



Agenda

- System Capacity Improvement Projects
 - Overview of improvement opportunities
 - Update on technical studies
 - Relationship of projects to Staff Proposal
- Costs
 - Cost components
 - Timing and collection issues
- Discussion of Next Meeting
 - Proposed format and meeting objectives
 - Discussion of stakeholder expectations and remaining topics



System Capacity Improvement Projects

- a. Overview of improvement opportunities
- b. Update on technical studies
- c. Relationship to Staff Proposal



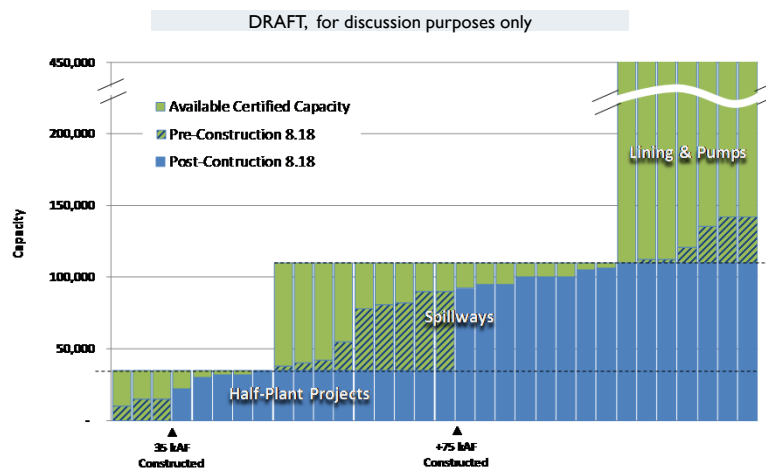
System Improvement Projects

| Capacity Improvement Project | CAASDC* (acre-feet) | Total Cost \$ Millions | Unit Capital Cost of added Capacity \$/acre-foot |
|--|---------------------|------------------------|--|
| Pumping Plant Improvements | 25K – 35K | 24 - 36 | 700 - 1500 |
| Spillways | 60K – 80K | 76 | 950 - 1300 |
| Balance of Projects in Hayden Rhodes Aqueduct for 3600 cfs | 320K – 360K | 334 | 950 - 1050 |

* CAASDC = Certified Additional Annual System Delivery Capacity



Relationship to Staff Proposal



Wheeling Costs



Wheeling Costs

- **Master Repayment Contract**
 - CAP and Reclamation "shall jointly develop a standard form of wheeling agreement including the rate structure for wheeling non-project water. All wheeling charges shall be paid to [CAP] by the entity contracting for the wheeling of non-project water."



Wheeling Costs

- **Master Repayment Contract**
 - CAP "shall be entitled to retain revenues from wheeling charges sufficient to cover all OM&R costs associated with wheeling such non-project water, plus an administrative charge to be jointly determined by [CAP and Reclamation]. All revenues from wheeling charges in excess of the OM&R costs and administrative charges shall be remitted by [CAP] to [Reclamation] and deposited into the Development Fund."



System Improvement Fee

- **Staff Proposal**

- Revisions to the Operating Agreement
 - 1.4 "System Improvement Fee" shall mean a charge collected and expended by CAWCD exclusively for physical material changes to the Transferred Works that will increase CAP System Delivery Capacity.
 - 13.2 Notwithstanding Article 8.18 of the 1988 Contract, CAWCD shall be entitled to retain any revenues from the System Improvement Fee collected pursuant to Section ____ of the Wheeling Agreement. Such revenues shall be used exclusively for projects that will increase the CAP System Delivery Capacity.



System Improvement Fee

- **Staff Proposal: System Improvement Fee**

- Standard Form Wheeling Agreement
 - 13.3 System Improvement Fee: The Contractor shall pay in advance the System Improvement Fee established by CAWCD pursuant to [the proposed] Section 13 of the Operating Agreement. (Comment: additional discussion among stakeholders is required regarding the method and timing of the System Improvement Fee). (Reference: SEC Q19 and Q20)



System Improvement Fee

- “In Advance” ≠ “Day One”
 - Ideas and terms under discussion
 - Earnest Money
 - Application Fee
 - Escrow Account
 - Progress Payments
 - Ideas and terms NOT under discussion
 - Bonding
 - Loans
 - Gifts
 - Hardship Awards
- Bottom Line: the intent is to collect most of the money before final wheeling contract execution



System Improvement Fee

- Other considerations
 - In general, long-term stability in the Fee is preferable (i.e., no early or late entry advantage)
 - Reducing the period in which 8.18 can be displaced (i.e., post-certification, pre-construction) may also be desirable
 - Therefore, it may be prudent to bring some of the improvement costs forward in time
 - Collecting some money through a rate component can also be beneficial
 - A “catch-up” mechanism may be worth considering



Hypothetical Rates

Comparison of M&I Subcontract and 8.18 Wheeling Rates

| | | M&I Subcontract | 8.18 Wheeling | |
|---|-----------------------------------|-----------------|---------------------|--|
| Annual, On <u>Delivery</u> Volume (\$/AF) | Energy | \$76 | \$0 - \$175 | ≈ 120% of cost to TUC |
| | Fixed OM&R | \$85 | \$85 | Per Repayment Contract |
| | Subtotal | \$161 | \$85 - \$260 | |
| Annual, On <u>Contract</u> Volume (\$/AF) | Capital | \$23 | n/a | To Development Fund |
| | Capital Equivalent | n/a | \$23 | To Development Fund |
| | System Improvement Rate Component | n/a | \$20 | Set during regular rate cycle |
| | Subtotal | \$23 | \$43 | |
| One-Time Charge | System Improvement Fee (up-front) | n/a | \$1,500 | Based on estimate of long-term project costs |

DRAFT, for discussion purposes only, based on 2016 Provisional rates



Other Costs

- **Other Costs**
 - The wheeling party will pay, as applicable:
 - Turn-in design, construction and equipment costs
 - Water quality impact analysis
 - Water quality monitoring equipment and testing
 - Metering and telemetry
 - Legal and administrative review costs



Next Meeting: "Remainders & Closure"

- a. Proposed format and meeting objectives
- b. Discussion of stakeholder expectations and remaining topics



Questions?

