



NOTICE TO STATE WATER PROJECT CONTRACTORS

Number: 11-04

Date: MAR - 9 2011

Subject: Criteria for Bulletin 132-11

From: 
Raphael A. Torres, DEPARTMENT OF WATER RESOURCES

Attached for your information are copies of "Criteria for Bulletin 132-2011 Project Operations Studies" and "Interest and Escalation Rates for Preparing Bulletin 132-2011."

These criteria are being used by the Department of Water Resources (DWR) to prepare information for Bulletin 132-2011, "Management of the California State Water Project" and to determine Water Contractors' Statements of Charges for the year 2012.

If you have any questions or need additional information, please contact Robert Cooke, Chief of DWR's State Water Project Analysis Office, at (916) 653-4313, or you may call Susan Lee of his staff at (916) 653-1894.

Attachment

CRITERIA FOR BULLETIN 132-2011 STATE WATER PROJECT OPERATIONS STUDIES

These criteria provide summaries of the basic operations assumptions to be used in developing the 2012 Statement of Charges. Actual SWP operations may ultimately be different and contractor billings will be adjusted as appropriate.

1. **Water Deliveries:** Water demands for the water operations studies will be based on the short-range, five-year (2011-2015) requests submitted by the SWP Contractors (Contractors) in October 2010 and the long-range (2016-2035) requests submitted by the Contractors in October 2010.

2. **Water Supply:** The water and power operations studies will reflect compliance with the long-term NMFS Salmonids, Green Sturgeon and Killer Whales Biological and Conference Opinion issued June 4, 2009; the long-term USFWS Delta Smelt Biological Opinion issued December 15, 2008; the Incidental take Permit for Longfin Smelt issued February 23, 2009; and the March 15, 2000 revision of the December 1999 Water Right Decision 1641. The water supply assumed for water and power operation studies will be as follows:
 - (a) 2011 – The initial operations study for 2011 will assume hydrology sufficient to deliver 2.483 MAF. Projections of power generation at Oroville will be based on the Oroville Reservoir inflow from the same hydrology. For generation at Pine Flat Reservoir, lower quartile inflow will be assumed. The 2011 water deliveries and water and power operations studies will be reviewed and finalized in May 2011 when the final water supply forecast based on May 1, 2011 snow surveys becomes available.
 - (b) 2012 – SWP operations projected for 2012 are the basis for the 2012 Statements of Charges. The study will assume hydrology sufficient to deliver 2.555 MAF (60 percent of Contractors' projected Table A requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (c) 2013 – The 2013 studies will assume hydrology sufficient to deliver 2.484 MAF (60 percent of Contractors' projected Table A requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (d) 2014 – Assume hydrology sufficient to deliver 2.468 MAF (60 percent of Contractors' projected Table A requests).
 - (e) 2015 – Assume hydrology sufficient to deliver 2.474 MAF (60 percent of Contractors' projected Table A requests).
 - (f) 2016 and thereafter – Assume hydrology sufficient to deliver 2.474 MAF (60 percent of contractors' projected Table A requests).

3. **Future Project Facilities:** The schedule for initial operation of future project facilities to be used when preparing information for Bulletin 132-2011 is shown in the table on page 3.

4. **Water Supply Augmentation:**

(a) **Delta Pumps.** The total capacity of Banks Pumping Plant is 10,300 cfs; however, actual daily pumping volumes will be limited as stated in the U.S. Army Corps of Engineers Public Notices 5820A, October 1981, and 19990715, May 2000.

(b) **South Delta Improvements Program (SDIP).** This program is scheduled for implementation as one of the components of Stage 1 of the CALFED Bay-Delta Program to address local and SWP water supply problems in the South Delta. Construction of the permanent operable gates and the channel dredging are proposed to be implemented now under Stage 1 of the SDIP. Stage 2, which would include increasing diversions, has been deferred indefinitely in view of the pelagic organism decline in the Delta. Facilities in the SDIP include the following:

- ◆ Construction of four flow control structures (gates). Three gates are proposed in South Delta channels to control water levels and circulation in the South Delta. The fourth gate will provide protection for salmon migrating along the San Joaquin River (SDIP Stage 1).
- ◆ Selected channel dredging in the South Delta and modification of local diversion structures. Several miles of river channels are proposed to be dredged to reduce the need to operate gates for water stage. Twenty-four shallow agricultural diversions will be extended to ensure access to water (SDIP Stage 1).

(c) **Ground Water Programs.** On August 9, 1996, ownership of the Kern Fan Element Property and the La Hacienda Facilities was transferred to the Kern County Water Agency (KCWA) and Dudley Ridge Water District through the Kern Water Bank Authority (KWBA) as part of the Monterey Amendment. Fifty percent of any SWP water remaining in storage from the Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program was also transferred to KWBA. The SWP retains the right to recover 15,000 acre-feet under the recovery agreement with KCWA. Additionally, under the 1990 Demonstration Program, the SWP retains the right to 20,065 acre-feet currently stored in Semitropic Water Storage District. The SWP recovered 10,033 acre-feet of previously stored water in Semitropic Water Storage District during 2010. The remaining amount (10,033 acre-feet) will be recovered before 2020.

- (d) Other Project Yield. For purposes of preparing water and power studies for future years, it will be assumed that the SWP will deliver 60 percent of full Table A requests based on the latest reliability study prepared by the Bay Delta Office.

- 5 **Power Operations:** Energy prices in the western states' power market have historically been highest during the on-peak hours and summer months. To minimize power costs, aqueduct operation will be optimized by minimizing on-peak pumping within operating criteria constraints.

For Bulletin 132-2011, forecasted SWP power resources for the study period will be based on existing SWP generation and long-term power purchases. Additional capacity and energy resources needed to meet power requirements will be from unspecified short-term purchases.

FUTURE PROJECT FACILITIES	Dates for Initial Operation	
	Bulletin 132-2010	Bulletin 132-2011
CALIFORNIA AQUEDUCT - EAST BRANCH		
East Branch Enlargement - Stage 2 Pearblossom Pumping Plant – Units 10 & 11 (375 cfs) Alamo Power Plant – Unit 2 (1,506 cfs)	July 2020	2020
East Branch Extension - Phase I Improvements	June 2011	September 2012
East Branch Extension – Phase II	June 2013	June 2014
Perris Dam Remediation	2014	2014
SOUTH BAY AQUEDUCT		
Improvement and Enlargement	July 2011	April 2012
DELTA FACILITIES		
South Delta Improvement Program Facilities Permanent Operable Barriers	Postponed Indefinitely	Postponed Indefinitely
Delta Habitat Conservation and Conveyance Program	January 2016	January 2021
Sherman and Twitchell Islands Fishscreens	December 2010	December 2012
NORTH BAY AQUEDUCT		
Alternative Intake	July 2017	March 2016

TABLE 1

INTEREST RATES TO BE USED IN PREPARING DATA AND
 INFORMATION FOR BULLETIN 132-2011,
 STATE WATER CONTRACTORS' STATEMENTS OF CHARGES FOR 2012, AND
 DEPARTMENT FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Interest Rate¹ Per Year</u>
1. Interest rates on future general obligation "Offset" bonds (If assumed sold) ²	6.0% (6.0%)
2. Interest rate for future Water System Revenue Bonds ²	3.5% (4.0%)
3. Project Interest Rate for determining Statements of Charges for 2010	4.610% (4.608%)
4. Interest rate on future short-term investment of project funds ³	0.5% (1.5%)

¹ For the purposes of Department studies, these rates are to be used as the effective rates of interest. Figures in parentheses are Bulletin 132-2010 assumptions.

² Future bonds are assumed to be repaid by the end of the Project repayment period (2035) or sooner, with maturities commencing in the year following the date of sale and with equal annual bond service for the principal repayment period.

³ Based on the expected rate of return for funds invested in the State's Surplus Money Investment Fund.

TABLE 2
BULLETIN 132-2011
COST ESCALATION RATES
FOR SWP FACILITIES
TO BE USED FOR FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Percent Increase</u> <u>Per Year</u> ¹			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014-2035</u>
<u>Capital Costs</u>				
State Operations (Salaries and Benefits)	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)
Construction, Direct Pay	5 (5)	5 (5)	5 (5)	5 (5)
Relocation, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
Land and Rights, Direct Pay	4 (4)	4 (4)	4 (4)	4 (4)
<u>Operations and Maintenance Cost</u> ²				
State Operations (Salaries and Benefits)	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)

¹ All figures in parentheses were Bulletin 132-2010 assumptions.

² Operation and Maintenance costs in the Statements of Charges for the year 2012 and in Bulletin 132-2011 are to be escalated through 2013 and then escalated one percent for the remainder of the Project repayment period. For specific Project studies requiring escalated costs, continue the percent rate for 2014-2035.