

**PROPOSITION 218 WATER RATE STUDY OUTLINE**

1. Overview and History of the District.
2. Description of the District's Irrigation System.
  - a. South System
  - b. North System
  - c. Tracy Lake
  - d. Woodbridge/Calfed.
3. Identify those parcels, which can currently take delivery of District water and whose landowners should receive a Prop 218 notice.
4. Explain why North System and Woodbridge systems are to be excluded from the proposed Prop 218 process.
5. Describe District Finances and Budgets
  - a. General and Administrative
  - b. Water rights
  - c. Capital improvements
  - d. South System
  - e. Tracy Lake System
6. South System
  - a. The major factors for determining the amount of District water, which could be delivered are Hydrology (the amount of water available from EBMUD) and Demand (the amount of water District customers want delivered).
  - b. Apportionment of water between the South Ditch/North Ditch and Tracy Lake. Under Section 12b of the Tracy Lake Landowner Agreement discussed below, the District's South Ditch and North Ditch are to receive the first 3,000 AF of Mokelumne River water available to the District. Tracy Lake would be entitled to receive up to the next 4,000 AF, subject to certain limitations set forth in Section 13. Allocation of water available in excess of 7,000 AF shall be as determined by the NSJWCD Board, which consideration would include, but not be limited to, any water sold to the City of Lodi.
  - c. The following table shows a possible range of combinations of Hydrology and Demand. The Board will need to determine and direct the Consultant on the Hydrology and Demand combinations to include in the Prop 218 notice. The numbers in the following table are for illustration and discussion purposes. The "X" boxes show a suggested range to consider.

Hydrology (Total AF available from EBMUD)	South System Demand		
	High (10,000AF)	Medium (5,000AF) [NOTE: 1 <sup>st</sup> 3,000 AF = 1 <sup>st</sup> priority; next 2,000 AF = 3 <sup>rd</sup> priority after Tracy Lake]	Low (3,000AF)
High (15,000AF)			<b>X</b>
Medium (10,000AF)		<b>X</b>	
Low (6,000AF)	<b>X</b>		<b>X</b>

- d. Financial Analysis of the District’s costs to deliver water in the four scenarios and the resulting range of water rates. Such costs would include the direct costs to operate and maintain the South System (excluding capital improvement costs) and indirect costs, such as an allocation of the District’s General and Administration costs and costs to maintain the District’s water rights.
- e. Analysis of groundwater pumping costs for South System farmers since District water rates need to be competitive with those costs.
- f. Proposed South System water rates for Calendar Years 2015, 2016, 2017, 2018, and 2019. Proposed water rates set a maximum range of rates, which could be charged by the District. Board could set rates lower than the maximum rates for any calendar year depending upon District finances, water available, water demand, and other factors. The Board could not charge a higher rate than the approved maximum rate without another Prop 218 proceeding.

7. Tracy Lake System

- a. Capital Costs to construct the Tracy Lake Recharge Project: The District applied for and received a U.S. Bureau of Reclamation cost-share grant in September 2011 for \$300,000 for the Tracy Lake Recharge Project. Because the District had no funds of its own to provide the required cost-share, the District entered into an agreement with the landowners, which would benefit from the project (November 17, 2011 Landowner Agreement). Under the Agreement, the landowners agree to fund the required cost-share portion through the formation of the District’s first improvement district, the Tracy Lake Improvement District (TLID). The District would issue TLID warrants, which would be paid for through assessments levied on the landowner parcels. Because of increased project costs, the original landowner cost-share has increased from \$554,700 to \$1,314,031, which cost increased has been agreed to by the landowners (First Amendment dated January 24, 2014). The TLID Committee was formed to provide input to the NSJWCD Board on matters affecting the project and the TLID.

- b. Annual Operation and Maintenance Costs and Annual Water Rate: Unlike the proposed rate structure for the South System, Tracy Lake System has two cost components: (1) an annual improvement district per-acre assessment on all lands within the improvement district, which is 1,310.79 acres. Landowners are to be assessed 65% of all TLID operation and maintenance costs; NSJWCD is responsible for the remaining 35%. (2) A separate water charge for each AF of water that Landowner pumps from the South Tracy Lake. For the first year of operation, the water charge is set at \$2.00 per AF.
- c. Under Section 13e of the Landowner Agreement, the NSJWCD has the right to claim 100% of any groundwater recharge or conjunctive water use credits from the project.
- d. As with the table for the South System, the following table shows a possible range of combinations of Hydrology and Demand. The Board will need to determine and direct the Consultant on the Hydrology and Demand combinations to include in the Prop 218 notice. The numbers in the following table are for illustration and discussion purposes. The “X” boxes show a suggested range to consider.

	<b>Tracy Lake System Demand</b>		
<b>Hydrology (Total AF available from EBMUD)</b>	High (???? AF)	Medium (4,000AF)	Low (3,000AF)
High (15,000AF)			<b>X</b>
Medium (10,000AF)		<b>X</b>	
Low (6,000AF)	<b>X</b>		<b>X</b> [NOTE: South System has priority to first 3,000 AF available from EBMUD]

- e. Financial Analysis of the District’s costs to deliver water in the four scenarios and the resulting range of water rates. Note that the financial analysis for Tracy Lake System water rates is different from the financial analysis for the South System water rates because the Tracy Lake System has a separate rate component for the annual O&M costs of the system.
- f. Proposed Tracy Lake System water rates for Calendar Years 2016, 2017, 2018, and 2019. If 2016 is the first year of operation, then pursuant to the Landowner Agreement, the water rate is \$2.00 per AF. The Prop 218 process would cover water rates for Calendar Years 2017, 2018, and 2019. Proposed water rates set a maximum range of rates, which could be charged by the District. Board could set rates lower than the maximum rates for any calendar year depending upon District finances, water available, water demand, and other factors applicable to the Tracy Lake System. The Board could not charge a higher rate than the approved maximum rate without another Prop 218 proceeding.

[end of draft]