and a savings of about $43,000 is due to reduced health insurance costs coupled with employees paying a higher share of their health and pension benefits, and an additional savings of $29,000 in other personnel-related costs. This is offset by approximately $57,000 in paid leave accrual and $6,000 in unemployment costs that are not budgeted, and an increase of $61,000 in overtime and other personnel-related costs.

Supplies and Equipment Supplies and equipment expenses are about $51,000 less than budgeted due to reduced costs for maintenance supplies, fuel, and seed and erosion supplies.

Monitoring Expenses Monitoring expenses are about $8,400 less than budgeted due to a reduction in lab testing expenses.

Professional Services Professional services expenses are about $73,000 higher than budgeted mostly because of a $160,000 increase in legal services and a $16,000 increase in engineering services, which was partially offset by a $100,000 decrease in environmental, permits and other professional and accounting services.

General and Administrative General and administrative expenses are about $119,000 less than budgeted for reductions in membership dues, training, meeting and travel expenses.

Other Expenses Other expenses are about $140,000 higher than budgeted due primarily to the increases seen in insurance expenses and non-capitalized projects over what was budgeted.

Turnout Expenses Turnout expenses exceed the budgeted amount by about $31,000 because of necessary and unplanned repair of a valve at the Chorro Turnout.

Central Coast Water Authority

FY 2019/20 Yearend Budget Summary

Yearend Budget Status Report

	FY 19/20 Budget	FY 19/20 Actual Fixed Expenditures	Difference	Percentage Difference
CCWA Fixed Operating Expenses				
Personnel Expenses	$ 5,201,852	$ 5,073,014	$ 128,838	2.48%
Office Expenses	20,500	16,571	3,929	19.17%
Supplies & Equipment	179,850	128,494	51,356	28.56%
Monitoring Expenses	105,604	97,187	8,417	7.97%
Repairs and Maintenance	285,620	248,865	36,755	12.87%
Professional Services	432,843	506,251	(73,408)	-16.96%
General and Administrative	309,710	190,760	118,950	38.41%
Utilities	189,477	177,689	11,788	6.22%
Other Expenses	578,647	718,483	(139,836)	-24.17%
Turnouts	25,144	56,312	(31,167)	-123.95%
Subtotal Operating Expenses:	7,329,247	7,213,627	115,621	1.58%
Capital and Non-Capital Fixed Asset Purchases (1)	1,351,775	1,210,588	141,187	10.44%
Interest and Other Income	-	(277,711)	277,711	N/A
Subtotal CCWA O&M Charges	1,351,775	932,877	418,898	30.99%
Total Assessments:	$ 8,681,023	$ 8,146,504	$ 534,519	6.16%

LML

Attachments

Exhibit #1

Central Coast Water Authority

FY 2019/20 Yearend Fixed CostsTrue-Up Calculation and Credits

Yearend Budget Status Report

CCWA FY 2019/20 FIXED BUDGET

Project Participant	CCWA Fixed O&M Charges [1]	Carryover Revenues	Total CCWA O&M Charges	*Exchange Agreement Modifications* Fixed and Capital	WTP Fixed and Capital Retreatment	Adjusted Total
Guadalupe	$ 92,324	7,458	$99,782	-	29,290	$129,072
Santa Maria	2,686,306	220,318	2,906,624	-	862,725	3,769,349
Golden State Water	87,159	6,800	93,959	-	26,627	120,586
VAFB	1,022,718	97,102	1,119,820	-	292,900	1,412,721
Buellton	130,317	21,393	151,710	-	30,781	182,491
Santa Ynez ID#1 (Solvang only)	334,030	38,742	372,772	-	79,882	452,654
Santa Ynez ID#1 (excluding Solvang)	112,209	19,925	132,134	201,717	91,332	425,182
Goleta	1,303,362	166,141	1,469,503	(72,386)	(458,286)	938,832
Morehart Land Co.	57,927	7,384	65,311	-	(22,553)	42,758
La Cumbre	289,636	36,920	326,556	-	(112,767)	213,789
Raytheon	14,482	1,846	16,328	-	(5,638)	10,689
Santa Barbara	868,908	110,761	979,669	(48,644)	(305,261)	625,763
Montecito	868,908	110,761	979,669	(48,644)	(305,261)	625,763
Carpinteria	579,272	73,841	653,113	(32,042)	(203,770)	417,300
Subtotal:	8,447,558	919,392	9,366,950	-	(0)	9,366,950
Shandon	13,669	1,057	14,725			14,725
Chorro Valley	257,539	24,704	282,243			282,243
Lopez	329,688	36,142	365,830			365,830
Subtotal:	600,895	61,902	662,798	-	-	662,798
TOTAL:	$ 9,048,453	$ 981,294	$ 10,029,748	-	$ (0)	$ 10,029,748
	-					

(1) Includes capital expenditures. Variable charges are trued up with the Variable Assessment Billings each quarter.

Exhibit #1

Central Coast Water Authority

FY 2019/20 Yearend Fixed CostsTrue-Up Calculation and Credits

Yearend Budget Status Report

FY 2019/20 ACTUAL FIXED CHARGES

Project Participant	CCWA Fixed O&M Expenses [1]	Carryover Revenues to FY 2019/20	Total Actual O&M Expenses	*Exchange Agreement Modifications* Fixed &Capital	WTP Fixed and Capital Retreatment	Adjusted Total
Guadalupe	$90,214	$ 9,858	$ 100,072	$ -	$ 24,743	$ 124,815
Santa Maria	2,535,778	291,175	2,826,953	-	728,783	3,555,736
Golden State Water	87,019	8,987	96,006	-	22,493	118,499
VAFB	977,448	101,831	1,079,279	-	247,426	1,326,706
Buellton	133,151	12,576	145,727	-	26,002	171,729
Santa Ynez ID#1 (Solvang only)	318,827	32,637	351,463	-	67,480	418,943
Santa Ynez ID#1 (excluding Solvang)	114,126	10,879	125,005	323,501	118,630	567,136
Goleta	1,202,698	243,005	1,445,703	(116,412)	(396,957)	932,334
Morehart Land Co.	53,453	10,800	64,253	-	(21,279)	42,975
La Cumbre	267,266	54,001	321,267	-	(106,394)	214,873
Raytheon	13,363	2,700	16,063	-	(5,320)	10,744
Santa Barbara	801,798	162,004	963,802	(77,658)	(264,603)	621,541
Montecito	801,798	162,004	963,802	(77,658)	(264,603)	621,541
Carpinteria	534,532	108,002	642,535	(51,772)	(176,402)	414,361
Subtotal:	7,931,473	1,210,459	9,141,932	-	-	9,141,932
Shandon	12,004	1,767	13,771			13,771
Chorro Valley	233,539	41,301	274,840			274,840
Lopez	247,198	95,199	342,397			342,397
Subtotal:	492,741	138,266	631,007	-	-	631,007
TOTAL:	$ 8,424,214	$ 1,348,725	$ 9,772,940	$ -	$ -	$ 9,772,940
	-	*0*				

(1) Includes capital expenditures. Not including variable charges which are trued up with the Variable Assessment Billings each quarter.

Exhibit #1

Central Coast Water Authority

FY 2019/20 Yearend Fixed CostsTrue-Up Calculation and Credits

Yearend Budget Status Report

FY 2019/20 FIXED O&M CREDIT

Project Participant	CCWA Fixed O&M Expenses [1]	Exchange Fixed and Capital		WTP Fixed and Capital Retreatment	Miscellaneous Income	Interest Income Credits	TOTAL CREDIT (CHARGE)
Guadalupe	($291)			$ 4,547	$ 1,216	$ 2,653	$ 8,126
Santa Maria	79,671			133,942	35,869	69,929	319,411
Golden State Water	(2,047)			4,134	1,107	2,115	5,309
VAFB	40,541			45,474	12,366	23,254	121,635
Buellton	5,983			4,779	1,327	2,997	15,086
Santa Ynez ID#1 (Solvang only)	21,309			12,402	3,444	7,749	44,904
Santa Ynez ID#1 (excluding Solvang)	7,129	(121,785)		(27,298)	1,148	8,747	(132,059)
Goleta	23,800	44,026		(61,329)	10,699	18,670	35,867
Morehart Land Co.	1,058	-		(1,275)	476	621	880
La Cumbre	5,289	-		(6,373)	2,378	4,218	5,512
Raytheon	264	-		(319)	119	189	254
Santa Barbara	15,867	29,014		(40,658)	7,133	12,436	23,791
Montecito	15,867	29,014		(40,658)	7,133	12,436	23,791
Carpinteria	10,578	19,730		(27,369)	4,755	8,270	15,964
Subtotal:	225,018	-	-	(0)	89,169	174,284	488,471
Shandon	954				28	304	1,286
Chorro Valley	7,403				644	6,065	14,111
Lopez	23,433				683	6,533	30,650
Subtotal:	31,790	-	-	-	1,355	12,902	46,048
TOTAL:	$ 256,808	-	$ -	(0)	$ 90,524	$ 187,187	$ 534,519

(1) Includes capital expenditures. Variable charges are trued up with the Variable Assessment Billings each quarter.

EXHIBIT #2

Central Coast Water Authority

Water Deliveries - Budget and Actual (Acre-feet)

Fiscal Year 2019/20

	Budget and Actual FY 19/20								
Project	***BUDGET***			***ACTUAL***			***DIFFERENCE***		
Participant	**Table A**	**Exchange**	**Net Deliveries**	**Table A**	**Exchange**	**Net Deliveries**	**Table A**	**Exchange**	**Net Deliveries**
Shandon	100	-	100	6		6	94		94
Lopez	1,574	-	1,574	1,554		1,554	20	-	20
Chorro Valley	2,225	-	2,225	1,181		1,181	1,044	-	1,044
Guadalupe	595	-	595	455		455	140	-	140
Santa Maria	11,820	-	11,820	8,316		8,316	3,504	-	3,504
SCWC	285	-	285	254		254	31	-	31
VAFB	2,405	-	2,405	2,820		2,820	(415)	-	(415)
Buellton	405	-	405	289		289	116	-	116
Solvang	1,077	-	1,077	799		799	278	-	278
Santa Ynez	699	1,215	1,914	328	2,137	2,465	371	(922)	(551)
Goleta	4,501	(436)	4,065	769	(769)	-	3,732	333	4,065
Morehart	49	-	49	17	-	17	32	-	32
LaCumbre	898	-	898	418	-	418	480	-	480
Raytheon	32	-	32	12	-	12	20	-	20
Santa Barbara	2,998	(293)	2,705	513	(513)	-	2,485	220	2,705
Montecito	2,998	(293)	2,705	513	(513)	-	2,485	220	2,705
Carpinteria	1,983	(193)	1,790	342	(342)	-	1,641	149	1,790
TOTAL:	34,644	-	34,644	18,586	-	18,586	16,058	-	16,058

CENTRAL COAST WATER AUTHORITY

MEMORANDUM

March 2, 2021

TO: CCWA Operating Committee

FROM: Ray A. Stokes
Executive Director

SUBJECT: CCWA Santa Ynez Pumping Plant Electrical Costs and Proposed Variable Cost Deposit

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SUMMARY

CCWA has seen an extremely large increase in electrical costs for pumping into Lake Cachuma for the South Coast project participants especially for periods in which the deliveries to the Lake are very low, which has been the case this past year. Current estimates show the estimated cost to pump into the Lake going from a median cost of around $81 an acre-foot to around $261 an acre-foot on a median basis.

Coupled with this increase is the fact that CCWA bills ALL CCWA project participants based on requested deliveries and then credits back any amounts not used on each quarterly billing. This creates extremely complicated billing procedures and unnecessarily bills the South Coast participants for water they do not expect to take, but are making payments to reserve their pumping capacity at the Santa Ynez Pumping Plant (SYPP).

This report, and the associated attachments, will explain the reasons for the large increases in electrical costs for pumping into Lake Cachuma, propose a workgroup to identify ways to mitigate those increases and also propose a new billing methodology to eliminate the need to bill for water deliveries not anticipated to be taken.

DISCUSSION

Santa Ynez Pumping Facility Electrical Costs

During Fiscal Year 2020/2021, the electrical costs for the operation of the SYPP were higher than the costs estimated in the approved Budget. This triggered us to conduct a detailed review of the PG&E invoices and SYPP operational data. The conclusion of the analysis was that the cost per acre-foot (AF) of water delivered is significantly impacted by how SYPP is operated in terms of instantaneous flow rates and monthly delivery rates.

When SYPP is operated at higher monthly delivery rates, the cost per AF is relatively stable. However, if SYPP is operated with low monthly delivery rates, the costs per AF will increase exponentially as monthly delivery rates decrease. This is particularly true if multiple pumps are operated simultaneously to deliver a small volume of water in one month.

The primary reason why low monthly delivery rates are expensive is that PG&E charges a fee for electrical “Demand”. They measure the maximum energy delivery rate within a 15-minute

timeframe within a given month, then charge a fee for that service. This fee will apply for the entire month regardless if the maximum energy delivery rate happened in only one 15-minute increment or all month long. They simply look for the single highest "Demand" in a month to establish the fee they charge. Please note that PG&E also has other "Demand" charges based on time and season, which are explained in the attached memorandum from John Brady.

Due to this nature of billing, when monthly delivery rates are high, the "Demand" charge is distributed over a larger number of AF, which can be as high as 1,250 AF. In stark contrast, when monthly delivery rates are low, the Demand charge is distributed over a much lower number of AF, which can be as low as 4 AF.

Currently, there appears to be no significant need for Lake deliveries by the South Coast Participants. This leaves the smaller South Coast Participants with needing to pay exceedingly high costs for Lake deliveries due to the low monthly delivery requests from this group. The median cost for a selected low flow year and high flow year are as follows:

- High Flow Year (2018) – Median Cost $81.75/AF. This will decrease to $72.84 in the new PG&E Tariff, which becomes effective on March 1, 2021.

- Low Flow Year (2020) – Median Cost $187.53/AF. This will increase to $261.40/AF in the new PG&E Tariff, which becomes effective on March 1, 2021.

The following table, taken from the attached memorandum from John Brady, shows the possible range for costs on a per acre-foot basis for both high and low deliveries. As the table shows, there can be extreme volatility in the cost per AF depending on how much water is pumped into the Lake.

Because it is unknown how much water will be actually delivered into Lake Cachuma during FY 2021/22, we have used the amount shown in the table below for the 75th percentile, or $372/AF in the Draft CCWA FY 2021/22 Budget. This amount was chosen due to the uncertainty of water deliveries and will enable each of the south coast participants to plan accordingly. While there is a risk that the actual pumping costs could be higher, we believe that using the 75th percentile amount is an acceptable risk, especially when considering the proposed change discussed later in the report for variable cost billing.

Comparison Table
High Flow and Low Flow Years - New and Old PG&E Rates

	2018 Deliveries (High Flow)	2020 Deliveries (Low Flow)
Tariff E19 (OLD)		
Minimum	$14.29 (1,218 AF)	$51.96 (58 AF)
Maximum	$93.35 (178 AF)	$1,545.43 (10 AF)
Median	$81.75	$187.53
75th Percentile	$84.24	$400.57
Tariff B19 (NEW)		
Minimum	$66.03 (1,230 AF)	$119.79 (58 AF)
Maximum	$168.76 (178 AF)	$1,982.42 (10 AF)
Median	$72.84	$261.40
75th Percentile	$75.96	$372.47

CCWA Staff Recommendation on SYPP Electrical Cost Increases

CCWA staff proposes that additional analysis be performed to determine if there are ways to mitigate these cost increases. Some potential ideas include trying to coordinate deliveries to the South Coast participants so that a higher quantity of water is pumped for multiple

participants, if possible; possibly including La Cumbre Mutual Water Company, Raytheon and Morehart Land Co. in the Santa Ynez Exchange; or other possible pumping scenarios.

We propose that a workgroup of CCWA staff and the South Coast water agency managers or other representatives be convened to work through possible alternatives and that those ideas be brought back to the Operating Committee at a future meeting for consideration and possible adoption by the CCWA Board of Directors.

CCWA Variable Cost Deposit Proposal

Pursuant to Water Supply Agreement (WSA) between CCWA and each of its project participants, CCWA is required to bill the variable costs for requested water deliveries, "one quarter in advance" of when the water will be physically delivered to the participants. The following is an excerpt from the water supply agreement regarding the billing for CCWA and DWR variable costs:

> (c) Initial Payment - Variable O&M Costs. Payments by the Contractor of the Variable O&M Costs shall commence on the January 1, April 1, July 1 or October 1 which is closest to, but is at least three months immediately preceding, the date on which initial water delivery is estimated to be made to the Contractor.

Furthermore, the WSA allows for the collection of "reserves" for Variable O&M costs in this section:

> (e) Method of Computation of Variable O&M Costs. The Variable O&M Costs shall return to the Authority those costs of the Project which constitute Variable O&M Costs incurred in an amount which is dependent upon and varies with the amount of water delivered to the Contractor and which are allocated to the Contractor pursuant to subsection (f) of this Section; provided that to the extent permitted by law, the Authority may establish reasonable reserve funds to meet anticipated Variable O&M Costs; and provided further deposits in such reserve funds by the Authority shall be made in such amounts so that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and shall be deemed to be a part of the Variable O&M Costs for the Year in which such deposits are made.

As stated earlier in this report, the South Coast participants have been submitting delivery requests for the purpose of reserving their pumping capacity at the SYPP, but not expecting to take physical deliveries into the lake. Again, this creates significant billing complexities and unnecessarily bills the South Coast participants only for the purpose of reserving capacity. This will be exacerbated with the large increase in SYPP electrical costs discussed earlier in this report.

In order to address these issues with the CCWA and DWR Variable cost billings, CCWA staff proposes the following:

Pumping Capacity Reservation

Rather than requiring the CCWA project participants to "request" water deliveries, pay for those requested deliveries and then receive a credit on the next quarterly billing, CCWA staff proposes that pumping capacity be allocated on a Table A basis (without drought buffer) on an annual basis for all project participants. On a monthly basis, CCWA would continue to determine if there is unused capacity and allocate that unused capacity (used primarly for the South Coast participants), if needed. However, each of the CCWA project participants would automatically have reserved pumping capacity in either the pipeline or at the SYPP.

CCWA Variable Cost Deposit

In order to comply with the WSA requirements for collecting Variable O&M costs in advance of when the water will be delivered and ensure that CCWA has sufficient cash to pay the Variable O&M costs as they are incurred, CCWA staff proposes the creation of a "CCWA Variable Cost Deposit" (Deposit) for all CCWA project participants.

The proposed Deposit would be based on 50% of each CCWA participant's Table A amount (including North County participants and San Luis Obispo County) which would roughly equal water deliveries for two quarters, consistent with the WSA requirements for advance billing. This would be the basis for the "Target Deposit Balance."

Procedurally, for each CCWA participant and SLO County participant, as CCWA incurs Variable costs (CCWA Variable and DWR Variable), CCWA will draw upon the funds on deposit in the Variable Cost Deposit Account. Then on the next quarterly billing for Variable Costs, CCWA would bill each participant for the amount required to bring their deposit balance up to the Target Amount.

Funds held in the Variable Cost Deposit would earn interest as part of the CCWA Investment pool consistent with all other funds held by CCWA for the benefit of our participants.

Exhibit 1: CCWA Variable Cost Deposit Calculation attached to this report, shows the initial calculation of the deposit Target amount.

Colmns A to C show 50% of the Table A amounts, without drought buffer amounts, for each participant (Note: San Luis Obispo County is not included on this report but is proposed to be included in the Deposit as well).

Columns D to J show the various CCWA and DWR variable cost components which comprise the proposed CCWA Variable Cost Deposit target amount, which is shown in column K.

Exhibit 2: Current Funds Held by CCWA for Transfer to the CCWA Variable Cost Deposit attached to this report, shows the various sources of funds CCWA is currently holding for each project participant which could be transferred into the CCWA Variable Cost Deposit.

Column E shows the total of all variable funds currently held by CCWA.

Column F shows the Variable Cost Deposit target amount from Exhibit 1.

Column G shows the net amount due to meet the target amount, or the overcollection above the target amount.

Any funds currently held by CCWA in excess of the target amount would be applied as a credit against future additional deposits needed to meet the target amount or as a credit against billings from CCWA such as the Fixed assessments due to CCWA on June 1, 2021.

CONCLUSION AND RECOMMENDATION

CCWA staff believes the Variable Cost Deposit proposal benefits not only the CCWA participants, but also simplifies the billing process while simultaneously providing the financial security required under the WSA's.

CCWA staff recommends the Operating Committee recommend CCWA Board approval of the following:

1. Establish a workgroup of CCWA staff, the CCWA South Coast Operating Committee managers and project participants to identify ways to mitigate the large increases in electrical costs at the SYPP and return to the full Operating Committee and CCWA Board with proposals for consideration.
2. Authorize the creation of the "CCWA Variable Cost Deposit" as outlined and explained in this report.
3. Establish a policy whereby pumping capacity at the SYPP will be based on Table A amounts, excluding drought buffers.
4. Transfer amounts currently held by CCWA for variable costs into the Variable Cost Deposit and begin the revised quarterly billing process to bill for additional funds needed to meet the deposit target amount starting with the quarterly variable bills due to CCWA on July 1, 2021.

RAS

Attachments and Exhibits

Central Coast Water Authority

Exhibit #1: CCWA Variable Cost Deposit Calculation

2-Mar-21

	A	B	C	D	E	F	G	H	I	J	K
		50% Table A Contract Amount [1]		DWR Variable	CCWA WTP Variable	WTP Variable	WTP Variable	Santa Ynez Variable	SY Pump Station	Warren Act/	***Total Deposit***
Project	Table A	Exchange		Cost/AF [2]	Cost/AF	Retreatment Charge	Retreatment Credit	Exchange Adjustments	Cost/AF	Trust Fund Charges	***Target Amount***
Participant	Amount	Deliveries	Net Deliveries	***$ 210.00***	***$ 43.00***			***$ 43.00***	***$ 372.00***	***$ 58.00***	
Guadalupe	275		275	$ 57,750	$ 11,825	$ 7,146					$ 76,721
Santa Maria	8,100		8,100	1,701,000	348,300	141,740					2,191,040
Golden State Water Co.	250		250	52,500	10,750	6,486					69,736
VAFB	2,750		2,750	577,500	118,250	30,671					726,421
Buellton	289		289	60,690	12,427	4,905					78,022
Santa Ynez (Solvang)	750		750	157,500	32,250	10,483					200,233
Santa Ynez	250	1,313	1,563	52,500	10,750	39,232		56,459			158,941
Goleta	2,250	(473)	1,777	472,500	76,411	15,801	(58,811)	(20,339)	661,044	103,066	1,249,672
Morehart	100		100	21,000	4,300	566	(2,107)		37,200	5,800	66,759
La Cumbre	500		500	105,000	21,500	7,063	(26,290)		186,000	29,000	322,274
Raytheon	25		25	5,250	1,075	259	(966)		9,300	1,450	16,369
Santa Barbara	1,500	(315)	1,185	315,000	50,955	24,480	(91,114)	(13,545)	440,820	68,730	795,327
Montecito	1,500	(315)	1,185	315,000	50,955	24,480	(91,114)	(13,545)	440,820	68,730	795,327
Carpinteria	1,000	(210)	790	210,000	33,970	15,766	(58,680)	(9,030)	293,880	45,820	531,726
	19,539	-	19,539	$ 4,103,190	$ 783,718	$ 329,080	$ (329,080)	$ -	$ 2,069,064	$ 322,596	$ 7,278,568

(1) Excludes 3.908 AF CCWA drought buffer and the Goleta Water District 2,500 AF drought buffer.

(2) South coast exchange participants pay the DWR Variable costs on exchange deliveries.

Central Coast Water Authority

Exhibit #2: Current Funds Held by CCWA for Transfer to CCWA Variable Cost Deposit

March 2, 2021

	A	B	C	D	E	F	G
	Current Amounts as of January 31, 2021						
Project Participant	DWR Variable OMP&R Deposit Bal.	CCWA Variable Revenue Balance	Warren Act Charge Balance	Other CCWA Credits & 4-1-21 Variable Pymts	Total Current Deposit Balance	CCWA Variable Cost Target Amount	Balance Due (Deposit Credit)
Guadalupe	$ 106,051	$ 35,505		$ 8,126	$ 149,681	$ 76,721	$ (72,960)
Santa Maria	1,056,779	606,465		1,162,863	2,826,107	2,191,040	(635,067)
Golden State Water Co.	70,995	26,731		29,713	127,439	69,736	(57,703)
VAFB	473,455	99,304		133,194	705,953	726,421	20,468
Buellton	33,549	17,691		55,057	106,297	78,022	(28,274)
Santa Ynez (Solvang)	(23,317)	36,705		245,518	258,906	200,233	(58,673)
Santa Ynez	502,390	169,921		(132,059)	540,252	158,941	(381,311)
Goleta	103,108	406,157	118,336	218,534	846,135	1,249,672	403,537
Morehart	(237)	2,045	731	19,132	21,671	66,759	45,088
La Cumbre	68,542	53,043	23,736	69,694	215,016	322,274	107,258
Raytheon	3,056	5,070	903	1,181	10,210	16,369	6,159
Santa Barbara	816,771	270,432	101,879	23,791	1,212,874	795,327	(417,547)
Montecito	570,338	270,432	101,879	23,791	966,441	795,327	(171,114)
Carpinteria	263,491	178,678	65,910	15,964	524,043	531,726	7,683
	$ 4,044,971	$ 2,178,179	$ 413,374	$ 1,874,500	$ 8,511,024	$ 7,278,568	$ (1,232,456)

CENTRAL COAST WATER AUTHORITY

MEMORANDUM

February 26, 2021

TO: Ray Stokes, Executive Director

FROM: John Brady
Deputy Director, Operations and Engineering

SUBJECT: Analysis of Electrical Charges for the Santa Ynez Pumping Plant

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EXECUTIVE SUMMARY

During Fiscal Year 2020/2021, the electrical costs for the operation of the Santa Ynez Pumping Plant (SYPP) were higher than the costs estimated in the approved Budget. This triggered us to conduct a detailed review of the PG&E invoices and SYPP operational data. The conclusion of the analysis was that the cost per acre-foot (AF) of water delivered is significantly impacted by how SYPP is operated in terms of instantaneous flow rates and monthly delivery rates.

When SYPP is operated at higher monthly delivery rates, the cost per AF is relatively stable. However, if SYPP is operated with low monthly delivery rates, the costs per AF will increase exponentially as monthly delivery rates decrease. This is particularly true if multiple pumps are operated simultaneously to deliver a small volume of water in one month.

The primary reason why low monthly delivery rates are expensive is that PG&E charges a fee for electrical "Demand". They measure the maximum energy delivery rate within a 15-minute timeframe within a given month, then charge a fee for that service. This fee will apply for the entire month regardless if the maximum energy delivery rate happened in only one 15-minute increment or all month long. They simply look for the single highest "Demand" in a month to establish the fee they charge. Please note that PG&E also has other "Demand" charges based on time and season, which I explain later in this memorandum.

Due to this nature of billing, when monthly delivery rates are high, the "Demand" charge is distributed over a larger number of AF, which can be as high as 1,250 AF. In stark contrast, when monthly delivery rates are low, the Demand charge is distributed over a much lower number of AF, which can be as low as 4 AF.

Currently, there appears to be no significant need for lake deliveries by the larger South Coast Participants. This leaves the smaller South Coast Participants with needing to pay exceedingly high costs for lake deliveries due to the low monthly delivery requests from this group. The median cost for a selected low flow year and high flow year are as follows:

- High Flow Year (2018) – Median Cost $81.75/AF. This will decrease to $72.84 in the new PG&E Tariff, which becomes effective on March 1, 2021.

- Low Flow Year (2020) – Median Cost $187.53/AF. This will increase to $261.40/AF in the new PG&E Tariff, which becomes effective on March 1, 2021.

More details on the full range of costs for monthly deliveries are discussed later in this memorandum.

BACKGROUND

Each Fiscal Year, CCWA staff prepares a budget for approval by the CCWA Board of Directors. In order to fund the CCWA operation, Participants make payments in advance of CCWA expenditures, using the

estimated costs presented in the approved budget. While advance payments are "trued-up" to actual costs later in the year, it is important to provide an accurate estimate of operational costs so that Participants can make informed decisions with regards to ordering water deliveries.

During Fiscal Year 2020/2021, the actual electrical charges on a per acre-foot basis for the Santa Ynez Pumping Plant (SYPP) operation were much higher than those estimated in the approved Fiscal Year 2020/2021 Budget. Consequently, CCWA staff completed a detailed analysis of the electrical charges for the SYPP operation in order to determine a more accurate cost estimation protocol.

CCWA staff reviewed the current PG&E Tariff that applies to the SYPP (Tariff E19) as well as the new Tariff that will become effective on March 1, 2021 (Tariff B19). These Tariffs are complicated in that they provide numerous separate electrical rates for the SYPP operation. Each of these rates depends on the time of year and time of day in which electricity is used by the SYPP. To add further complication, there are rates related to electrical Demand as well as for Energy use, which are two different commodities. It is best to consider these analogous to driving a car where Demand is the speed in which you drive and Energy is the distance you traveled.

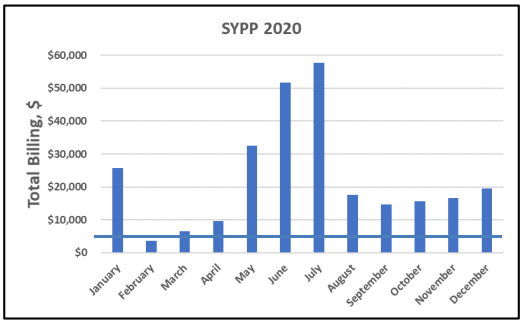
PRIOR ESTIMATION PROTOCOL

The amount of energy consumed by the pumping operation of SYPP is highly dependent on the delivery rate and conveyance path to Lake Cachuma. The least amount of energy used is during low delivery flow rates through the Bradbury Penstock while the Lake elevation is low. The greatest amount of energy used is during high delivery flow rates through the bypass pipeline route over the top of the Dam. In addition, operating the variable frequency drive on Pump #1 at lost flow rate introduces reduced electrical efficiency of the pump as well.

To address this variability, CCWA staff has historically been utilizing a cost estimation protocol that assumes that the planned fiscal year operation for SYPP will be similar to the prior calendar year of operation. The reasoning of this assumption is that the 12-month period used in the budget estimation ends 6 months prior to the start of the new fiscal year. Since the 12-month review period is so close to the start of the fiscal year, CCWA staff considered it a reasonable estimate of Participant delivery needs and operational conditions.

The existing estimation protocol proceeds with a review of the electrical bills for SYPP and to match the billing period with the amount of water delivered to Lake Cachuma during that timeframe, as shown in the table and graph below.

PG&E Billing						
Actual Bill Range		Total Bill	AF	$/AF	Kwh	Kwh/AF
Start	End					
12/31/2019	1/29/2020	$25,674.76	143	$180.09	76,311	535
1/30/2020	3/1/2020	$3,739.97	4	$954.07	4,810	1,227
3/2/2020	3/30/2020	$6,553.15	57	$113.99	29,808	518
3/31/2020	4/29/2020	$9,591.73	19	$505.09	16,523	870
4/30/2020	5/31/2020	$32,613.53	67	$486.70	29,274	437
6/1/2020	6/29/2020	$51,677.64	125	$412.53	71,972	575
6/30/2020	7/28/2020	$57,783.64	231	$250.03	125,549	543
7/29/2020	8/27/2020	$17,633.10	74	$239.42	43,335	588
8/28/2020	9/28/2020	$14,730.51	48	$305.42	20,478	425
9/29/2020	10/28/2020	$15,601.14	74	$211.54	34,742	471
10/29/2020	11/30/2020	$16,576.41	90	$184.37	42,820	476
12/1/2020	12/29/2020	$19,520.64	10	$1,967.81	7,965	803
	totals:	$271,696.22	942	$288.48	427,276	454
	Min	$3,739.97				



A minimum monthly bill is then identified in the data. This quantity represents the first iteration of the fixed cost estimate for SYPP. Also, once a minimum monthly cost is identified, it is subtracted from each of the monthly billing amounts. The remaining amount (referred to as trimmed cost) is subsequently divided by the delivery amount for the given monthly billing period in acre-feet (AF). This generates the first iteration of a range of variable cost estimates, as shown in the Table below.

The second phase of the calculation is to identify the appropriate cost per acre-foot to use for the Budget electrical variable costs for SYPP. The current protocol calls for using the 75th percentile of the trimmed

cost per acre-foot. The reasoning is that average or median values would not adequately capture the higher monthly costs. Rather than use the maximum monthly cost, a 75th percentile represented a half-way point between the middle and maximum monthly cost per acre-foot.

	Monthly	Min Cost	Trim	$/AF
January	$25,674.76	$3,739.97	$21,934.79	$153.85
February	$3,739.97	$3,739.97	$0.00	$0.00
March	$6,553.15	$3,739.97	$2,813.18	$48.93
April	$9,591.73	$3,739.97	$5,851.76	$308.15
May	$32,613.53	$3,739.97	$28,873.56	$430.88
June	$51,677.64	$3,739.97	$47,937.67	$382.67
July	$57,783.64	$3,739.97	$54,043.67	$233.84
August	$17,633.10	$3,739.97	$13,893.13	$188.64
September	$14,730.51	$3,739.97	$10,990.54	$227.88
October	$15,601.14	$3,739.97	$11,861.17	$160.83
November	$16,576.41	$3,739.97	$12,836.44	$142.77
December	$19,520.64	$3,739.97	$15,780.67	$1,590.79
			75th Percentile	$326.78

		PG&E Increase	Budget
Fixed Cost	$3,739.97	8.00%	$4,039.17
Variable	$326.78	8.00%	$352.92

Finally, staff researches the potential for PG&E to increase rates during the planned fiscal year. Once an estimate of potential rate increases is completed, it is applied to the calculated fixed and variable costs, as shown in the accompanying table.

This year's budget estimate for FY 2021/2022 was the highest ever calculated. Consequently, a detailed study was launched to understand why. In addition, PG&E will be migrating CCWA to a new billing Tariff, which has a number of significant changes that need to be fully understood.

PG&E RATE CHANGE

On March 1, 2021, PG&E will migrate CCWA from Tariff E19 to Tariff B19. There are a number of changes that are significant and they include changing the "time of use" timeframes and seasons as well as changing unit charges. The changes in rates and "time of use" are presented in the diagram and tables below:

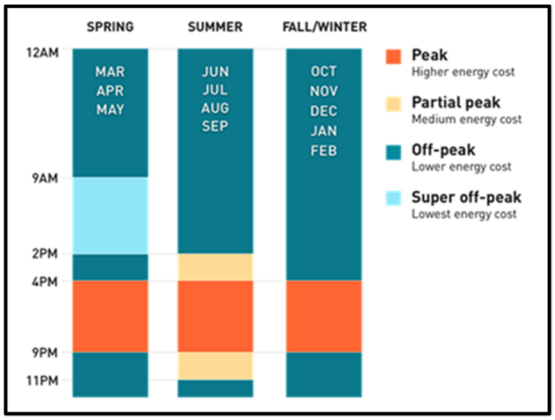
DEMAND

Season	Element	Tariff E19 (OLD)	Tariff B19 (NEW)	Change
Summer	Max Peak	$21.28	$25.12	+18.0 % increase
	Part-Peak	$5.94	$5.21	-12.3% decrease
	Maximum	$21.08	$21.40	+1.5% increase
Winter	Part-Peak/Max Peak	$0.14	$1.69	+1,107 % increase
	Maximum	$21.08	$21.40	+1.5% increase

ENERGY

Season	Element	Tariff E19 (OLD)	Tariff B19 (NEW)	Change
Summer	Peak	$0.16733	$0.15871	-5.15% decrease
	Part-Peak	$0.12183	$0.13029	+6.9% increase
	Off Peak	$0.09170	$0.11020	+20.2% increase
Winter	Part-Peak	$0.11560	$0.14066	+21.7% increase
	Off-Peak	$0.09918	$0.11012	+11.0% increase
	Super Off-Peak	N/A	$0.06914	-30.3% decrease for some of Off-Peak

The new Tariff increases the billing quantities from 10 to 11. The main feature of the rate change is that the Peak "time of use" has been shifted from the middle of the day towards the end of the day. This is due to the increase in solar electrical generation and its overall effects on peak demand for electrical power. The Peak and Partial Peak "time of use" also now includes the weekends and holidays, where previously weekends and holidays were classified as Off-Peak.



In general, all components of the rate structure have increased, with the exception of Summer Partial Peak Demand, Summer Peak Energy and the creation of a new "time of use" classification called Super Off-Peak, which provides a 5 hours window of greatly reduced (over 30%) Off-Peak energy pricing for a three-month period.

ANALYSIS

The rate change is complicated in that the time of Peak, Partial Peak and Off-Peak have all been changed. The only way to analyze this rate change is through applying real operating data. Accordingly, CCWA staff selected operating data from 2018 and 2020. The year 2018 (used March 2018 to Feb 2019) was selected because SYPP delivered 12,794 AF during this year, which is close to maximum capacity. The year 2020 was selected because it was a year where SYPP was minimally used, with only 1,002 AF being delivered to the Lake.

The data consisted at 15-minute increments, which is the same time increments that PG&E uses in applying its new rates. The data was sorted into the billing classifications for Tariff E19 (OLD) and Tariff B19 (NEW) for both the 2018 and 2020 operational data and the billing rates were applied. In addition, the monthly costs were matched with the monthly delivery volume to the Lake.

The above-described analysis generates a range of monthly costs and all of these monthly costs were reduced to cost per acre-foot of water delivered to the lake. The details of the analysis are presented in two graphs for each of the four scenarios (high flow year analyzed by the old and new tariff; low flow year analyzed by the old and new tariff). The results of the analysis is also presented in the table below:

Comparison Table
High Flow and Low Flow Years - New and Old PG&E Rates

	2018 Deliveries (High Flow)	2020 Deliveries (Low Flow)
Tariff E19 (OLD)		
Minimum	$14.29 (1,218 AF)	$51.96 (58 AF)
Maximum	$93.35 (178 AF)	$1,545.43 (10 AF)
Median	$81.75	$187.53
75th Percentile	$84.24	$400.57
Tariff B19 (NEW)		
Minimum	$66.03 (1,230 AF)	$119.79 (58 AF)
Maximum	$168.76 (178 AF)	$1,982.42 (10 AF)
Median	$72.84	$261.40
75th Percentile	$75.96	$372.47

In short, the effects of the PG&E rate changes essentially result in an overall reduction in costs if we operate SYPP at or near 100% capacity, but increases overall costs when SYPP is operated at minimal levels. Another important observation is that the effects of operating SYPP at minimal levels is exasperated with the new rate. Considering the median cost arising from Tariff 19E (OLD), the median cost increases by a factor of 2.3 from high production to low production years. Under the new Tariff B19 (NEW), the median cost increases by a factor of 3.6 from high production to low production years.

If we analyze the cost per AF in the aggregate of both years under the new Tariff B19, we can develop an equation that can reasonably predict the cost per AF for SYPP. When solving the equation for a SYPP production rate where the cost per AF is $100, we need to deliver 600 AF per month. The best fit equation has a coefficient of determination of 0.8317, which means that the equation has a 83.17% fit of the cost versus SYPP production relation. The graph of this relationship is attached and the best fit equation is presented below:

$$Y = 2{,}062.4X^{-0.473}$$

Where:
Y= $/AF
X= AF delivered to the Lake

CONCLUSION AND RECOMMENDATIONS

From the above analysis, the prior cost estimation protocol does not adequately characterize the pumping costs for all SYPP pumping scenarios and the protocol needs to be improved to provide a better, more refined estimate. However, as seen in the aggregate analysis of high production and low production years, the relationship between cost per acre-foot and monthly delivery rate is exponential, which means that small changes in the SYPP operation will result in large changes in cost, particularly when SYPP is operated below 50% operating capacity.

Currently, the capacity of SYPP is allocated based on the delivery schedules that are finalized by each Participant in December of each year. As part of reserving a share of the SYPP capacity, a deposit for the estimated operating costs is required. This process creates pressures to request maximum deliveries to ensure capacity is reserved at the highest level. It also requires Participants to provide advanced payment for much higher deliveries than they actually plan to request.

Considering the results of this analysis, a different approach is merited. There is both a need to understand the actual lake delivery plans of South Coast Participants and a need to provide South Coast Participants with an accurate understanding of the costs prior to placing an order for a lake delivery. To address these two needs, we recommend the following:

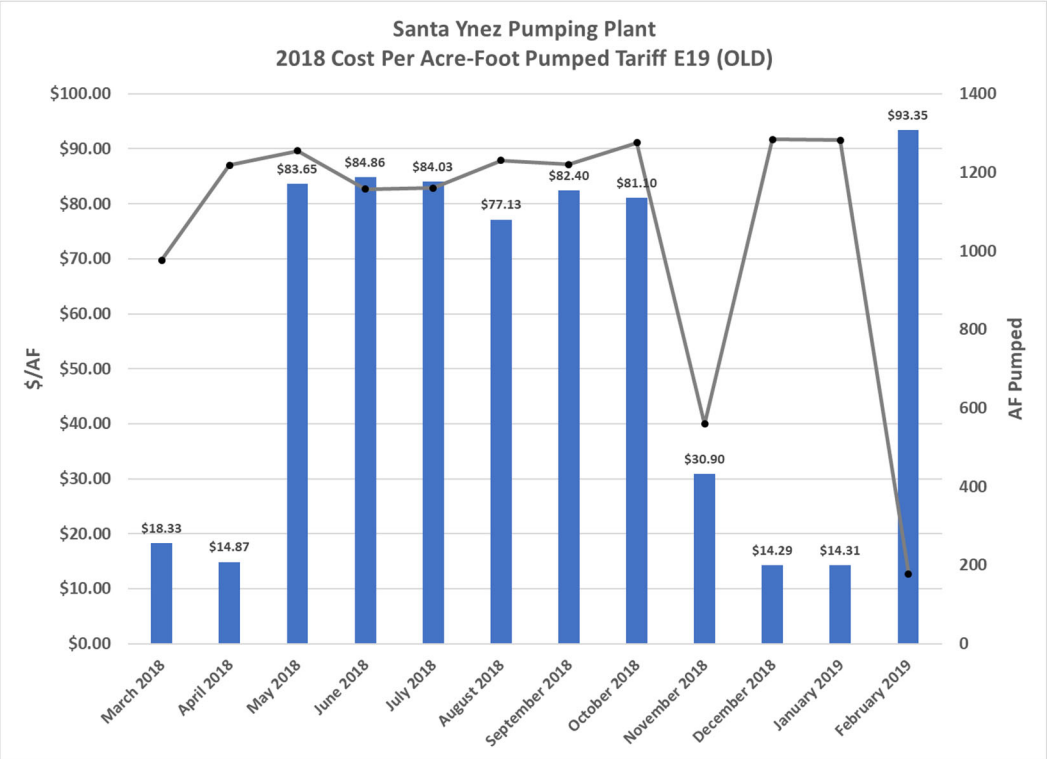
- Separate the capacity reservation process from the operational cost deposit. We propose that each Participant have SYPP capacity reserved in direct proportion to their Table A amount. If a Participant does not utilize their share in SYPP capacity in a particular month, it will become available to those Participants that request its use. If more than one Participant requests a share of excess capacity, it will be shared in proportion to their Table A among the requesting Participants.

- Establish a Deposit Amount that is sufficient to meet CCWA operational needs.

- Develop an operational matrix that will provide costs for various operating scenarios of SYPP. This matrix would establish delivery “Bins”, in AF/month, and delivery rates, in terms of number of pumps used and various settings of the Variable Frequency Drive of Pump #1. This operational matrix could be consulted during the monthly Lake Delivery Request process. An example Table is attached and would be developed through a pump test at SYPP.

- In circumstances where only minimum volume of water is requested, such as from Raytheon, Morehart Land Company or La Cumbre Mutual Water Company, the following options might be considered:

    - Postpone or advance Lake Deliveries in order to maximize the volume of water that needs to be delivered in a particular month.
    - Potentially develop a sub-exchange program within the established Santa Ynez Exchange Agreement.


Santa Ynez Pumping Plant
2018 Cost Per Acre-Foot Pumped Tariff E19 (OLD)
$/AF
AF Pumped
$100.00
$90.00
$80.00
$70.00
$60.00
$50.00
$40.00
$30.00
$20.00
$10.00
$0.00
1400
1200
1000
800
600
400
200
0
$18.33
$14.87
$83.65
$84.86
$84.03
$77.13
$82.40
$81.10
$30.90
$14.29
$14.31
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March 2018
April 2018
May 2018
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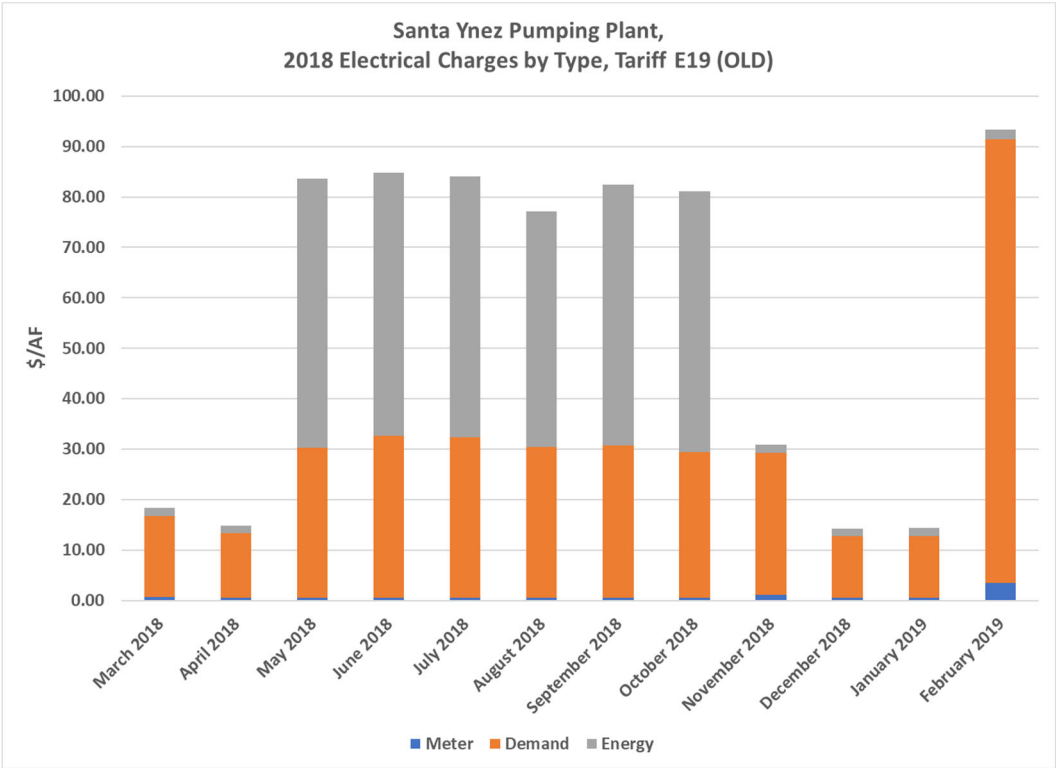
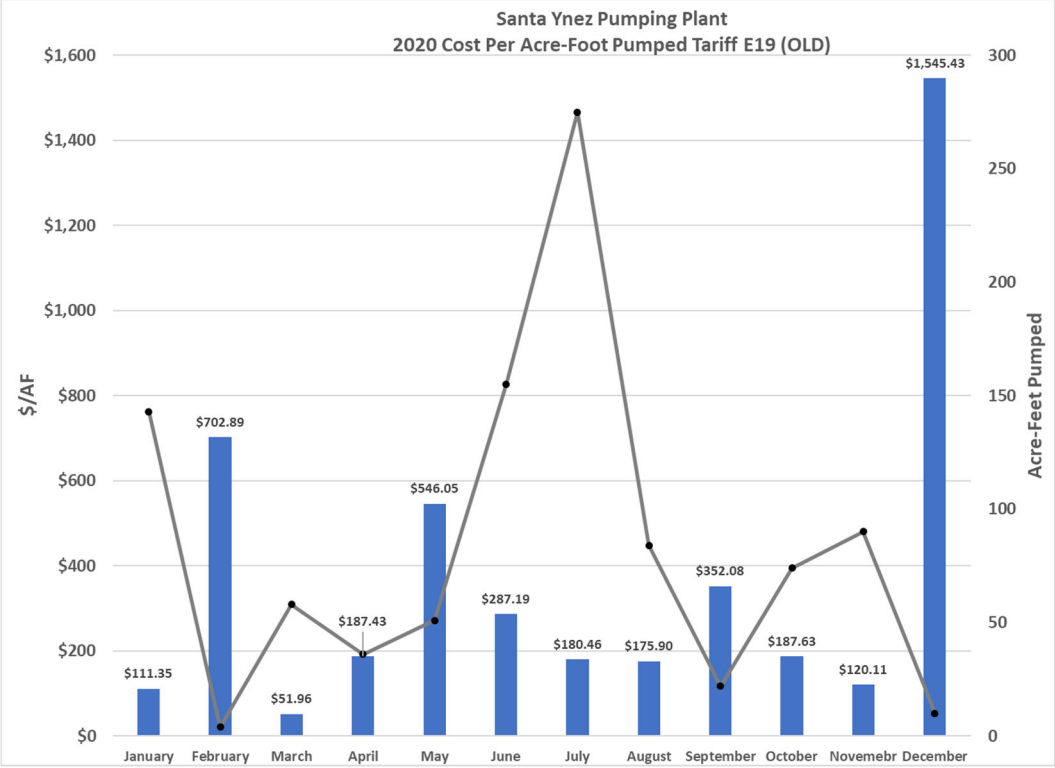
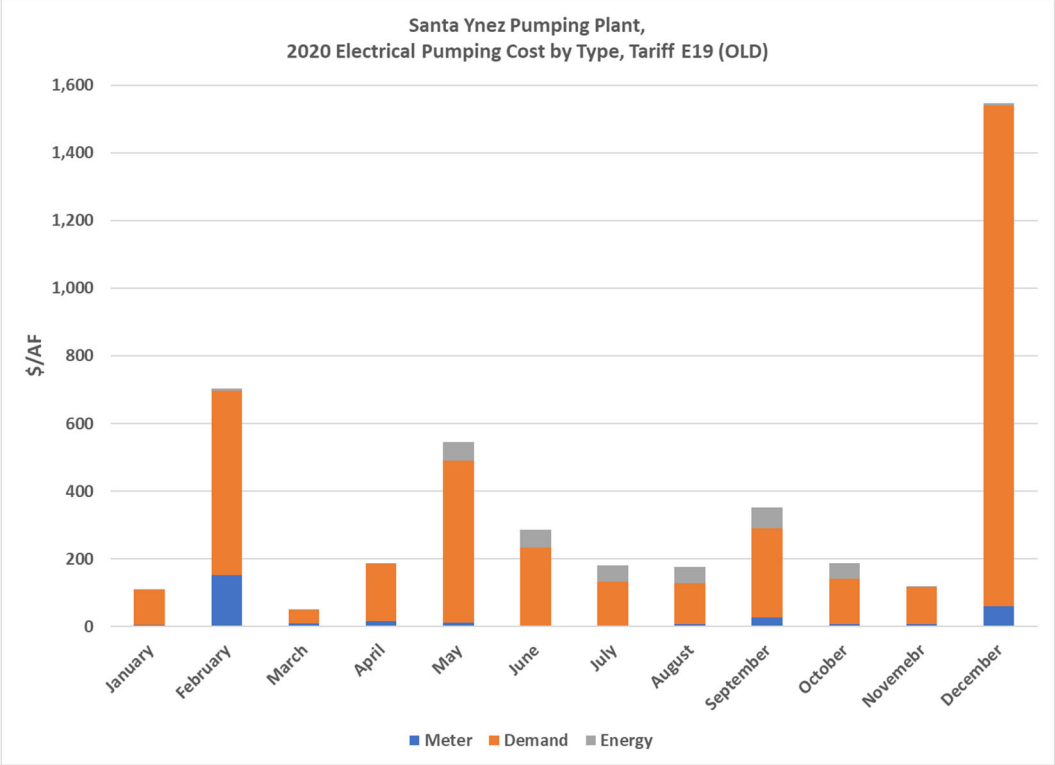
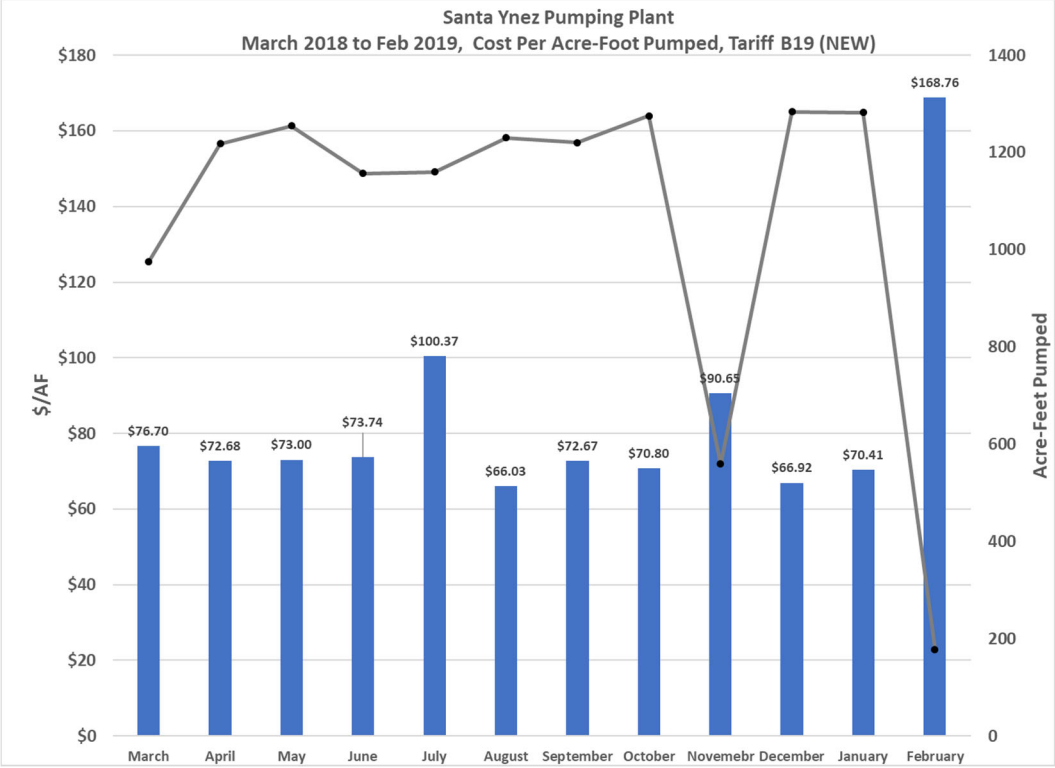
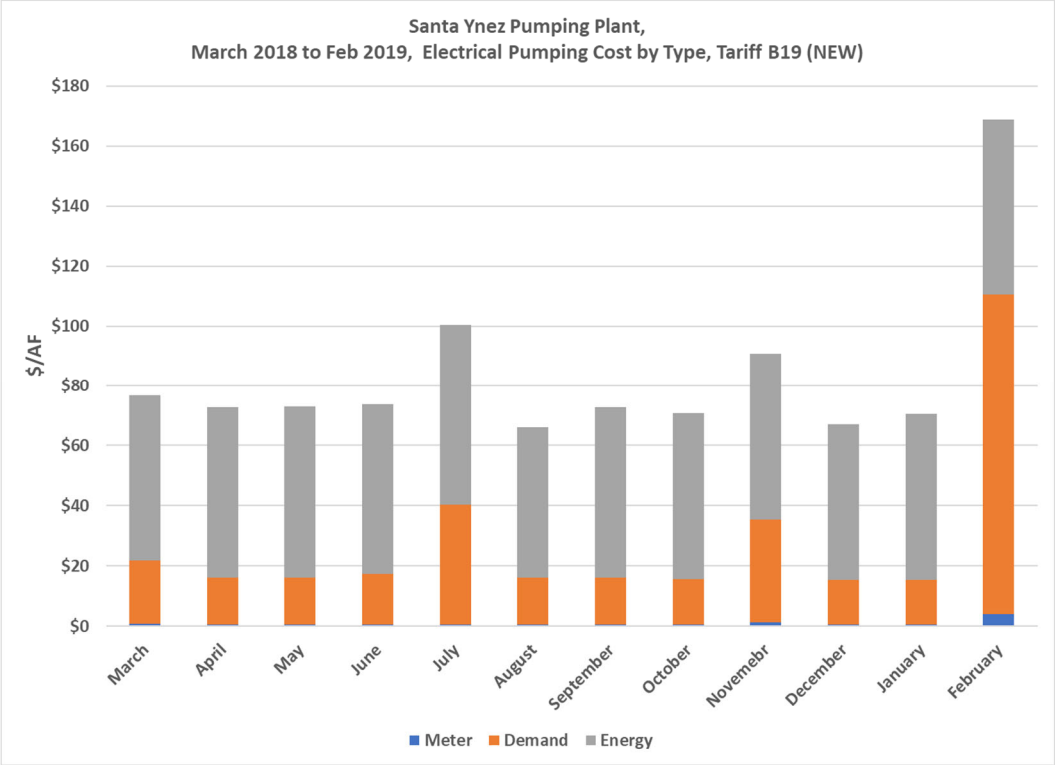
July 2018
August 2018
September 2018
October 2018
November 2018
December 2018
January 2019
February 2019


Santa Ynez Pumping Plant,
2018 Electrical Charges by Type, Tariff E19 (OLD)
$/AF
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
March 2018
April 2018
May 2018
June 2018
July 2018
August 2018
September 2018
October 2018
November 2018
December 2018
January 2019
February 2019
Meter
Demand
Energy


Santa Ynez Pumping Plant
2020 Cost Per Acre-Foot Pumped Tariff E19 (OLD)
$/AF
Acre-Feet Pumped
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
300
250
200
150
100
50
0
$111.35
$702.89
$51.96
$187.43
$546.05
$287.19
$180.46
$175.90
$352.08
$187.63
$120.11
$1,545.43
January
February
March
April
May
June
July
August
September
October
Novemebr
December


Santa Ynez Pumping Plant,
2020 Electrical Pumping Cost by Type, Tariff E19 (OLD)
$/AF
1,600
1,400
1,200
1,000
800
600
400
200
0
January
February
March
April
May
June
July
August
September
October
Novemebr
December
Meter
Demand
Energy


Santa Ynez Pumping Plant
March 2018 to Feb 2019, Cost Per Acre-Foot Pumped, Tariff B19 (NEW)
$/AF
Acre-Feet Pumped
$180
$160
$140
$120
$100
$80
$60
$40
$20
$0
1400
1200
1000
800
600
400
200
0
$76.70
$72.68
$73.00
$73.74
$100.37
$66.03
$72.67
$70.80
$90.65
$66.92
$70.41
$168.76
March
April
May
June
July
August
September
October
Novemebr
December
January
February


Santa Ynez Pumping Plant,
March 2018 to Feb 2019, Electrical Pumping Cost by Type, Tariff B19 (NEW)
$/AF
$180
$160
$140
$120
$100
$80
$60
$40
$20
$0
March
April
May
June
July
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Novemebr
December
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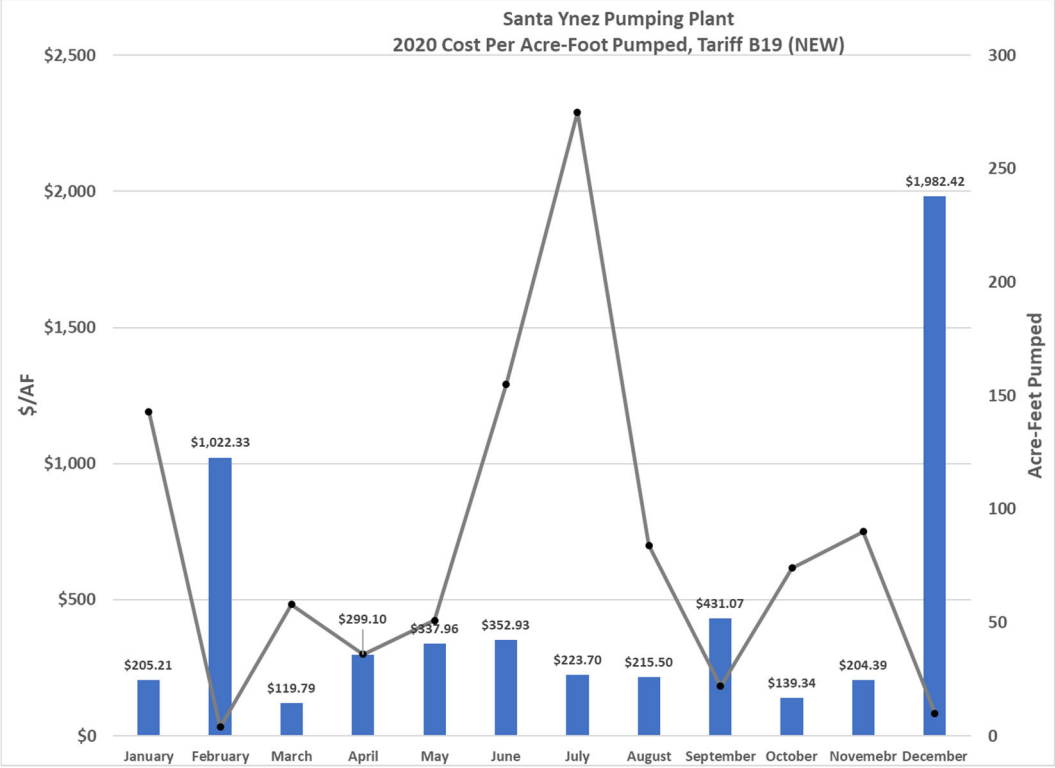
Demand
Energy


Santa Ynez Pumping Plant
2020 Cost Per Acre-Foot Pumped, Tariff B19 (NEW)
$/AF
Acre-Feet Pumped
$2,500
$2,000
$1,500
$1,000
$500
$0
300
250
200
150
100
50
0
$205.21
$1,022.33
$119.79
$299.10
$337.96
$352.93
$223.70
$215.50
$431.07
$139.34
$204.39
$1,982.42
January
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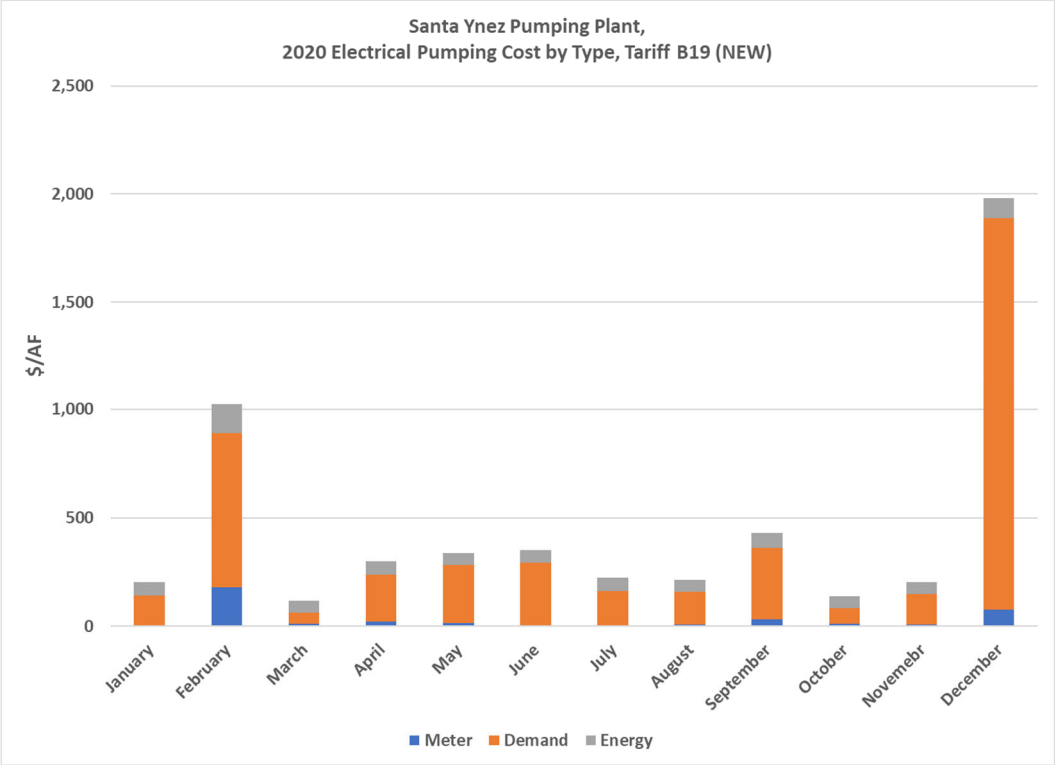
Santa Ynez Pumping Plant,
2020 Electrical Pumping Cost by Type, Tariff B19 (NEW)
$/AF
2,500
2,000
1,500
1,000
500
0
January
February
March
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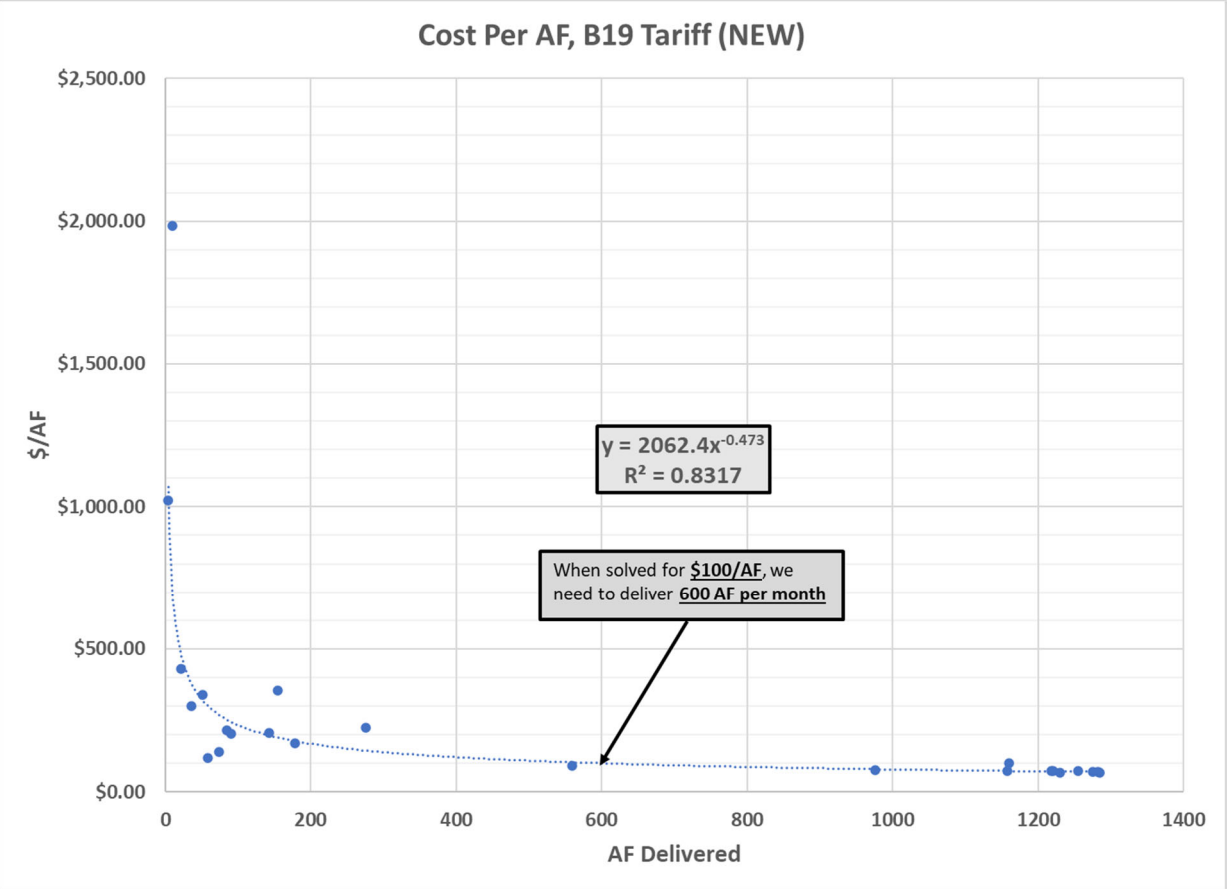
Energy


Cost Per AF, B19 Tariff (NEW)
$2,500.00
$2,000.00
$1,500.00
$1,000.00
$500.00
$0.00
$/AF
0
200
400
600
800
1000
1200
1400
AF Delivered
y = 2062.4x^-0.473
R² = 0.8317
When solved for $100/AF, we need to deliver 600 AF per month

Estimated Costs for SYPP Operation							
AF/Month	40% Pump	60% Pump	80% Pump	1 pump	2 Pump	3 Pump	4 Pump
0 -10	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<10-15	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<15-20	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<20-25	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<25-30	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<30-35	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<35-40	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<40-45	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<45-50	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<50-55	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<55-60	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<60-65	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<65-70	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<70 - 75	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<75-80	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<80-85	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<85-90	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<90-100	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<100-110	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<110-120	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<120-130	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<130-140	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<140-150	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<150-160	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<160-170	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<170-180	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<180-190	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<190-200	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<200-225	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<225-250	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<250-300	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<300-350	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<350-400	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<400-450	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<450-500	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<500-600	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<600-700	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
<700-750	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF
>750	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF	$/AF

1. CCWA Staff request Participants to provide delivery orders the THIRD Tueday of each month
2. Participants must reply by the following Frida y
3. CCWA staff will provide Participants a notice of the total for Lake Deliveries for the Month.

CENTRAL COAST WATER AUTHORITY

MEMORANDUM

March 3, 2021

TO: CCWA Operating Committee

FROM: Lisa M. Long
Controller

SUBJECT: CCWA FY 2021/22 Preliminary Budget

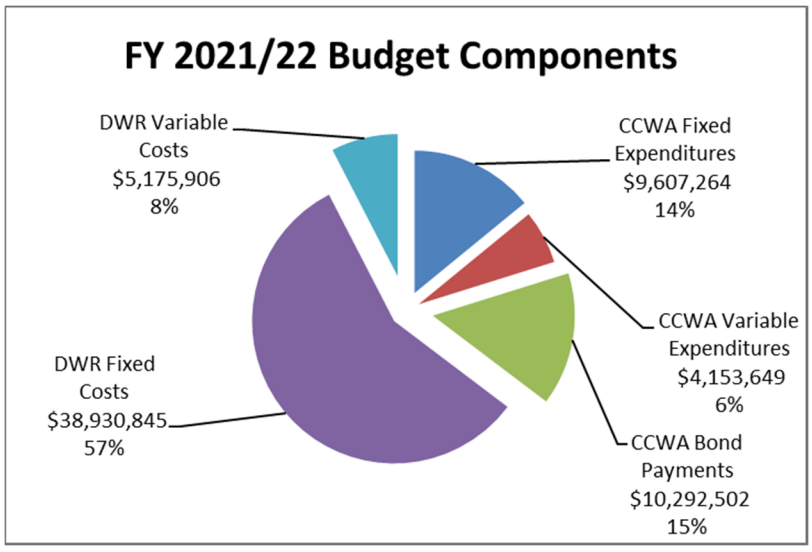
SUMMARY

The Preliminary FY 2021/22 Budget document has been posted for review at the CCWA website www.ccwa.com under the Major Reports tab. This memorandum provides an overview of the preliminary budget and highlights significant changes between it and the Final FY 2020/21 Budget. Staff will provided an overview of the Preliminary FY 2021/22 Budget at the March 11, 2021 Operating Committee meeting, and will be providing an overview at the March 25, 2021 CCWA Board Meeting.

DISCUSSION

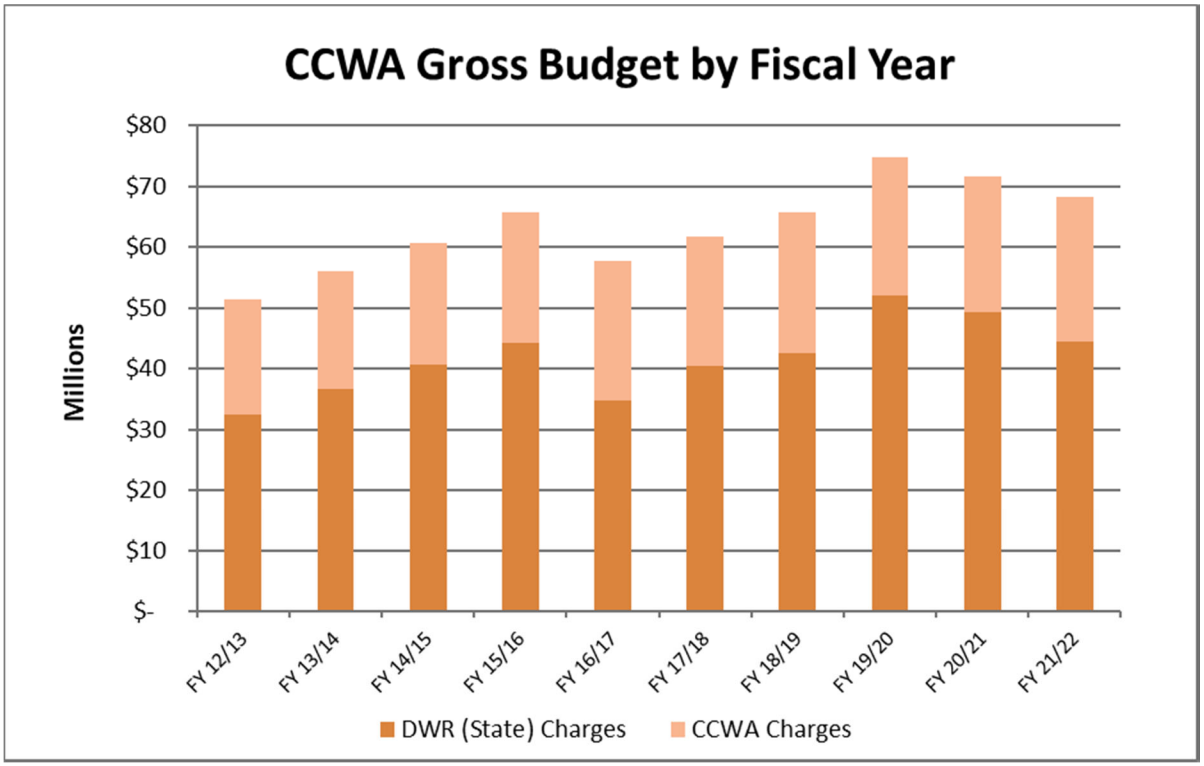
The FY 2021/22 Preliminary Budget calls for total project participant payments of $68.02 million compared to the FY 2020/21 budget of $71.09 million, a $3.07 million decrease.

The following graph shows the various components of the FY 2021/22 Preliminary Budget and subsequent table compares the Preliminary FY 2021/22 Budget and the Final FY 2020/21 Budget:



Budget Item	Final FY 2020/21 Budget	Preliminary FY 2021/2022 Budget	Increase (Decrease)
CCWA Expenses			
CCWA Operating Expenses - Fixed	$ 7,467,814	$ 7,850,320	$ 382,506
CCWA Operating Expenses - Variable	2,618,077	4,153,649	1,535,573
Revenue Bond Debt Service Payments	10,274,767	10,292,502	17,735
Capital/Non-Capital Projects	1,956,528	1,322,060	(634,468)
Total CCWA Expenses:	22,317,186	23,618,531	1,301,345
Pass-Through Expenses			
DWR Fixed Costs	43,237,081	38,930,845	(4,306,236)
DWR Variable Costs	5,449,707	5,175,906	(273,800)
Warren Act and Trust Fund Payments	538,969	434,884	(104,085)
Total Pass-Through Expenses:	49,225,756	44,541,636	(4,684,121)
Subtotal Gross Budget:	71,542,943	68,160,167	(3,382,776)
CCWA (Credits) Due	(452,559)	(142,214)	310,345
TOTAL:	$ 71,090,383	$ 68,017,953	$ (3,072,431)

The following graph shows the CCWA and DWR gross budget (without CCWA credits) for the past ten years.



CCWA Operating Expense Budget

The Preliminary FY 2021/22 CCWA operating expense budget totals $12,003,969 which is $1,918,078 more than the FY 2020/21 operating expense budget, or a 19.02% increase.

The following table shows the allocation between the fixed and variable CCWA O&M expenses for FY 2021/22 and FY 2020/21.

	Final FY 2020/21 Budget	Preliminary FY 2021/2022 Budget	Increase	Percentage Change
Fixed O&M	$ 7,467,814	$ 7,850,320	$ 382,506	5.12%
Variable O&M	2,618,077	4,153,649	1,535,573	58.65%
Total:	$10,085,891	$12,003,969	$ 1,918,078	19.02%

The following is a list of the major highlights of the operating expense budget. Additional highlights and detailed explanations are available in the departmental sections of the preliminary budget.

Water Deliveries

Total requested water deliveries for FY 2021/22 are 31,007 acre feet compared to the FY 2020/21 requested deliveries of 33,626 acre feet, a decrease of 2,619 acre-feet.

Personnel Expenses

Personnel expenses are increasing by about $98,953 which includes the following changes from the prior year:

- The FY 2020/21 total salaries and wages budget for all departments is increasing $82,685 as compared to the prior fiscal year budget, representing an increase of 2.58%.

- CalPERS retirement expenses are increasing by approximately $8,097. The combined CCWA paid employer, employee and unfunded actuarial liability contribution rates for the FY 2021/22 total 30.20% as compared to the prior year amount of 27.823%, for a combined increase of 2.377%.

- Health insurance, dental/vision plan expenses and cafeteria plan benefits combined are increasing by about $26,851 due to; 1) The 2021 CalPERS health insurance plan with the lowest premiums increased by 5.62% over the 2020 premiums, as opposed to the increase of 5% budgeted for the calendar year 2021. The 2021 health allowances have remained at same levels used in 2020; 2) The FY 2021/22 Budget also includes an estimated 5% increase in the health insurance premiums effective January 1, 2022. The health plan estimates are based on the elections of each employee at the time the budget is prepared.

- Workers' Compensation costs are decreasing by $19,135 due to an 11% reduction in the Experience modification rate for CCWA.

- The FY 2021/22 Budget includes a $149,952 deposit into the Retiree Benefit Trust Program, a decrease of $6,851 for FY 2021/22 over the FY 2020/21 budget amount of $156,803. This decrease is based on actuarial assumptions for the required minimum contribution under PEMHCA and the additional vested portion of retiree only premiums for employees who are 62 years of age or older and retire from CCWA having completed at least 10 years of CCWA service.

Supplies and Equipment

Supplies and equipment are decreasing by $470,400 based primarily on the reduced cost of chemicals needed. Estimates are based on historical data and the costs of treatment are directly related to changes in water quality.

Monitoring Expenses

Monitoring expenses are only increasing by $11,193 due to a for additional lab supplies and equipment as identified by the Senior Chemist.

Repairs and Maintenance

Repairs and maintenance costs are decreasing nominally, by about $950 due to reduced HVAC-related costs.

Professional Services

Professional Services are increasing by $191,062 due primarily to an increase of $25,000 budgeted for Santa Barbara County staff time regarding State water issues, and an increase of about $150,000 for legal services.

General and Administrative

General and Administrative costs are decreasing by about $15,250 due to decreased meetings and travel costs.

Utilities

Utility expenses are increasing by about $2,033,777 largely due to PG&E rate increases and demand charges.

Other Expenses

Other expenses are increasing by about $69,193 due to increased insurance costs and computer expenses.

Approximately 44% of the operating expense budget represents personnel expenses. This is followed by 27% for utilities, 11% for supplies and equipment, and 6% for professional services, with the balance being comprised of other expenses.

CCWA Capital Improvement & Non-Capital Projects

The Preliminary FY 2021/22 Budget includes $1,322,060 for capital and non-capital improvement projects, a $634,468 decrease over the prior year amount. All capital improvement and non-capital projects are funded on a current basis from project participant assessments.

Please refer to the "*Projects*" section of the Preliminary FY 2021/22 Budget for additional information on the budgeted capital improvement projects.

Regional Water Treatment Plant Allocation and Santa Ynez Exchange Agreement Modifications

The Preliminary FY 2021/22 fixed, capital and variable regional water treatment plant allocation expense and corresponding credit is $1,377,658 or $35.25/AF for all Project Participants. The Preliminary FY 2021/22 fixed, capital and variable Santa Ynez exchange agreement modifications total $563,401, or $215/AF. The capital retreatment allocation has been reduced to reflect the payment in full of the CCWA bonds on October 1, 2021.

Please refer to the Water Treatment Plant section of the Budget for additional information on the regional water treatment plant allocation and Santa Ynez exchange agreement modifications.

CCWA 2016A Revenue Bond Debt Service

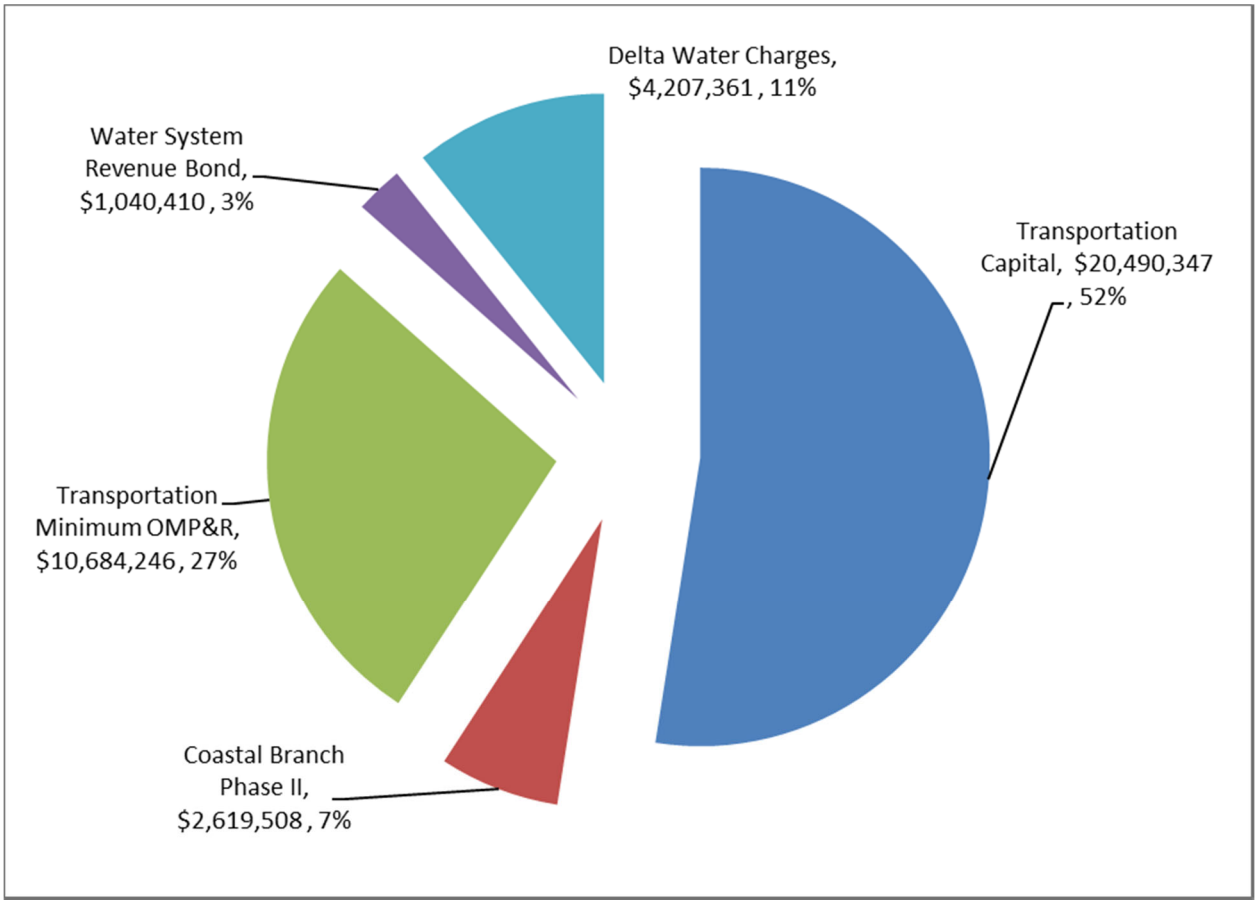
CCWA 2016A revenue bond debt service for FY 2021/22 totals $10.29 million, which is $17,735 higher than the prior year amount. The final principal and interest payment for the CCWA 2016A revenue bonds will be made on October 1, 2021.

Warren Act and Trust Fund Payments

The Preliminary FY 2021/22 Budget includes $434,884 for Warren Act and Trust Fund MOU payments based on $58 per acre foot for 7,498 acre feet of water to be delivered to Cachuma Lake.

DWR FIXED COSTS

The DWR fixed costs are comprised of the following cost components:



The FY 2021/22 DWR fixed charges total $38,930,845 which is $4,306,236 lower than the FY 2020/21 Budget. The reasons for the cost component variances are described later in this report.

Transportation Capital

The Transportation Capital cost component covers the use of facilities to transport water to the vicinity of each State water contractor turnout. Generally, the charge represents each contractor's proportionate share of the reimbursable capital costs and fixed operating costs.

The FY 2021/22 Transportation capital charges are increasing by $1,146,504 due to the following:

Transportation Capital Budget-to-Budget Changes			
	FY 2020/21	FY 2021/22	Change
Calculated Component	$ 23,132,541	$ 23,455,581	$ 323,040
Rate Management Credits	(2,515,069)	(2,515,020)	49
Prior Year amount due	108,233	356,134	247,901
Prior Year Overcollection Credit	(1,361,652)	(791,837)	569,815
Other Adjustments	(20,209)	(14,511)	5,698
Total:	$ 19,343,843	$ 20,490,347	$ 1,146,504

Coastal Branch Extension-Transportation Capital Reach 37 and 38

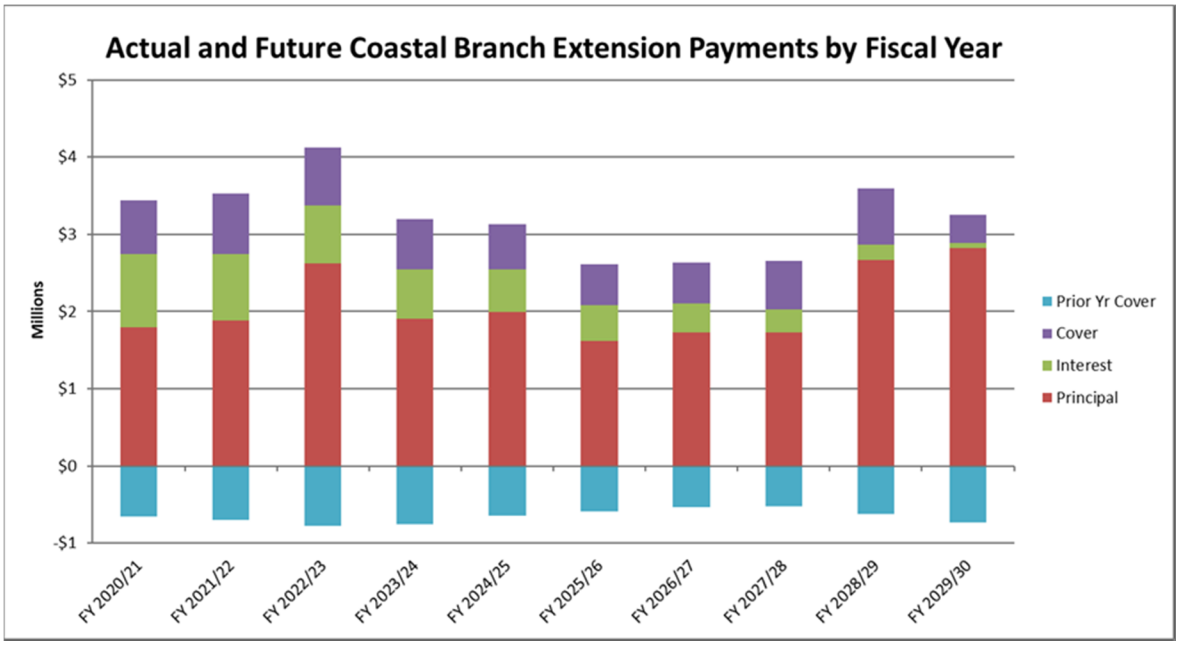
This represents the debt service for the Coastal Branch Extension bonds issued by DWR for the Coastal Branch Extension facilities in Santa Barbara County south of the Santa Maria River. CCWA is solely responsible for repayment of the debt service on these bonds to DWR. The charges are allocated according to DWR's actual construction costs for the project with 51.84% allocated to Reach 37 and 48.16% allocated to Reach 38.

Coastal Branch Extension debt service payments for FY 2021/22 total $2,602,748, which is $32,413 higher than the prior year amount due to the following:

Coastal Branch Extension Debt Service			
	FY 2020/21	FY 2021/22	Change
Principal Payments	$ 1,789,404	$ 1,880,463	$ 91,059
Interest Payments	954,146	863,375	(90,771)
Bond Cover	697,270	778,722	81,452
Rate Management Credits	(162,457)	(162,454)	3
Return of Prior Year Cover	(653,554)	(697,270)	(43,716)
Prior year amount due (credit)	(54,474)	(60,088)	(5,614)
Total:	$ 2,570,334	$ 2,602,748	$ 32,413

Principal, Interest and Bond Cover Changes

Over the years, DWR has refinanced some of the original bonds used to finance these facilities and the resulting debt service repayment fluctuates significantly between years as can be seen in the following graph.



In addition to the revenue bond principal and interest, DWR also collects bond cover or an additional 25% of revenue bond payments as an additional security for the bond holders. DWR holds one year of bond cover and then returns the prior year bond cover payments as credits.

Transportation Minimum OMP&R

Transportation Minimum OMP&R charges are the operations and maintenance costs incurred by DWR to operate the State Water Project that generally do not depend on or vary with the quantities of water delivered to CCWA.

For FY 2021/22, total Transportation Minimum OMP&R charges are $10,684,247, which is $5,415,100 less than the prior year amount due to the following:

Transportation Minimum OMP&R			
	FY 2020/21	**FY 2021/22**	**Change**
Calculated Component	$ 14,376,734	$ 11,410,855	$ (2,965,879)
Prior Year (Over)/Under Collection	1,701,987	(726,608)	(2,428,595)
Prior Year Amount Due (Credit)	20,626	-	(20,626)
Total:	$ 16,099,347	$ 10,684,247	$ (5,415,100)

DWR estimates the calendar year charges for each Contractor and then reconciles or “trues-up” the actual charges incurred in the following year(s) resulting in either an over or under-payment of charges.

Water System Revenue Bond Surcharge

The Water System Revenue Bond Surcharge (WSRB) represents the difference between the capital payments to DWR from the Contractors and the actual revenue bond debt service payments paid by DWR. For FY 2021/22, the WSRB is $187,379 lower than the prior year amount.

Delta Water Charge

The Delta Water Charge is a unit charge applied to each acre-foot of State water Table A. The unit charge covers repayment of all outstanding reimbursable costs of the DWR Project Conservation Facilities with appropriate interest, by the end of the State water contract repayment period in 2035.

The FY 2021/22 Delta Water Charge totals $4,207,361, which is $144,923 higher than the prior year amount for the following reasons.

Delta Water Charge			
	FY 2020/21	**FY 2021/22**	**Change**
Rate per acre-foot	$ 91.60	$ 95.55	$ 3.95
Delta Water Charge	4,166,640	4,346,321	179,681
Rate Management Credits	(138,960)	(138,960)	-
Replacement Deposits	-	-	-
Prior year amount due (credit)	34,758	-	(34,758)
Total:	$ 4,062,438	$ 4,207,361	$ 144,923

As the table above shows, the FY 2021/22 rate per acre-foot totals $95.55, which is $3.95/AF more than the prior year amount.

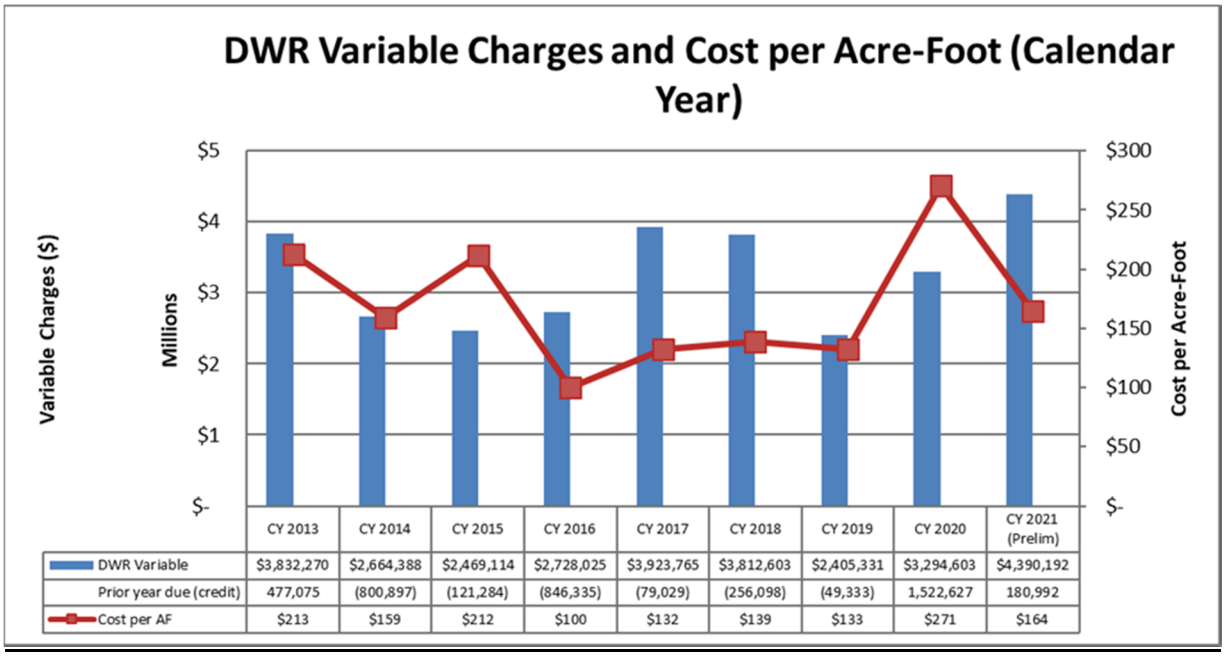
The FY 2021/22 rate includes an estimated $20.00/AF increase for calendar year 2022 for potential other conservation and delta related facilities ($10.00/AF on a fiscal year basis).

DWR VARIABLE COSTS

The DWR variable charges are comprised of the following two cost components:

- Off-Aqueduct Charge
- Variable OMP&R

The following graph shows the nine-year history of the actual and estimated DWR variable costs and cost per acre-foot for each calendar year.



	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021 (Prelim)
DWR Variable	$3,832,270	$2,664,388	$2,469,114	$2,728,025	$3,923,765	$3,812,603	$2,405,331	$3,294,603	$4,390,192
Prior year due (credit)	477,075	(800,897)	(121,284)	(846,335)	(79,029)	(256,098)	(49,333)	1,522,627	180,992
Cost per AF	$213	$159	$212	$100	$132	$139	$133	$271	$164

The DWR variable charges for FY 2021/22 total $5,175,906 which is $273,800 lower than the budgeted FY 2020/21 variable charges.

Variable OMP&R Charges

Variable OMP&R costs basically represent power costs to pump the water and represent costs that are based on and vary with the amount of State water deliveries.

For 2021/22, the variable OMP&R charges total $5,175,453, which is $221,710 less than the prior year amount. The budget is based on estimated water deliveries of 27,907 acre-feet.

The cost per acre-foot for water deliveries in FY 2021/22 is estimated to be $209.67/AF.

Variable Cost Per Acre-Foot Analysis

The Preliminary FY 2021/22 variable cost per acre-foot for Table A water is $266.08 for the North County project participants and $652.66 for South Coast project participants.

The Preliminary Budget for FY 2021/22 reflects 2,626 AF in exchange deliveries between Santa Ynez ID#1 and the South Coast exchange participants. The large increase in the estimated cost per acre-foot for South Coast project participants is due to demand charges from PG&E, coupled with lower pumping demand. CCWA staff has been researching this and will be proposing a plan to mitigate these higher costs.

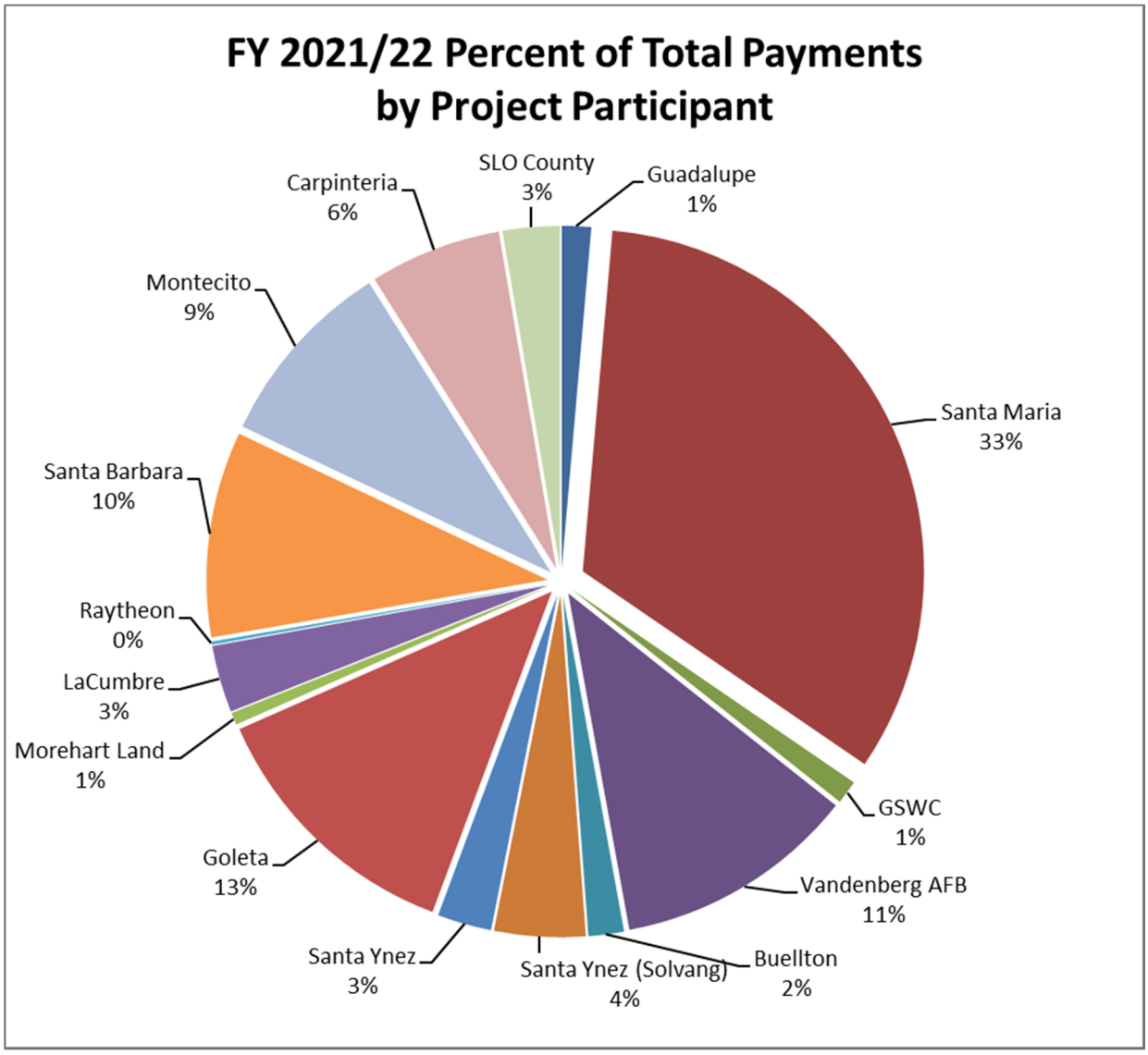
Total Payments Comparison by Project Participant

The following table shows the total budgeted payments by project participant for FY 2020/21 and total payments shown on the FY 2021/22 Preliminary Budget and the corresponding increase or decrease.

Project Participant	Total Payments FY 2020/21	Total Payments FY 2021/2022	Change FY 2020/21 to FY 2021/2022
Guadalupe	$ 1,024,987	$ 942,412	$ (82,576)
Santa Maria	24,482,141	22,543,108	(1,939,033)
Golden State Water Co.	814,912	760,732	(54,180)
Vandenberg AFB	8,416,174	7,808,033	(608,141)
Buellton	1,195,302	1,142,283	(53,019)
Santa Ynez (Solvang)	3,108,313	2,931,883	(176,430)
Santa Ynez	2,122,143	1,745,823	(376,320)
Goleta	8,657,304	8,653,843	(3,461)
Morehart Land	395,661	392,983	(2,678)
La Cumbre	2,147,637	2,154,533	6,896
Raytheon	103,192	100,517	(2,675)
Santa Barbara	6,499,446	6,608,425	108,979
Montecito	6,050,892	6,150,036	99,144
Carpinteria	4,195,681	4,243,850	48,170
Shandon	25,975	25,655	(320)
Chorro Valley	1,285,327	1,277,595	(7,732)
Lopez	565,296	532,741	(32,555)
TOTAL:	$ 71,090,383	$ 68,014,453	$ (3,075,931)

FY 2021/22 Total Payments by Percentage

The following chart shows the percentage of total payments for FY 2021/22 by project participant.



Budget in Brief

Attached to this report is a "FY 2021/22 Preliminary Budget in Brief" which provides a snapshot of each major component of the proposed FY 2021/22 Preliminary Budget.

Budget Items Not Included in the Preliminary Budget

The following is a partial list of the items that are not included in the preliminary budget but will be included in the final budget.

- Ten Year Financial Plan
- Budget transmittal letter
- Appendix to the budget

- Miscellaneous charts and graphs
- Significant Accomplishments, Goals and Performance Measures

If you have specific questions that can be addressed before the meeting, please call me at 805-688-2292, extension 223.

LML

Central Coast Water Authority

FY 2021/22 Proposed Final Budget in Brief

FY 2021/22BUDGET SUMMARY

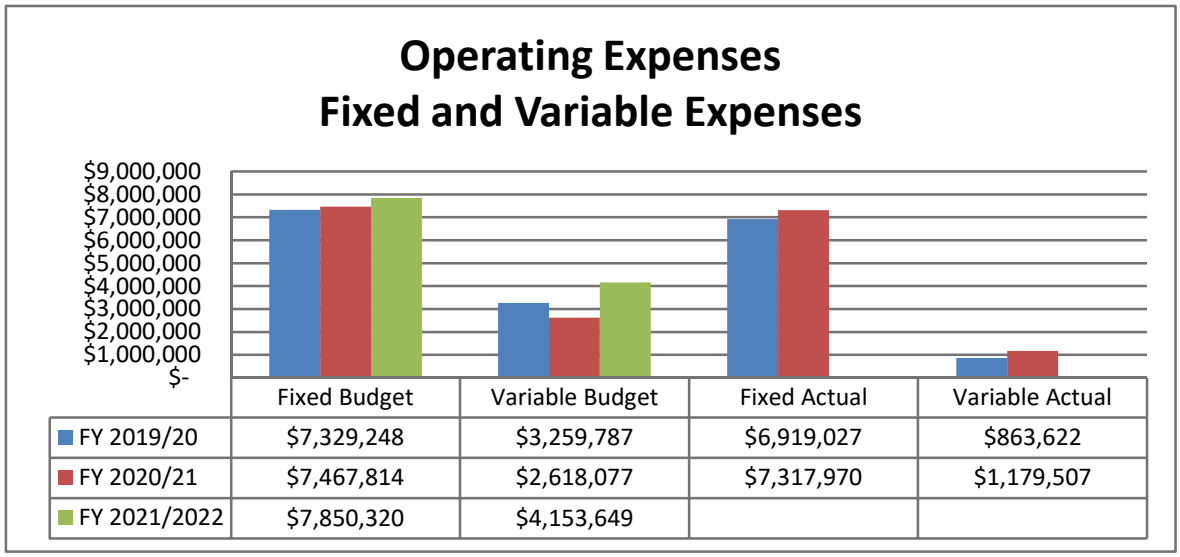
	FY 2020/21 Budget	FY 2021/22 Budget	Increase (Decrease)
CCWA Operating Expenses	$ 10,085,891	$ 12,003,969	$ 1,918,078
DWR Fixed and Variable Costs	48,686,788	44,106,752	(4,580,036)
Capital Improvement & Non Capital Projects	1,956,528	1,322,060	(634,468)
Warren Act Charges	538,969	434,884	(104,085)
Debt Service Payments	10,274,767	10,292,502	17,735
Subtotal	71,542,943	68,160,167	(3,382,776)
CCWA Credits	(452,559)	(142,214)	310,345
TOTAL :	$ 71,090,383	$ 68,017,953	$ (3,072,431)

$3.38 million decrease in the gross budget, excluding CCWA credits

CCWA OPERATING EXPENSES

	FY 2020/21 Budget	FY 2021/22 Budget	Increase (Decrease)
Personnel	$ 5,221,432	$ 5,320,385	$ 98,953
Office Expenses	21,300	21,300	-
Supplies & Equipment	1,845,711	1,375,311	(470,400)
Monitoring Expenses	106,215	117,408	11,193
Repairs & Maintenance	293,760	292,810	(950)
Professional Services	493,223	684,785	191,562
General & Administrative	322,412	307,162	(15,250)
Utilities	1,143,895	3,177,673	2,033,777
Other Expenses	637,942	707,135	69,193
Total Operating Expense	$ 10,085,891	$ 12,003,969	$ 1,918,078

Total operating expense increase of $1.9million inclusive of the following factors: $98.9k increase in personnel; $191k increase in professional services related to legal services for the SWP Contract Assignment and Reacquisition of Suspended Table A Water; G&A is lower by $15k for decreased dues and travel; $69k increase in other expenses due to anticipated increase in insurance costs and increased computer expenses; $470k decrease in Supplies and Equipment related to reduced chemical costs. and $2.0 million in increased Utilities due to increase in PG&E rates.



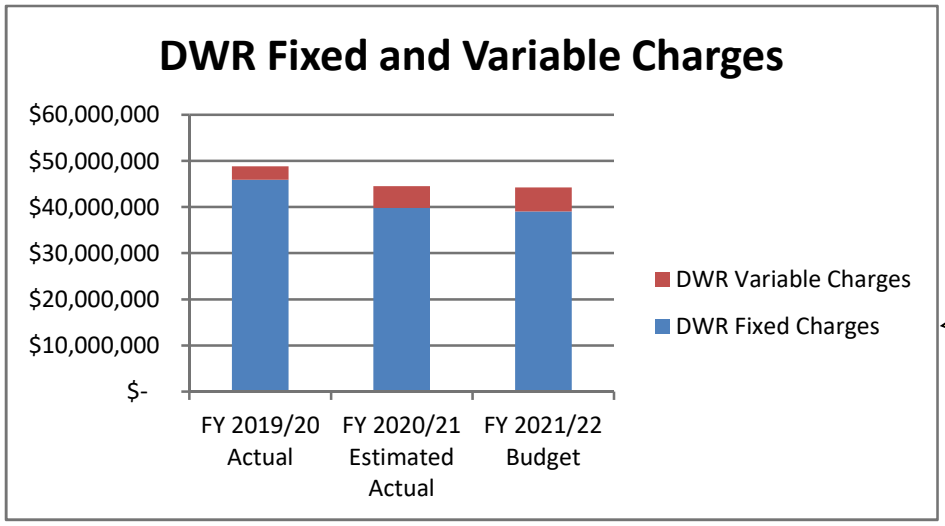
	Fixed Budget	Variable Budget	Fixed Actual	Variable Actual
FY 2019/20	$7,329,248	$3,259,787	$6,919,027	$863,622
FY 2020/21	$7,467,814	$2,618,077	$7,317,970	$1,179,507
FY 2021/2022	$7,850,320	$4,153,649		

DWR FIXED AND VARIABLE CHARGES

DWR Fixed cost decrease of $4.3 million due to reduced Transportation Minimum costs of $5.4 millon and reduced Water System Revenue Bond costs, combined with an increase of $1.1 million in Transportation Capital costs and a net $132k increase in all other DWR Fixed charges

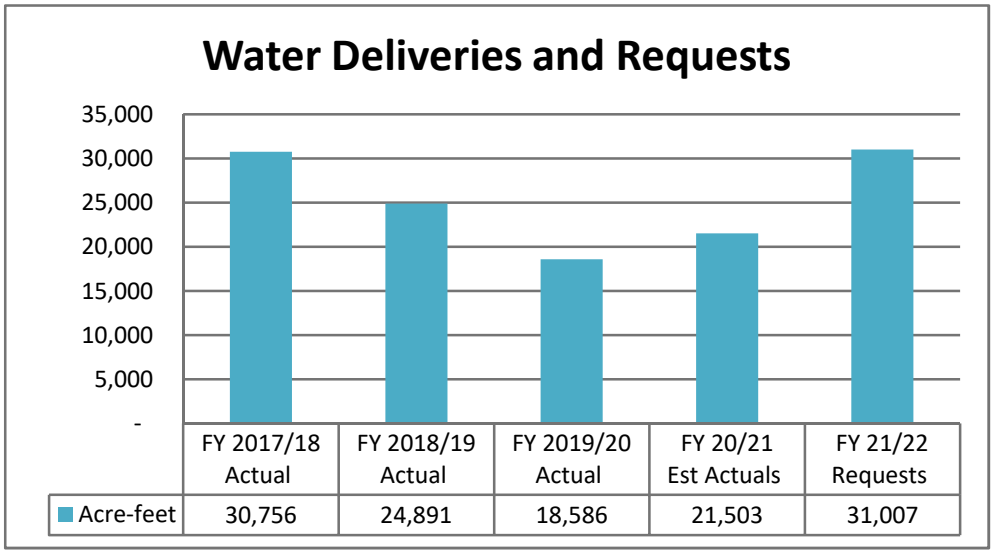
DWR Variable cost decrease of $0.2 million over FY 2020/21 is largely due to an decrease in the estimated Variable OMP&R costs for calendar years 2021 and 2022.

	FY 2020/21 Budget	FY 2021/22 Budget	Increase (Decrease)
Transportation Capital	$ 19,343,843	$ 20,490,347	$ 1,146,504
Coastal Branch Phase II	2,632,194	2,619,508	(12,686)
Transportation Minimum OMP&R	16,099,347	10,684,247	(5,415,100)
Water System Revenue Bond	1,227,790	1,040,410	(187,379)
Delta Water Charge	4,062,438	4,207,361	144,923
Subtotal Fixed DWR Charges	43,365,611	39,041,872	(4,323,739)
Off-Aqueduct Charges	70,544	18,454	(52,090)
Variable OMP&R	5,379,162	5,157,453	(221,710)
Subtotal Variable DWR Charges	5,449,707	5,175,906	(273,800)
DWR Account Investment Income	(128,530)	(111,027)	17,503
Total DWR Charges	$ 48,686,788	$ 44,106,752	$ (4,580,036)



The significant fluctuations in DWR fixed costs year-to-year is due to the DWR Transportation Minimum OMP&R cost component and its calculation for annual over and under-collections.
Historically, the Transportation Minimum cost component of DWR SOC has been the most volatile DWR charge. The volatility is partly based on DWR's SOC being based on estimates and then reconciling or preparing a "true-up" based on the actual costs incurred.

DWR Delivery Allocation Percentage	
Calendar Year	Percentage
2010	50%
2011	80%
2012	65%
2013	60%
2014	5%
2015	20%
2016	60%
2017	85%
2018	35%
2019	75%
2020	20%
2021 (initial)	10%

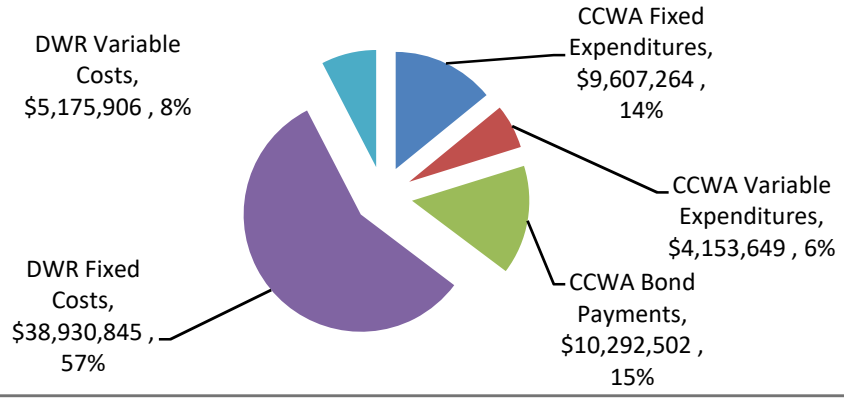


OTHER EXPENDITURES

	FY 2020/21 Budget	FY 2021/22 Budget	Increase (Decrease)
Debt Service Payments	$ 10,274,767	$ 10,292,502	$ 17,735
Capital Improvement & Non-Capital Projects	1,956,528	1,322,060	(634,468)
Warren Act Charges	538,969	434,884	(104,085)
Total Other Expenditures	$ 12,770,264	$ 12,049,446	$ (720,818)

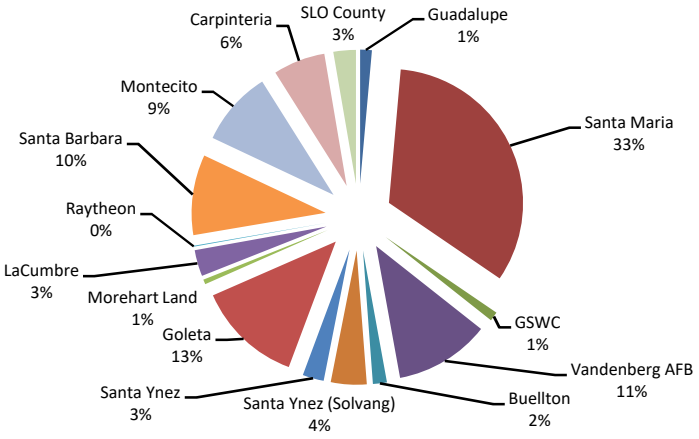
$0.6 million decrease in Capital & Non-Capital Projects; $17k increase in debt service payments; $0.1 million decrease in Warren Act Charges.

FY 2021/22 Budget Components



80% of the CCWA Budget is outside of the direct control of CCWA. DWR costs comprise 65% of the total CCWA Budget with another 15% representing the CCWA revenue bond debt service payments

FY 2021/22 Percent of Total Payments by Project Participant



FY 2021/22 Variable Cost Per Acre-Foot

Table A Water	
North Santa Barbara County	$ 266.08
South Santa Barbara County	$ 652.66
Santa Ynez Exchange Water	
Santa Ynez ID#1	$ 214.55
South Coast Exchange Participants	$ 166.51

For more information, please contact the Central Coast Water Authority at (805) 688-2292 or visit our website at: ccwa.com

Central Coast Water Authority

Total Expenditures Summary

Fiscal Year 2021/2022 Budget

Project Participant	Unadjusted Fixed CCWA Operating Expense [1]	Unadjusted Variable CCWA Operating Expense	Exchange Agreement Adjustment Cap. & Fixed	Exchange Agreement Adjustment Variable	Regional WTP Allocation	Regional WTP Allocation Credit	Adjusted Charge	Warren Act Charges	2016A Revenue Bond Debt Service	Subtotal FY 2021/2022 CCWA	Non-Annual Recurring Expenses	CCWA (Credits) Amount Due	Total FY 2021/2022 CCWA
Guadalupe	$ 97,825	$ 26,597	$ -	$ -	$ 26,536	$ -	$ 150,957	$ -	$ 146,624	$ 297,581	$ -	$ -	$ 297,581
Santa Maria	2,848,986	527,547	-	-	$712,856	-	4,089,389	-	-	4,089,389	-	-	4,089,389
Golden State Water	92,180	24,139	-	-	$24,113	-	140,432	-	-	140,432	-	-	140,432
Vandenberg AFB	1,098,968	114,156	-	-	$224,568	-	1,437,692	-	-	1,437,692	-	-	1,437,692
Buellton	136,653	18,258	-	-	$25,282	-	180,193	-	259,578	439,771	-	-	439,771
Santa Ynez (Solvang)	350,471	39,017	-	-	$63,364	-	452,853	-	797,830	1,250,683	-	-	1,250,683
Santa Ynez	117,689	30,766	448,148	115,253	$149,436	-	861,293	-	299,628	1,160,921	-	(1,782)	1,159,139
Goleta	1,263,870	600,185	(161,101)	(41,431)	$141,188	($499,294)	1,303,416	77,836	2,514,368	3,895,620	-	(40,921)	3,854,699
Morehart Land	56,172	19,985	-	-	$7,617	($26,876)	56,898	2,784	115,465	175,147	-	-	175,147
La Cumbre	280,860	249,399	-	-	$42,317	($150,135)	422,441	34,742	552,767	1,009,950	-	-	1,009,950
Raytheon	14,043	9,160	-	-	$2,022	($7,158)	18,067	1,276	24,165	43,509	-	-	43,509
Santa Barbara	842,580	891,639	(107,685)	(27,694)	$107,985	($384,460)	1,322,365	120,350	1,545,811	2,988,526	-	-	2,988,526
Montecito	842,580	891,639	(107,685)	(27,694)	$107,985	($384,460)	1,322,365	120,350	1,816,592	3,259,306	-	(32,711)	3,226,596
Carpinteria	561,720	575,106	(71,676)	(18,433)	$71,467	($254,356)	863,827	77,546	1,038,582	1,979,955	-	(21,358)	1,958,597
Shandon	13,991	-	-	-	-	-	13,991	-	11,664	25,655	-	-	25,655
Chorro Valley	265,075	97,785	-	-	-	-	362,860	-	929,167	1,292,027	-	(14,432)	1,277,595
Lopez	285,218	38,271	-	-	-	-	323,489	-	240,263	563,752	-	(31,011)	532,741
TOTAL:	$ 9,168,880	$ 4,153,649	$ 0	$ 0	$ 1,706,738	$ (1,706,738)	$ 13,322,529	$ 434,884	$ 10,292,502	$ 24,049,915	$ -	$ (142,214)	$ 23,907,701

(1) Includes Capital and Non-Capital Projects.

	DWR FIXED CHARGES							*DWR VARIABLE CHARGES*					
Project Participant	Transportation Capital Through Reach 35	Transportation Capital Reach 37	Transportation Capital Reach 38	Transportation Minimum OMP&R	Water System Revenue Bond	Delta Water Charges	Total Fixed	Off-Aqueduct Charges	Variable OMP&R	Total Variable	DWR Interest Income	Total DWR Charges	**TOTAL DWR and CCWA**
Guadalupe	$ 290,470	$ -	$ -	$ 148,828	$ 18,636	$ 55,968	$ 513,902	$ -	$ 130,929	$ 130,929	$ -	$ 644,830	$ 942,412
Santa Maria	8,527,877	570,983	-	4,383,651	548,919	1,648,503	15,679,933	11,929	2,761,857	2,773,786	-	18,453,719	22,543,108
Golden State Water	259,122	17,623	-	135,298	16,942	50,880	479,865	-	140,436	140,436	-	620,300	760,732
Vandenberg AFB	2,894,841	193,852	317,874	1,488,277	186,362	559,677	5,640,882	2,530	726,929	729,459	-	6,370,341	7,808,033
Buellton	304,906	20,372	33,406	156,404	19,585	58,835	593,509	-	109,003	109,003	-	702,512	1,142,283
Santa Ynez (Solvang)	768,995	52,869	86,693	396,228	48,347	139,221	1,492,353	2,454	186,394	188,848	-	1,681,201	2,931,883
Santa Ynez	272,513	17,623	28,898	144,963	19,421	63,840	547,258	-	39,426	39,426	-	586,684	1,745,823
Goleta	2,332,327	158,606	260,079	1,217,681	-	457,918	4,426,610	-	-	-	(51,594)	4,375,016	8,229,716
Morehart Land	103,646	7,049	11,559	54,119	6,777	20,352	203,502	56	14,278	14,334	-	217,836	392,983
La Cumbre	518,228	35,246	57,795	270,596	33,884	101,759	1,017,508	1,484	125,590	127,075	-	1,144,583	2,154,533
Raytheon	26,765	1,762	2,890	13,530	1,694	5,088	51,729	-	5,279	5,279	-	57,008	100,517
Santa Barbara	1,554,700	105,738	173,386	811,787	101,652	305,278	3,052,541	-	567,358	567,358	-	3,619,899	6,608,425
Montecito	1,554,700	105,738	173,386	811,787	-	305,278	2,950,889	-	11,139	11,139	(38,588)	2,923,440	6,150,036
Carpinteria	1,036,472	70,492	115,591	541,191	-	203,519	1,967,265	-	338,834	338,834	(20,846)	2,285,254	4,243,850
Goleta 2500 AF	44,784	-	-	109,907	38,192	231,244	424,128			-	-	424,128	424,128
Shandon	-	-	-	-	-	-	-	-	-	-	-	-	25,655
Chorro Valley	-	-	-	-	-	-	-	-	-	-	-	-	1,277,595
Lopez	-	-	-	-	-	-	-	-	-	-	-	-	532,741
TOTAL:	$ 20,490,347	$ 1,357,953	$ 1,261,555	$ 10,684,247	$ 1,040,410	$ 4,207,361	$ 39,041,872	$ 18,454	$ 5,157,453	$ 5,175,906	$ (111,027)	$ 44,106,752	$ 68,017,953