



NOTICE TO STATE WATER PROJECT CONTRACTORS

NUMBER: 98-06

DATE: APRIL 02, 1998

SUBJECT: Criteria for Bulletin
132-98

FROM: Stephen S. Kashiwada
Deputy Director, Department of Water Resources

Attached for your information are copies of "Criteria for Bulletin 132-98 Project Operation Studies" and "Interest and Escalation Rates for Preparing Bulletin 132-98."

These criteria are being used by the Department of Water Resources to prepare information for Bulletin 132-98, "Management of the California State Water Project" and to determine Water Contractors' Statements of Charges for 1999.

If you have any questions, please contact Donald Long, Chief of DWR's State Water Project Analysis Office, at (916) 653-4313 or Dave Knock, Chief of Financial Analysis and Future Facilities Section, at (916) 653-1894.

Attachments

**CRITERIA FOR BULLETIN 132-98
PROJECT OPERATIONS STUDIES**

1. **Water Deliveries.** Water demands for the water operation studies will be based on the short-range, five-year (1998-2002) requests submitted by the contractors in October 1997, and the long-range (2003-2035) requests submitted by the water contractors in October 1997.

2. **Water Supply.** The water and power studies will reflect compliance with 1995 modification of SWRCB Decision 1485 (June 8, 1995, order 95-6), long-term NMFS Winter Run Biological Opinion as amended on May 17, 1995, and the long-term USFWS Delta Smelt Biological Opinion dated March 6, 1995. The water supply assumed for water and power operation studies will be as follows:
 - (a) **1998**--The initial operations study for 1998 will assume hydrology sufficient to deliver 3.3 MAF (includes 0.19 MAF of "sellers water" to be stored in San Luis Reservoir and made available for later delivery to buyers and provides for 0.24 MAF of 1998-99 extended carryover water). 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 1998 water deliveries and water and power operations studies will be reviewed and finalized in March 1998 when the water supply forecast based on March 1, 1998 snow surveys becomes available.
 - (b) **1999**--State Water Project operations projected for 1999 are the basis for the 1999 Statements of Charges. The study will assume hydrology sufficient to deliver 3.5 MAF (contractor's projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (c) **2000**--The 2000 studies will assume hydrology sufficient to deliver 3.6 MAF (contractor's projected entitlement requests). Lower quartile inflow will be assumed for Pine Flat generating facilities.
 - (d) **2001**--Assume hydrology sufficient to deliver contractor's projected entitlement requests of 3.6 MAF.
 - (e) **2002**--Assume hydrology sufficient to deliver contractor's projected entitlement requests of 3.4 MAF.
 - (f) **2003**--and thereafter--Assume hydrology sufficient to deliver contractor's projected entitlement requests of 4.2 MAF.

include a review of all options for fixing the Delta. In the meantime, the Department is suspending independent planning for North Delta facilities, which included channel dredging, levee improvements, testing of fish protective measures, wildlife and fisheries habitat enhancement, and enlargement of the Delta Cross Channel.

- (d) 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 and Dudley Ridge Water District through the Kern Water Bank Authority as part of the Monterey Amendment. Fifty percent of any project water remaining in storage from the Berrenda Mesa Demonstration Program and the La Hacienda Water Purchase Program was also transferred to KWBA. The remaining 50 percent (approximately 42,828 acre-feet) remains SWP water and is subject to provisions of a recovery agreement with KCWA. The 1997 groundwater recovery program extracted 27,755 acre-feet.
- (e) Other Project Yield. For purposes of preparing water and power studies for future years, it will be assumed that the Project will deliver full entitlement requests. Additional water supply needed to meet future delivery of requested entitlement water will be assumed to be available from development of unspecified future conservation facilities.

- 5. Power Operations. Annual energy prices in the western states' power markets have historically been highest during the on-peak hours and summer months. This pattern is currently anticipated to continue into the pending deregulated energy market. The aqueduct operation will be optimized to reduce power costs by minimizing on-peak and summer pumping within the constraints of operating criteria.

For Bulletin 132-98, forecasted SWP power operation through the study period will be based on existing power sources. Additional capacity and energy resources needed to meet power requirements will be from unspecified purchases.

In 1998 and after, projected energy deficits will be met with spot market energy purchases. The price for spot market energy for the next three years is projected to be between 21 and 30 mills per kilowatt-hour. By March 1998, the Department will conduct an energy study that will forecast annual on-peak and off-peak mills rates for 1998 and after. These mill rates will be used to determine power costs or revenues for energy purchased or sold on the open market.

TABLE 1
INTEREST RATES TO BE USED IN PREPARING DATA AND
INFORMATION FOR BULLETIN 132-98,
WATER CONTRACTORS' STATEMENTS OF CHARGES FOR 1999, AND
DEPARTMENT FINANCIAL ANALYSIS STUDIES

<u>Item</u>	<u>Interest Rate⁽¹⁾</u> <u>Per Year</u>
1. Interest rates on future general obligation "Offset" bonds (If assumed sold) ⁽²⁾	5.5% (5.5%)
2. Interest Rate for Water System Revenue Bond sale ⁽³⁾	6.0% (6.0%)
3. Project Interest Rate for determining Statements of Charges for 1999	4.615% (4.620%)
4. Interest Rate on future short-term investment of project funds ⁽⁴⁾	6.5% (6.5%)

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- 1) For the purposes of Department studies, these rates are to be used as the effective rates of interest. Figures in parentheses are Bulletin 132-97 assumptions.
 - 2) "Offset bonds are assumed to be repaid within 35 years of sale or shorter with maturities commencing in the year following the date of sale and with equal annual bond service for the principal repayment period.
 - 3) All future revenue bonds are assumed to be repaid within 35 years of sale date or by the end of the Project repayment period (2035), whichever is shorter, with maturities commencing in the first year after the date of bond sale and with equal annual bond service for the principal repayment period.
 - 4) Based on the expected rate of return for funds invested in the State's Surplus Money Investment Fund.