

WESTLANDS WATER DISTRICT BOARD OF DIRECTORS

REGULAR BOARD MEETING OF JUNE 20, 2023

ITEM 8

SUBJECT:

Board of Directors to Receive Update, Consider Options, and Provide Direction for Managing District Water Supply, Implementing Article 2, Managing Operating Cash, and Revising 2023-24 Water Rates and Charges

DISCUSSION:

The purpose of this item is for the Board for Directors (Board) to receive an update and consider options for managing District water supply, implementing Article 2, and revising 2023-24 water rates and charges.

Water Supply and Demand

The District’s anticipated 2023-24 surface water supply and demand are summarized in the Tables 1 and 2 below (groundwater excluded from this analysis).

2023-24 Surface Water Supply (rounded to thousands)

Surface Water Supply Source	Amount (AF)
2021-2022 Carryover	75,000
2023 CVP Allocation	1,193,000
2023 State Water Project (SWP)	5,000
2023 Supplemental Water	44,000
2023 Water User Transfers	15,000
Delta 215 Water User Allocation	70,000
<i>Delta 215 District Recharge Allocation</i>	<i>30,000</i>
Delta 3(f) Water User Area 3 Allocation	18,000
<i>Warren Act Water Transfer District Recharge</i>	<i>9,000</i>
Friant 215 and Kings River Flood Water	8,000
System Gain, estimated	20,000
Banking and Other Transfers Out	(64,000)
Rescheduled into 2024	(120,000)
SWP Carryover into 2024	(3,000)
Net Total Supply	1,300,000

2023-24 Surface Water Demand (rounded to thousands)

Demand Category	Amount (AF)
Agriculture (March through May) (1)	209,000
Agriculture (Forecast June through February) (1, 2)	1,065,000
M&I (March through May)	1,000
M&I (Forecast June through February)	4,000
District Recharge (215 and Warren Act)	39,000
Total Demand	1,318,000

Notes:

- (1) Includes private recharge projects.
- (2) In 2017-18 Water Contract Year, the District delivered approximately 256,000 AF from March through May (about 47,000 AF more than 2023), and 845,000 AF from June through February, or 220,000 AF less than forecasted for 2023-24.

Based on the net total supply (after deducting for transfers out and rescheduled water) and the forecast demand from June through February, staff believes that the District could deliver enough water without risk of exceeding Reclamation’s rescheduling limits. Staff’s forecasted June 2023 through February 2024 use (assuming a substantial amount of recharge) is 220,000 AF greater than year 2017 water user demand. If the demand pattern tracks closer to 2017 usage, then the amount of remaining water exceeding Reclamation’s rescheduling limit could be 202,000 AF. **Therefore, the potential Cap Loss and volume that water users and the District should plan to manage is up to 202,000 AF.**

2023 CVP Allocation

Area 1 and 2 (Pre-Merger and Merged Lands) requested 1,168,000 AF and Area 3 (Annexed Lands) requested 27,000 AF. All Area 1 and 2 requests were met with the District’s contract entitlement, and 18,000 AF of Area 3’s unmet request was fulfilled with Article 3(f) water.

Supplemental Water

The District’s 2023 Supplemental Water supply is 44,500 AF. Water users requested 6,500 AF and 2,000 AF will be transferred to fulfill the District’s return obligation from a

prior year exchange. Therefore, the District has 36,000 AF of acquired but unallocated Supplemental Water. The District can allocate the remaining water to eligible cropland in the District per Article 2.4 of the Rules and Regulations, which results in about 0.08 AF/acre allocated (or 77 AF per 1,000 irrigable acres). Allocating to cropland creates challenges for landowners that are not water users. The District can also purchase the remaining supply for \$5.0 million and use for recharging the Westside Subbasin. Another option is to sell the remaining Supplemental Water to buyers and allow them to transfer the water out of the District, without the return obligation, which the Board approved in 2019. However, Reclamation might not approve the transfer, which occurred in 2019.

Water User versus District Managed Remaining Supply

2023-24 Unallocated Surface Water Supply (rounded to thousands)

Surface Water Supply Source	Amount (AF)
2023 Supplemental Water Remaining	36,000
Friant 215 and Kings River Flood Water	8,000
Cushion Water (1)	3,000
System Gain, estimated (2)	20,000
Net Total Supply	67,000

Notes:

- (1) Staff recommends retaining 6,000 AF for system losses and other uses.
- (2) Current total is 2,000 AF, but in 2017/18 contract year, the System Gain reached approximately 30,700 AF.

Article 2 Rules and Regulations requires that the District allocate all contract water to Area 1 and 2 first, then to Area 3, and finally to all District cropland. The District has completed this task and the only water types remaining in District control are Cushion Water, remaining Supplemental Water (acquired but unallocated), Friant 215 water, Kings River Flood water, and System Gain, or about 67,000 AF. Therefore, of the supply that is subject to potential Cap Loss, approximately 135,000 AF is controlled by Water Users. Staff is seeking Board direction on preferred approach for managing 67,000 AF of supply in District control.

Staff is currently authorized to invest \$22 million to recharge up to 100,000 AF, and through June, staff anticipates that the District will reach 39,000 AF of recharge. To reach the 109,000 AF (39,000 AF plus 67,000 AF), the District could acquire 36,000 AF of

remaining Supplemental Water, but the authorized expense should be increased from \$22 million to \$25 million to pay for acquisition.

If the District successfully recharges 109,000 AF and if water user delivery patterns from June through March track closely with year 2017 water demands, then approximately 135,000 AF could be subject to a Cap Loss and returned to Reclamation as 2024 project supply. To avoid this Cap Loss, water users need to irrigate their crops and/or use water for groundwater recharge. If the District allows water users to “return” allocated CVP water for the District to recharge (complementary to the 109,000 AF), then the District’s O&M rate will likely remain unchanged or potentially increase. In addition, the District will invest approximately \$20 million for every 100,000 AF of CVP water used for recharge. The source of funding could be Excess Cash, Operating Cash or District O&M.

Impacts to District O&M Rate

The current District O&M rate of \$27.38 per AF is based on 80% water supply (approximately 895,037 AF total water delivered), forecast total water delivered, and budgeted costs. Changes to the District’s budget, the total water delivered, or uncollected O&M on District recharged water will impact the O&M rate and staff monitors deliveries to ensure that sufficient District O&M is collected to cover costs. At the end of the year, if there is Cap Loss or Rescheduling Loss, the District may need to charge District O&M on lost water if total water delivery estimates have not been met. The District’s 2023-24 Agricultural Water Rate is summarized in the table below.

Description	Cost of Service (\$/AF)
United States Bureau of Reclamation	46.01
San Luis & Delta Water Authority O&M	32.17
Westlands O&M	27.38
Westlands USBR Capital Repayment Debt Service	6.52
Water Exchange Obligation	0.69
SWRCB Water Rights Fee	1.66
Total Agricultural Water Rate	114.43

Options for Managing Water Supply

1. Follow paragraph 2.4 of the District's Rules and Regulations and allocate "Other water" obtained by the District (Supplemental Water, Cushion, System Gain, etc.) to all eligible cropland in the District on a per acre basis and rely on water users to manage supply, and decline requests to return allocated CVP supply.
2. District acquire remaining Supplemental Water and attempt to recharge 109,000 AF, which includes Friant 215 water, Cushion Water, and System Gain.
3. Option 2 plus accept 41,000 AF of CVP water willingly returned by water users and District target 150,000 AF for recharge and water users will be responsible for managing remaining allocated supply. If water users recharge their remaining supply, then combined, the District and water users might recharge about 300,000 AF. Based on current private recharge capacity used by the District, the District might not be able to recharge 150,000 AF by end of February 2024.
4. Option 2 plus accept all CVP water willingly returned by water users and District attempt to recharge all water. Depending on amount of returned water, the District might not have access to sufficient private recharge capacity to recharge all returned water.

PROPOSED MOTION:

None.

RECOMMENDATION:

Direct staff as appropriate.