

## New Storage Projects and the CVP

10:00 a.m. June 9, 2023  
 279-666-3100 / ID 299 695 993#

The meeting began at 10:00 a.m. and ended at 11:20 a.m.

### Attendees (41):

Anthea Hansen – DPWD	Lea Emmons – City of Tracy	Adam Nickels – USBR
Bobbie Ormonde – WWD	Martin Liu – EBMUD	Allison Jacobson – USBR
Cindy Kao – Valley Water	Minnie Moreno – Del Puerto	Brooke White – USBR
Conrad Tona – Redding	Nicole Branum – WWD	Calvin Bryant – USBR
Dalia Lopez – WWD	Paul Kelley – Clear Creek CSD	Christiane Washington – USBR
Dana Jacobson – Valley Water	Ray Tarka – SLDMWA	Duane Stroup – USBR
David Grant – AESWD	Robert Harvie – Valley Water	Ed Young – USBR
Deanna Sereno – CCWD	Scott Hutcheson – SCWA	Natalie Taylor – USBR
Eric Limas – LTRID	Shelly Murphy – Colusa County	Richard Welsh – USBR
Herman Williams – CCWD	Skye Grass – Kern-Tulare ID	Robert Ward – USBR
Jonathon Bauer – EBMUD	Stephen Farmer – WWD	Sabir Ahmad – USBR
Joyce Machado – San Benito	Tony Thomasy – Shasta Lake	Steve Pavich – USBR
Kerry Schmitz – SCWA	Vincent Gin – Valley Water	Vincent Barbara – USBR
Kevin Kasberg – CVPWA	Wilson Orvis – FWA	

This meeting was initiated by the CVPWA and Reclamation for Richard Welsh, Principal Deputy Regional Director of the California-Great Basin Region, to inform contractors of Federal participation in new water storage projects in California and potential agreements that would impact CVP contractors. The scope of the discussion was limited to projects that have received funding through Section 4007 of the WIIN Act<sup>1</sup>. Of the Section 4007 WIIN Act funded projects, the briefing was primarily on Sites, Sisk Dam Raise, and Los Vaqueros Expansion Phase 2 (LVE). Del Puerto Canyon Reservoir and the Sacramento Regional Water Bank were briefly discussed in the meeting.

### Federal Partnerships and WIIN Act Section 4007

Adam Nickels, Regional Resource Manager for CGB Region of Reclamation, shared that these projects require a partnership agreement with non-federal partners. The WIIN Act limits federal investment to 50% in federally owned project (Sisk Dam Raise) and 25% for State-led storage projects (Sites Reservoir Project, LVE). A Basis-of-Negotiation would be used to strike the agreements for each of these projects. While there are different types of agreements under the WIIN Act, including operational, cost-share, and contributing funds, all require delegated approval from the Commissioner.

Mr. Nickels shared that Reclamation partnership in Sites, Sisk Dam Raise, and LVE will not change the CVP water right, but may result in reimbursable benefits to the CVP contractors.

<sup>1</sup> For a background on Section 4007 of the WIIN Act and the complete list of funded projects, see Congressional Research Service (CRS). 2023. Reclamation Water Storage Projects: Section 4007 of the Water Infrastructure Improvements for the Nation (WIIN) Act [link](#)

Reclamation's investment in these projects is primarily for non-reimbursable fish and wildlife benefits. Reclamation has not identified the method to collect from CVP contractors for reimbursable costs in the partnership agreements. Reclamation is working to evaluate the best way to recover reimbursable costs, by evaluating:

- The use of existing contracts, whether that be water service or repayment. The WIIN Act RRA acreage and full cost pricing requirements may conflict with provisions in repayment contract. If existing contracts are used, Reclamation needs to determine if reimbursable costs from these projects will be characterized as new capital, storage, or a separate rate. There may also be a need to create cost pools for a subset of contractors if the reimbursable benefits apply only to a subset of contractors and are not CVP-wide.
- The use of new repayment contracts, especially if reimbursable benefits apply only to a subset of contractors. New repayment contracts would require agreements with each project beneficiary, a large administrative effort, with the additional need to mitigate for potential opting out of any new repayment agreement.

The FAC discussed the best approach to building consensus and addressing contractor concerns. Extensive engagement would be required for Reclamation to recover costs associated with reimbursable benefits. CVPWA Financial Affairs Committee can be used as a forum to brainstorm on technical solutions, but outreach to a wider audience is required. Reclamation committed to no unilateral decisions without contractor input.

Reclamation discussed participation in these projects solely for non-reimbursable benefits. Reclamation is motivated to participate in these projects for fish and wildlife non-reimbursable benefits, but it may not be possible without some reimbursable benefit. Reclamation shared that investment for strictly non-reimbursable benefits would be the least effort administratively, but not necessarily the goal of Reclamation. Both contractors and Reclamation believe that improving the CVP through reimbursable investment in these projects should still be a priority despite the greater administrative effort required. Reclamation committed to contractor engagement even if the benefits are solely non-reimbursable.

### Sites Reservoir Project *website*

Reclamation is the lead agency for both NEPA and ESA for Sites Reservoir Project. Reclamation participation in the project has ranged from a 25% to a 9% share of the reservoir storage capacity. Reclamation has a goal of a 16% share of the reservoir storage for roughly \$700 million. There is still the opportunity for the nature of Reclamation participation, level of investment, and project cost to change. On June 2, 2023, Sites Project Authority, the project proponent, received notification from the SWRCB that their 1.5 MAF water rights application was deemed complete. This is a major milestone for the project and is also one of the largest water rights applications in decades. A 60-day comment period and review are required before the SWRCB can issue the water rights permit.

Reclamation participation in Sites Reservoir Project is primarily for fish and wildlife non-reimbursable benefits. The benefit to fisheries would happen through water exchanges with Shasta Lake to conserve the cold-water pool in Shasta and through anadromous fish pulse flows in the Spring and Fall. The ability for Reclamation to facilitate better operations for the fisheries requirements on the Sacramento River may also provide reimbursable CVP-wide water supply benefits. There may be an interaction between the ongoing Long-Term Operations consultation

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and Reclamation's participation in the Sites Reservoir Project. More modelling and engagement are required prior to any agreement between Reclamation and the Sites Project Authority.

Reclamation investment in the Sites Reservoir Project secures storage capacity in the facility with multiple uses, termed "Lease-sell Framework" by the Sites Project Authority. Reclamation would have autonomy in determining how to use the 16%, or 128 TAF, of storage capacity. Within the operational constraints of the Sites Reservoir Project, Reclamation could hold water, lease the space, deliver water being held in the space, or sell water in the space. These four options are available to all Sites Reservoir Project participants. Reclamation did not share how they will utilize the "Lease-sell Framework" but clarified that there is no plan to change the CVP water right and the current goal is to best align with the benefits described in the Addendum to the Feasibility Study. The potential use of Reclamation space in Sites Reservoir Project by NOD contractors for carryover or rescheduling was brought up but no determination of the possibility was made.

For additional information, see:

- Sites Project Authority Website ([link](#))
- Sites Project Authority Correspondence on Reclamation Participation ([link](#))

#### **Sisk Dam Raise (San Luis Reservoir) website**

Reclamation is contemplating raising the surface elevation of the off-stream San Luis Reservoir for an additional 130 TAF of capacity in conjunction with the ongoing Sisk Safety of Dams project. Current discussions on cost-share range up to the 50% federal investment allowed in the WIIN Act for federally owned projects. Various cost-sharing and operation agreements are evaluated in an addendum to the feasibility study, currently in review with OMB. Reclamation generalized their investment to some share of water supply reimbursable (~15%) and refuge water supply (~5%). There is a significant (~30% cost share) non-reimbursable transportation benefit from this project, due to relocating and seismic retrofitting of Highway 152. The transportation, reimbursable water supply, and non-reimbursable refuge water supply comprise the maximum of 50% federal investment and the remaining 50% cost-share partner is an investor community comprised of SLDMWA member agencies. Reclamation and the investor community are actively working out the operational and cost-share agreements; therefore, there was no firm numbers of potential CVP-wide reimbursability.

Richard shared both the NEPA and CEQA requirements are complete with a draft ROD that could be signed as early as July. The uncertainty around reimbursable water supply is further complicated if the benefits are limited to a subset of CVP contractors. Historically, storage costs in the CVP are viewed as a CVP-wide benefit but contractors are concerned about deviating from the beneficiary-pays principle with these WIIN Act funded projects. Reclamation is evaluating approaches to recovering costs from a subset of contractors and may require an update to ratesetting policies. Each of these projects adds new benefits to the CVP, which may warrant a novel approach to cost recovery. Contractors requested increased engagement for any project that has the potential for CVP-wide reimbursability.

Richard Welsh shared that his review of potential operations of the Sisk Dam Raise showed limited potential for CVP-wide reimbursable water supply benefits.

**Los Vaqueros Expansion Phase 2 (LVE)** *website*

The Contra Costa Water District facility expansion is being led by the Los Vaqueros JPA, with both State and Federal investment. State funding through the California Water Commission Water Storage Investment Program and Federal WIIN Act funding is for fish and wildlife benefit. The Federal investment secures incremental Level 4 refuge water and is unlikely to have any reimbursable cost to CVP contractors. Although, there is a project component where reclamation could invest for reimbursable water supply benefit through operational flexibility. This opportunity would be through a conveyance facility that could bring water into the CA Aqueduct through the Los Vaqueros facilities. Reclamation is evaluating if this is a viable Federal benefit while also not crowding out individual investors.

**Del Puerto Canyon Reservoir** *website*

Anthea Hansen shared the project is moving forward with Reclamation as lead on the NEPA document. The project proponents are close to reviewing the 30% design. There is no need to change the CVP water right and there is no expected CVP-wide reimbursability. There are refuge and flood control non-reimbursable benefits.

**Sacramento Regional Water Bank** *website*

Reclamation is coordinating with the Regional Water Authority (RWA) on the project with the goal of Federal participation to enhance American River operations.

# June Meeting Agenda

10:00 a.m. June 23, 2023  
 279-666-3100 / ID 648 367 708#  
[MS Teams Link](#)

The hybrid meeting begins at 10:00 a.m. at the CCAO Main Office and the provided call-in number or MS Team link. The in-person meeting and subsequent Folsom Dam site visit will occur at:

## CCAO Main Office – Folsom Dam

7794 Folsom Dam Road  
 Folsom, CA 95630

Additional site visit information will be provided to FAC members that confirmed in-person attendance.

### 1. Opening Business

- a. Staffing and Administrative Updates
- b. Next FAC Meetings

### 2. 2023 FAC Schedule and Presentations

2023 FAC Schedule of Presentations – Updated 4/25/2023		
Date	Topic	Presenter
January 24	2023 FAC Issues Matrix	Kevin Kasberg
February 17	2023 Warren Act Rates	Sabir Ahmad
March 22	Regional Director 2023 Priorities / Preparing for 2024 AIA Application	Ernest Conant / Duane Stroup
April 21	BDO Funding Plan	Brooke White
May 19	Canceled	
June 23	Folsom SOD Recovery @ CCAO with Folsom Site Visit	Pavich & Ahmad
July 21	Canceled	
August 4	Future Costs and Potential Rate Impacts	Robert Ward
September 1	2024 AIA Application Review	Duane Stroup
October 27	Fall Budget Workshop FY23 Annual Accounting Analysis	Ed Young
November 17	TBD	
December 8	Ratesetting 201	Sabir Ahmad

**3. FAC Issues Matrix**

<b>2023 FAC Issues Matrix – DRAFT</b>	
<b>Priority Issues</b>	<b>Update</b>
1. Future Costs and Potential Rate Impacts	Robert
2. PL 111-11 XM Rate	Sabir
3. BDO Funding Plan	Brooke
4. Reserved Works Aging Infrastructure Account Application	Duane
5. True-up for WIIN Act and FCA	Sabir
6. Folsom SOD Cost Recovery	Sabir
7. Warren Act Rates for 2023	Sabir
8. Annual Budget Review with Stakeholders	Ed
<b>Tracking Issues</b>	
1. Trinity PUD Assessment Collection	Sabir
2. San Luis Joint Use O&M Cost Reallocation Study	Duane
3. Contractor Contact list	Lisa
4. Reclamation Manual Updates	Kevin
5. WIIN Act Section 4007 Storage Projects	Vincent
6. CVPIA True-up and Accounting BPG	Robert
7. CVPIA Program Evaluations	Heather
8. BORWORKS Enhancements	Sabir
9. Ability-to-Pay Studies	Steve Pavich
10. Remediation of 2014-2019 costs	(On hold)
11. Recharacterization of Reimbursability of Costs (BGT 02-02)	(On hold)

**4. Folsom SOD Cost Recovery – Pavich and Ahmad**

a. Background Information

- i. Project Website ([link](#))
- ii. EIR/EIS Folsom Dam Safety ([link](#))

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# June FAC Meeting Notes

10:00 a.m. June 23, 2023  
 279-666-3100 / ID 648 367 708#

The hybrid meeting began at 10:00 a.m. at the CCAO Main Office and the provided MS Teams link. The meeting began at 10:20 a.m. and adjourned at 11:20 a.m. Lunch and a site visit at of Folsom Dam was enjoyed by both Reclamation and contractor staff.

## In-person Attendees (29):

Adam Scheuber – DPWD	Minnie Moreno – Del Puerto	Amelia Castro – USBR
Cathy Marsh – Colusa County	Pablo Arroyave – SLDMWA	Bianca Jiglaui – USBR
Celia Chueng – CCWD	Paul Kelley – Clear Creek CSD	Brooke White – USBR
Dana Jacobson – Valley Water	Ray Tarka – SLDMWA	Drew Lessard – USBR
David Coxey – BVWD	Shelly Murphy – Colusa County	Mark Curney – USBR
George Hansen – Roseville	Tony Thomasy – Shasta Lake	Robert Ward – USBR
Gracie Chavez – DPWD	Wilson Orvis – FWA	Sabir Ahmad – USBR
Henry McLaughlin – Fresno ID		Steve Pavich – USBR
Josh Watkins – Redding	Fred DeAnda – WAPA	Travis Hawkins – USBR
Kevin Kasberg – CVPWA	Barbara Lynch – WAPA	Todd Plain – USBR

## Online Attendees (17):

Anthea Hansen – DPWD	Jonathon Bauer – EBMUD	Calvin Bryant – USBR
Ana Ulloa – EBMUD	Nicole Branum – WWD	Christiane Washington – USBR
Dalia Lopez – WWD	Priya Ram – SEWD	Cindy Calvillo – WAPA
Deanna Sereno – CCWD	Shelly Murphy – Colusa County	Jeanine Botteri – WAPA
Herman Williams – CCWD	Stephanie Hiestand – Tracy	Judy Shimek – WAPA
Jeff Sutton – TCCA	Tiffany Montooth – DEID	

## 1. Opening Business

### a. Staffing and Administrative Updates

The FAC went around the room with introductions and affiliations and then the online attendees did the same. Reclamation shared news of hirings in the Financial Management Division. These hirings include three new accountants in Ratesetting, a new staff in Accounts Receivable, and the process for selecting a Ratesetting Manager will start soon.

Contractors and Reclamation staff thanked the CCAO office for organizing the site visit and presentation for the Folsom SOD efforts.

b. Next FAC Meetings

There is no July FAC meeting, so the next meeting will be August 4 on MS Teams (there is no in-person option at this time). There were no changes to the schedule or presentations at this meeting.

2. 2023 FAC Schedule and Presentations

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1. Future Costs and Potential Rate Impacts	Robert
2. PL 111-11 XM Rate	Sabir
3. BDO Funding Plan	Brooke
<b>4. Reserved Works Aging Infrastructure Account Application</b> Contractors expressed interest in getting this application together ASAP to avoid a last-minute solicitation of sponsorship letters from all CVP contractors. Reclamation does not have the list of projects together yet but will be working to compile it and calculate potential rate impacts prior to the September 1 FAC Meeting. Contractors shared that this timing would still be cutting	Duane

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it too close and requested that the project list be ready by the August 4 FAC.	
<b>5. True-up for WIIN Act and FCA</b> Sabir shared that this effort is still under review with no timeline at this time.	Sabir
<b>6. Folsom SOD Cost Recovery</b> This is the feature presentation of the FAC meeting today and the slides are attached.	Sabir
7. Warren Act Rates for 2023	Sabir
8. Annual Budget Review with Stakeholders	Ed
<b>Tracking Issues</b>	
1. Trinity PUD Assessment Collection	Sabir
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11. Recharacterization of Reimbursability of Costs (BGT 02-02)	(On hold)

#### 4. Folsom SOD Cost Recovery – Pavich and Ahmad

##### a. Background Information

- i. Project Website ([link](#))
- ii. EIR/EIS Folsom Dam Safety ([link](#))

Mark Curney and Drew Lessard provided an overview of the Folsom Safety of Dams (SOD) project. Their portion of the presentation included maps and drawings of the project components, along with the history of the project. Sabir and Steve followed with the attached presentation.

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# Folsom Safety of Dams

## *Cost Allocation & Recovery*

### **DRAFT**

Presented by Steve Pavich, Economist & Sabir Ahmad, Financial Manager  
June 23, 2023



IX.B.

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# Outline

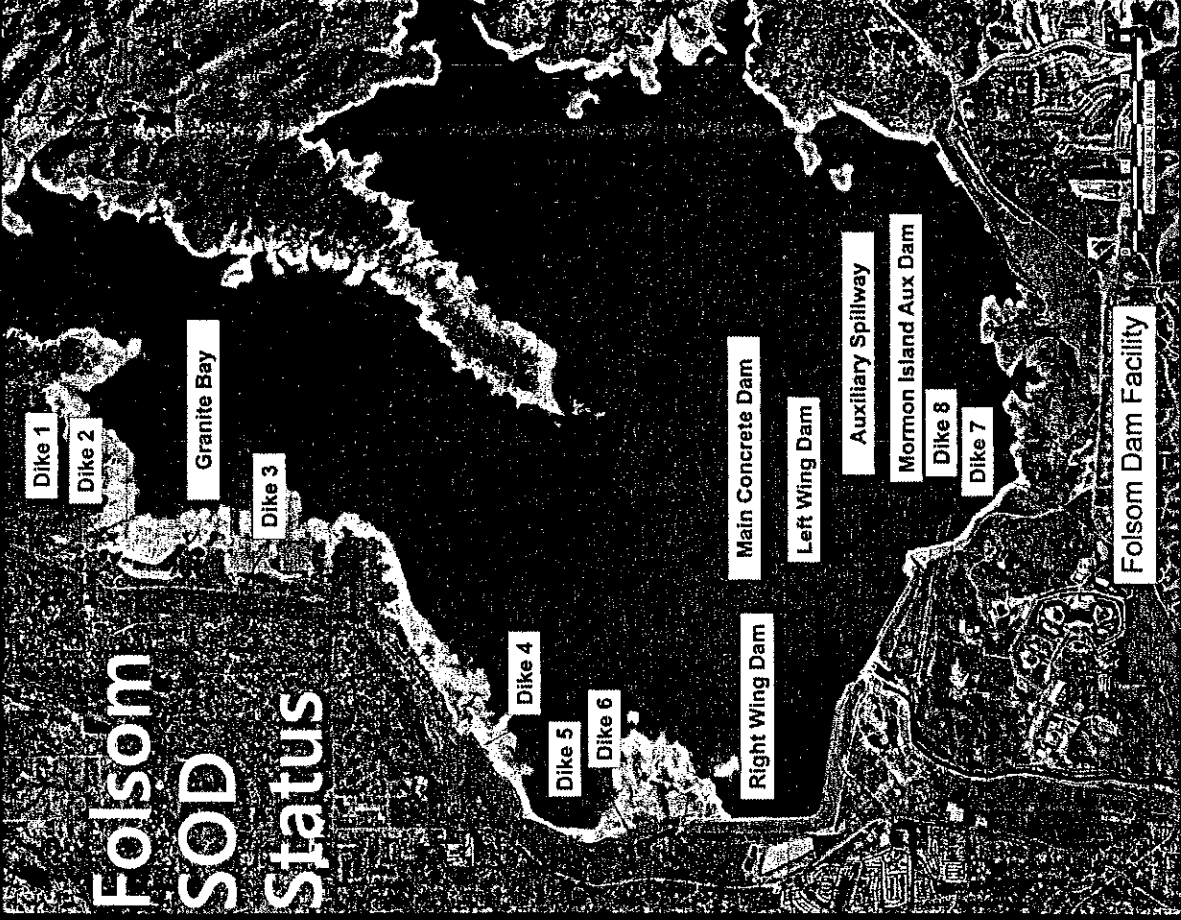
- FSOD Design/Engineering overview
- SOD Cost Allocation Methodology
  - Application to Folsom SOD
- SOD Cost Recovery (Water Rates)



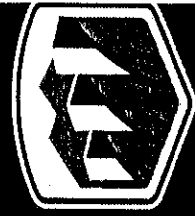
# FSOD Design/Engineering Project overview:



- JFP – Excavation, Haul Roads, Utilities and Embankment Filter
  - Phase I Excavation – Awarded 2007
  - Phase II Excavation, Haul Roads, etc. – Awarded 2008
  - Total Cost \$116,866,603.72
- Right Wing Dams – Embankment Filter
  - Award Winter 2007 ~ Total Cost \$10,305,333.33
  - (Remaining Award in FY24/25 ~ Approximately \$4,000,000)
  - Total Expected Cost ~ \$14,305,333.33
- Left Wing Dams – Embankment Filter
  - Award Winter 2007 ~ Total Cost \$5,152,666.67
- Dike 5 – Embankment Filter and Drain
  - Award summer 2008 ~ Total Cost \$4,467,132.28
- Dikes 4 & 6 – Embankment Filter and Drain
  - Awarded August 2009 ~ Total Cost \$5,217,779.70
- Main Gate & Piers – Gate and Piers Reinforcement
  - Awarded March 2010 ~ Total Cost \$20,990,922.26
- MIAD – Excavate, Foundation Treatment and Filter/Stability Beam
  - Phase I Key Block August 2010 ~ Total Cost \$63,578,251.00
  - Phase II Overlay Awarded 2013 ~ Total Cost \$50,622,390.69
- Folsom Safety of Dam Project Total Expected Cost ~ \$331,000,000
  - CVP Water User Total Expected Cost (15%) ~ \$49,650,000



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# Cost Allocation

# Key Points

- Methodology applies to all new SOD costs in the CVP
- Incorporated into annual plant-in-service allocation (water rates)
- SOD cost reimbursability
  - 85% Federal (Nonreimbursable)
  - 15% Reimbursable (Irrigation, M&I and Commercial Power)
- SOD cost allocation parallels allocation for associated dam/reservoir
  - Reimbursable functions only



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# Guidance Documents

## • Commissioner Memorandum (November 2007):

Approval of Mid-Pacific (MP) Region's Proposed Procedure for Recovering Reimbursable Safety of Dams (SOD) Modification Costs Utilizing the Central Valley Project (CVP) Irrigation and Municipal and Industrial (M&I) Ratesetting Policies, and the Allocation of Reimbursable Folsom Dam SOD Modification Costs Among Beneficiaries

- *"You may allocate the Folsom Facility and future CVP SOD modification costs in accordance with each CVP storage facility's interim or final cost allocation, whichever is in effect at the time. Costs allocated according to the interim allocation, if any, will be adjusted to accord with the final allocation pursuant to P.L. 99-546."*
- *"You may add the Folsom Facility and future CVP SOD reimbursable modification costs as a capital storage component of the rates established pursuant to CVP ratesetting policies."*
- *"Repayment will begin the year following substantial completion of construction of each SOD modification and be completed within 50 years as provided by the SOD Act."*



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# CVP Final Cost Allocation

- **CVP Cost Allocation Study (CAS)**
  - Finalized in 2020
  - Established cost allocation factors for each facility (authorized purposes)
- **Two-Period Cost Allocation**
  - Period 1 based on 1970/75 interim cost allocation – historic benefits
  - Period 2 based on CAS analysis – existing/prospective benefits
  - Final Cost Allocation (“merge” of Period 1 and Period 2)
- **Implemented/updated annually (water & power suballocation)**



# CVP Final Cost Allocation – Folsom D&R

Period	Water Supply	Power	Fish & Wildlife	Recreation	Flood Control	Navigation	Water Quality
Period 1	53.0%	23.3%	N/A	N/A	21.9%	1.8%	N/A
Period 2	38.7%	9.1%	N/A	N/A	40.6%	N/A	11.5%
Final (Merge)	45.9%	16.2%	N/A	N/A	31.3%	0.9%	5.7%

- Allocation factors at the purpose level does not define repayment
- Water supply & power suballocation required for repayment



# Water Supply Suballocation

- Water Supply Subpurposes: Irrigation, M&I, Wildlife Refuge and B2
- Facility-level water supply distributions
  - Defined in Cost Allocation Study
  - Dams/reservoirs have a "CVP-wide" water supply distribution
- Based on relative share of historic and projected water deliveries
- Period of Analysis
  - CVP facilities with 2030 repayment, incl. Folsom D&R: 2013-2030
  - Folsom SOD: Accounts for 50-year repayment period



# Power Suballocation

- Power Subpurposes: Commercial Power and Project Use Energy (PUE)
- Power suballocation consistent across most facilities (incl. dams)
  - CVP-wide distribution
- Based on relative share of historic/projected power generation and use

## use

- Period of Analysis
  - CVP facilities with 2030 repayment, incl. Folsom D&R: 2013-2030
  - Folsom SOD: Accounts for 50-year repayment period



# Repayment %s – Folsom D&R (SOD)

## • Total Cost Allocation

- Irrigation: 39.6%
- M&I: 7.6%
- Commercial Power: 14.1%
- Nonreimbursable: 38.7%

## • Reimbursable Functions Only (normalized values)

- Irrigation: 64.8%
  - [39.6% / (39.6% + 7.6% + 14.1%)]
- M&I: 12.4%
  - [7.6% / (39.6% + 7.6% + 14.1%)]
- Commercial Power: 23.1%
  - [14.1% / (39.6% + 7.6% + 14.1%)]



# Cost Allocation – Folsom SOD

- Total SOD Costs: \$174.8M
  - Nonreimbursable (85%): \$148.6M
  - Reimbursable (15%): \$26.2M
- Allocation of Reimbursable Costs (\$26.2M)
  - Irrigation: \$16.9M
    - \$26.2M x 64.8%
  - M&I: \$3.2M
    - \$26.2M x 12.4%
  - Commercial Power: \$6.0M
    - \$26.2M x 23.1%





# Cost Recovery (Water Rates)



# Cost Recovery- FSOD

- FSOD rate component will be based on 50- Years of repayment

## Calculation:

- 7-years of actual Avg deliveries \* 50
- A separate CVP schedules (IRR & M&I) will be developed to show 50- years delivery data by contractor ( Similar to Sch A-13 for IRR & A-14 for M&I)
- Sch A-4 (Construction cost by Component) will have total reimbursable cost and H/P deliveries
- (Total FSOD Reimbursable cost / Historic & Project Del) = 50- Year FSOD Rate



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# Cost Recovery- FSOD

- New 50- Years of delivery schedules will be developed for IRR & M&I
- For M&I 50- Years of average deliveries Present Worth (PW) is calculated
- Deliveries will be trued up each year (projected Del replace actual Del)
- Similar to A-2ba schedule will be developed to track net position by contractor

Present Worth (PW) of deliveries are used in lieu of charging interest on M&I: IOI will be charged on unpaid balances

RRA provisions are not applicable to FSOD



# Cost Recovery- FSOD – Draft calculation 2024 Rates ( Reimb Cost Through 2022)

• IRR:  $\$16.9\text{M} \div 71\text{MAF} = \$0.24$  (50- Year rate)

• M&I:  $\$3.2\text{M} \div 17\text{MAF} = \$0.19$  (50- Year rate)



# Cost Recovery- FSOD -2025 & Beyond:

- FSOD Transferred to Plant in Service in May 2023: \$140M
- Projected Transfer to PIS in FY 2023: \$12.2M
  - Total FY 2023 FSOD Cost: \$152.20M
  - FY 2023 cost will be allocated (15% Reimbursable) – Same Period of Recovery (2024-2073)
  - Remaining cost beyond FY 2023 is estimated: ~\$5M (estimated completion 2025)





# *Questions / Discussion*

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