



# Madera County GSAs – Rate Studies

**Board of Supervisors Meeting**

Study Update

February 8, 2022

# Study Review

- Calendar Year 2021: Projects costs and programs development
- Summer 2021: Rate policies and pricing objectives
- Fall 2021: GSAs annual cash needs and shared fixed rate per acre in farm unit; asked by Board to return with a fixed + volumetric component
- Winter 2021: Data review and analysis of 2021 allocation year
- February 8, 2022 BOS Meeting: Share Fixed + Volumetric options and logic
- March 1, 2022 BOS Meeting: Final rate options for five-year period brought for Board consideration

# Tentative Rate Study Schedule

Rate Study Implementation Process	Date
Board of Supervisors Presentation – Preliminary Rates	December 7, 2021
Water Allocations in Effect	January 1, 2022
Board of Supervisors Presentation – Rate Study Update	February 8, 2022
Board of Supervisors Presentation – Revised Rates	March 1, 2022
Virtual Community Open House	TBD
Board of Supervisors Presentation – Final Rate Authorization	April 5, 2022
Public Notice to Affected Parcels	Around April 15
Protest Period	45 days from public noticing
Public Hearing for Rate Adoption	June 7, 2022
Proposed Fees Implemented for Fiscal Year 2022-2023	July 1, 2022

**Outreach**



# Grower Outreach – Rate Study

- Developing a direct mailer to Farm Units within the County GSAs
- Future Virtual Open House with breakout rooms to discuss costs for:
  - › Sites Reservoir
  - › Domestic Well Mitigation
  - › Recharge
  - › Land Repurposing

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# Rate Structure Options

- **Fixed Only**
  - › \$/Enrolled Acre
- **Fixed + Volumetric (Hybrid)**
  - › Fixed Component: \$/Enrolled Acre (based on Farm Unit acreage)
  - › Volumetric Component: \$/AF of water (based on a Farm Unit's Transitional Water (TW) pool use)

# Fixed + Volumetric Rate Structure Logic

- Fixed Component (\$/Enrolled Acre):
  - › Will represent-the Sustainable Yield (SY) portion of an allocation
  - › Recovers costs of Land Repurposing (SALC) which is an incentive payment per acre and GSAs program management costs
- Volumetric Component (\$/AF):
  - › Will apply to the TW portion of a Farm Unit's allocation
  - › Recovers costs of Recharge, Sites Reservoir, and Well Mitigation
  - › Provides flexibility and improved fairness with respect to water used

# Fixed + Volumetric Rate Structure Logic (Continued)

- Cost Recovery based on rate logic
  - › Madera subbasin: 56% fixed and 44% volumetric
  - › Chowchilla subbasin: 38% fixed and 62% volumetric
  - › Delta-Mendota subbasin: 100% fixed (only SALC)
- Alternative
  - › Policy decision on fixed and volumetric cost recovery
    - i.e. 75% of costs to fixed and 25% to volumetric
    - Not representative of specific project costs but still cost-based

## Fixed + Volumetric Rate Structure Logic (Continued)

Subbasin Rates (Average of Fiscal Year (FY) 25 – FY 27)	Rate Logic (Project Based)	Policy Based (75% Fixed / 25% Volum.)
<b>Madera</b>		
Fixed (\$/enrolled acre)	\$145	\$195
Variable (\$/AF)	\$115	\$65
<b>Chowchilla</b>		
Fixed (\$/enrolled acre)	\$75	\$150
Variable (\$/AF)	\$95	\$40
<b>Delta-Mendota</b>		
Fixed (\$/enrolled acre)	\$145	\$110
Variable (\$/AF)	\$0	\$95

*Rates are presented as samples for discussion purposes only and have not been finalized*



# Risks with Volumetric Component

- Under SGMA, there are estimates of 500,000-1,000,000 acres coming out of irrigated production from 2020 to 2040
- A decrease in irrigated land means a decrease in revenue
- A decrease in revenue means we won't have money for projects
- All of this may limit ability to finance capital projects and increase borrowing costs
- Arriving at an accurate estimate of future TW use is imperative for volumetric rate-setting
  - › Estimate too high > rates too low
  - › Estimate too low > rates too high

# Fee Structure Evaluation

★ = Least      ★★★★★ = Best

Policy Objective	Acreage in Farm Unit (Fixed)	Hybrid (Fixed + Volumetric)
Administration	★★★★★	★★★
Fairness	★★	★★★★★
Financial Stability	★★★★★	★★★★
Current Grower Confidence in Measurement	★★★★★	★★★

# Staff Recommendation

- Assume first two years must only use fixed rate structure
- On March 1, present these options:
  - › Fixed rate per enrolled acre for five years
  - › Fixed rate per enrolled acre for two years + fixed and volumetric rate for years three to five
- Smooth rates
- Continue to meet with stakeholders to understand questions, concerns and feedback