



Background and History Regarding Allocation of Central Valley Project Construction and Operations, Maintenance, and Replacement Costs to Friant Division Contractors

A. Friant Division CVP Construction Repayment Obligations

1. CVP-Wide Construction Costs

Traditionally, Reclamation has treated the Central Valley Project (CVP) as a financially integrated project for the purposes of cost allocation. In determining construction repayment, Reclamation developed specific cost “pools” in which facilities (CVP-wide) were aggregated into specific groups and each CVP contractor participated in cost recovery based upon the ratio of their deliveries in that cost pool to deliveries to all contractors. These cost pools were water marketing, storage, conveyance, conveyance pumping, the San Luis Drain, and direct pumping. For example, all reimbursable construction costs for all storage facilities (Shasta, Folsom, Friant, San Luis, etc.) were pooled and all water contractors that received delivery of project water from storage, regardless of location, participated in the repayment those construction costs based upon their ratio of historic deliveries to all other water contractors that received deliveries from storage over the history of the project. **In total, as of 2022, Friant Division Contractors have paid the United States over \$300 million for their allocated share of CVP-wide construction costs.**

Friant Division CVP-Wide Costs	Allocated Costs	Paid to Date	Referenced Schedule(s)
FKC Irrigation Class 1 1/	\$ 175,402,514	\$ 166,404,978	2022 Irri Schedule A-2Ba & 2022 Irri Schedule A-4
FKC Irrigation Class 2	\$ 55,100,495	\$ 61,888,808	2022 Irri Schedule A-2Ba & 2022 Irri Schedule A-4
Madera Irrigation Class 1 1/	\$ 40,924,037	\$ 38,770,849	2022 Irri Schedule A-2Ba & 2022 Irri Schedule A-4
Madera Irrigation Class 2	\$ 15,325,459	\$ 20,059,199	2022 Irri Schedule A-2Ba & 2022 Irri Schedule A-4
FKC M&I 1/	\$ 18,743,352	\$ 18,817,475	2022 M&I Schedule A-2Ba & 2022 M&I Schedule A-4
Friant Dam M&I	\$ 65,355	\$ 85,601	2022 M&I Schedule A-2Ba & 2022 M&I Schedule A-4
Total	\$ 305,561,212	\$ 306,026,910	

1/ The total allocated and paid costs from Schedule A-2Ba include the additional JPP Construction Repayment obligations associated with the Exchange and Settlement Contractors. For purposes of this presentation, the Friant Division CVP-wide Costs are calculated by reducing the total construction repayment amounts in Schedule A-2Ba by the JPP repayment amounts identified in Irri and M&I Schedules A-4

2. Unique Friant Division Obligation for Capital Costs Associated with the Delivery of Substitute Water to the Exchange Contractors and Settlement Contractors.

The United States’ obligation to deliver “substitute water” to the Exchange and Settlement Contractors is premised on the provision of water from the Sacramento River and tributaries delivered through San Luis Unit facilities (i.e., water pumped by the Tracy Pumping Plant and conveyed through the Delta Mendota Canal). Since the substantial completion of those San Luis Unit facilities in the 1960s, and in recognition of the benefits received from those deliveries to the Exchange and Settlement Contractors, Friant Division Contractors have been responsible for paying an additional, specific share of the construction costs of the San Luis facilities proportionate to the amount of substitute water deliveries to the Exchange and Settlement Contractors. This arrangement is unique as it relates to the Central Valley Project.

For Friant Division Contractors, in addition to participating in cost recovery based upon each individual contractor’s deliveries, Reclamation segregated a portion of the construction costs in the “Conveyance Pumping Cost Pool” associated with the Jones Pumping Plant based upon historic and projected deliveries to the Exchange and Settlement Contractors and allocated them to the Friant Division Contractors based upon their historic and projected Class 1 deliveries. **This amounted to approximately \$46.6 million in additional construction repayment costs that were not allocated CVP-wide and were borne specifically by the Friant Division.** These costs were *in addition* to the construction costs Friant Division contractors repaid for their proportionate share of costs related to deliveries through the Friant Division facilities.

Exchange & Settlement Contractors Construction Repayment Obligations	Allocated Costs	Paid to Date	Referenced Schedule(s)
M&I JPP Construction Costs (EC/WR)	\$ 5,046,959	\$ 5,046,959	2022 M&I Schedule A-4
Irrigation JPP Construction Costs (EC/WR)	\$ 41,627,082	\$ 41,627,082	2022 Irri Schedule A-4
Total	\$ 46,674,041	\$ 46,674,041	

Links to Referenced Reclamation Schedules:

- 2022 IRR A-4: <https://www.usbr.gov/mp/cvpwaterrates/ratebooks/irrigation/2022/irr-2022-sch-a-4.pdf>
- 2022 IRR A-2Ba: <https://www.usbr.gov/mp/cvpwaterrates/ratebooks/irrigation/2022/irr-2022-sch-a-2ba.pdf>
- 2022 M&I A-4: <https://www.usbr.gov/mp/cvpwaterrates/ratebooks/mi/2022/mi-2022-sch-a-4.pdf>
- 2022 M&I A-2Ba: <https://www.usbr.gov/mp/cvpwaterrates/ratebooks/mi/2022/mi-2022-sch-a-2ba.pdf>

B. Friant-Division OM&R Obligations

1. CVP OM&R

Friant Division Contractors are responsible for annual OM&R costs associated with the CVP facilities used to deliver water to the Friant Division. **Over the most recent ten-year period from 2011- 2020, Friant Division Contractors have paid over \$140 million in OM&R costs for deliveries through the CVP Facilities to the Friant Division.**

CVP OM&R Costs (Friant Division Deliveries)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CVP Irrigation OM&R Costs (Friant Dam Class 2)	\$ 26,362	\$ -	\$ -	\$ -	\$ -	\$ 20,079	\$ -	\$ 5,011	\$ 55,440	\$ -
CVP Irrigation OM&R Costs (FKC Class 1)	\$ 6,101,947	\$ 11,486,932	\$ 9,123,573	\$ 5,062,829	\$ 1,725,515	\$ 15,361,180	\$ 8,889,952	\$ 10,558,688	\$ 9,710,015	\$ 14,079,654
CVP Irrigation OM&R Costs (FKC Class 2)	\$ 4,225,585	\$ 245,148	\$ 17,370	\$ 65,967	\$ 5,084	\$ 1,516,354	\$ 3,979,881	\$ 1,070,429	\$ 3,993,396	\$ (265,602)
CVP Irrigation OM&R Costs (Madera Canal Class 1)	\$ 1,194,184	\$ 2,967,456	\$ 1,726,722	\$ 1,014,289	\$ 234,734	\$ 4,664,338	\$ 2,151,381	\$ 2,605,206	\$ 2,077,134	\$ 3,503,094
CVP Irrigation OM&R Costs (Madera Canal Class 2)	\$ 1,778,301	\$ 29,333	\$ -	\$ -	\$ -	\$ 496,232	\$ 485,638	\$ 296,323	\$ 652,509	\$ 50,711
CVP M&I OM&R Costs (Friant Dam)	\$ 2,019	\$ 1,914	\$ 1,707	\$ 1,709	\$ 5,025	\$ 2,841	\$ 2,385	\$ 5,485	\$ 4,382	\$ 2,981
CVP M&I OM&R Costs (FKC)	\$ 771,671	\$ 651,921	\$ 655,551	\$ 61,709	\$ 122,706	\$ 1,246,268	\$ 581,650	\$ 1,020,874	\$ 1,744,476	\$ 1,000,832
Total Annual OM&R Costs	\$ 14,100,069	\$ 15,382,704	\$ 11,524,923	\$ 6,206,503	\$ 2,093,064	\$ 23,307,292	\$ 16,090,887	\$ 15,562,016	\$ 18,237,352	\$ 18,371,670
Total over 10-year Period (2011-2020)	\$ 140,876,480									



2. OM&R of the San Luis Unit Facilities

Up until the responsibilities for funding and allocating OM&R costs for the San Luis Unit were transferred to SLDMWA (March 1, 1998), Reclamation pooled and segregated the allocation of OM&R costs for the Exchange and Settlement Contractor deliveries in which deliveries to the Exchange and Settlement Contractors through the Tracy Pumping Plant (now Jones Pumping Plant) were factored into the delivery base for allocating conveyance pumping costs and those costs were borne by Friant Division Contractors. Under the 1998 transferred works agreement with SLDMWA, FWA’s obligations for OM&R were expanded from the Tracy Pumping Plant facilities to include the Delta-Mendota-Canal. OM&R costs have varied significantly from year-to-year based variations in annual hydrology and facility costs. **Over the last decade (2011-2020¹), Friant Division Contractors have paid over \$100 million in OM&R on behalf of the Exchange and Settlement Contractors for deliveries through the San Luis Unit facilities alone.**

OM&R Costs (Settlement Contractor Deliveries)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
San Luis Unit (Jones Pumping Plant / Delta-Mendota Canal)	\$ 5,258,000	\$ 9,230,000	\$ 10,092,000	\$ 6,653,000	\$ 8,749,000	\$ 13,220,000	\$ 7,059,000	\$ 12,728,000	\$ 10,924,000	\$ 16,182,000
Total Annual OM&R Costs	\$ 5,258,000	\$ 9,230,000	\$ 10,092,000	\$ 6,653,000	\$ 8,749,000	\$ 13,220,000	\$ 7,059,000	\$ 12,728,000	\$ 10,924,000	\$ 16,182,000
Total over 10-year Period (2011-2020)	\$ 100,095,000									

Thus, on average, over the last ten years, Friant Division OM&R costs have averaged over \$24 million a year when both CVP Friant Division and San Luis Division obligations are taken into account.

¹ As of September 30, 2022, Water Year 2020 is the latest water year in which Reclamation has completed the final accountings for water deliveries and costs.



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Average Annual OM&R over last 10 Years (2011-2022): \$ 24,097,148