



Meeting: **Reservoir Committee & Authority Board**
Agenda Item 3.3

December 20, 2024

Subject: **Glenn-Colusa Irrigation District (GCID)/Tehama-Colusa Canal Authority (TCCA) Facilities Use Agreements Update**

Requested Action:

Receive a status update on the Glenn Colusa Irrigation District and Tehama-Colusa Canal Authority Facilities Use Agreements.

Detailed Description/Background:

Staff are tracking the items that the Board has identified as needed for Participant's execution of the Benefits & Obligations Contract, including the Facilities Use Agreements with GCID and the TCCA to convey Sites water.

In February 2023, the Sites Authority (Sites) developed a Cooperative Agreement with GCID and TCCA regarding the future use of Partner facilities and outlining the process to reach final agreement regarding such shared use. To inform the development of the Facilities Use Agreements, staff solicited services from a wheeling rate consultant (Water Resources Economics or WRE) in late 2023. Water Resources Economics has worked with Sites Authority, GCID and TCCA staff to develop a recommended framework and methodology to determine what Sites will pay for use of shared facilities operated by GCID and TCCA. Sites staff expects to work with GCID and TCCA to utilize this framework and methodology to develop substantially final Facilities Use Agreements during Quarter 1 2025.

WRE's Recommended Framework:

One fundamental objective of the Facilities Use Agreements is to provide appropriate compensation to GCID and TCCA for use of their facilities to divert Sites water and to convey releases of Sites water from the reservoir. The Facilities Use Agreements will also include the terms and conditions under which the facilities will be utilized.

WRE was tasked with working with Sites, GCID and TCCA to develop a methodology to calculate appropriate compensation, including a proposal for a wheeling rate. WRE developed a framework to ensure GCID and TCCA recover:

- a. An appropriate share of annual fixed and variable operating and maintenance costs.
- b. Repair and replacement costs of existing facilities.

- c. Any incremental operating costs (e.g., additional dredging, overtime, etc.) needed to convey Sites water.
- d. Future capital contributions for necessary for additions to shared facilities.

WRE's Recommended Methodology:

WRE worked with GCID and TCCA to identify costs associated with moving Sites water. The proposed methodology recognizes that a separate wheeling rate is needed for diversions into Sites Reservoir and releases from the reservoir. In addition, the proposed methodology is tailored to each agency, recognizing their unique characteristics.

Wheeling Rate Methodology

TCCA Annual fixed and variable Operating & Maintenance Costs. The proposed methodology allocates Sites a share of annual fixed and variable Operating & Maintenance costs based on the expected proportional share of Sites annual diversions and releases relative to TCCA's annual deliveries to its customers.

GCID Annual O&M. GCID owns and operates its facilities, including the main canal. WRE and GCID worked together to develop a rate method based on an existing agreement with the federal government to convey water to several wildlife refuges. In short, WRE recommends adjusting the existing rate charged by GCID to account for the facilities expected to be used by Sites (primarily the main canal.) This rate would be adjusted each year based on the percentage increase in GCID's annual budget. This rate would allocate Sites a share of all costs needed to operate and maintain the canal, including capital costs.

Repair & Replacement. TCCA Repair & Replacement (R&R) costs were estimated from the replacement value of insured assets, escalated to today's dollars. The bulk of these R&R costs are associated with fish screens and other facilities associated with diversions. This proposal recovers R&R costs each year, regardless of whether TCCA has budgeted capital work in that year. As noted above, GCID would receive R&R payments through the wheeling rate. Under the proposal, Sites would have no obligation to fund replacements when they occur as it would have compensated TCCA and GCID for these facilities over time. TCCA and GCID would have the responsibility to utilize these payments to fund a capital reserve to be used to ensure timely replacement of needed facilities to meet deliveries for Sites and TCCA customers.

Incremental Costs. Sites would fund a reserve to compensate TCCA and GCID for actual incremental costs associated with Sites diversions and releases. This reserve would initially be funded at a level budgeted by TCCA and GCID and adjusted as needed. TCCA and GCID would draw from the reserve to pay for actual costs incurred that were above normal operating and maintenance costs. Incremental costs could include additional overtime needed due to a shorter maintenance window, temporary

labor, and additional equipment rental costs for dredging, etc. Sites would replenish the reserve as necessary to ensure that TCCA and GCID would have sufficient funds to meet any additional costs.

New capital costs. To the extent that new capital facilities were needed, Sites would negotiate appropriate cost shares with GCID and TCCA. It is anticipated that Sites would fund such improvements with direct capital payments.

Annual Payments and Credits. Because diversions and releases can vary greatly on an annual basis, the proposal includes a credit mechanism. Such a mechanism provides more budget certainty for TCCA, GCID and Sites. Under the proposal, Sites will pay its share of O&M and R&R costs based on expected (average) diversions and releases. But, Sites will accrue credits if it moves less than the expected amount of water. These credits can be carried forward and used to offset costs in years when more than the expected amount of water is moved. The credits will be reconciled periodically (e.g., every five years) to ensure that the credits and payments are meeting the objective of fairly compensating TCCA and GCID and not overcharging Sites for the services provided.

Next Steps:

WRE has completed its work and will provide its analysis to Sites. Over the next few months, Sites, GCID and TCCA will continue to finalize the Facilities Use Agreements, including business terms in addition to the wheeling rates and charges (e.g., coordination of diversions and releases, cooperative studies, etc.) Final drafts of the Facilities Use Agreements are anticipated at the end of the first quarter of 2025.

Prior Action:

July 2024 - Received update on agreement development

Fiscal Impact/Funding Source:

While actual wheeling rates and facilities use costs will not be known for a number of years, the proposed method results in costs that are consistent with prior cost estimates used in Sites' financial forecasts.

Staff Contact:

JP Robinette / Brian Thomas

Primary Service Provider:

Brown and Caldwell

Attachments:

None.