



State Water Resources Control Board Water Rights Fee Stakeholder Meeting

Tuesday, August 12, 2014

1:30 – 3:30 p.m.

Cal/EPA Building

1001 I Street

Sacramento, CA 95814

Conference Room 350

(Attendees must check in at Visitor's Center on first floor)

Conference Call-in Number: (916) 255-4069

AGENDA

1. Welcome and Introductions
2. Review Water Rights Fund Financial Condition
 - Attachment 1 – Water Rights Fund Condition and Option 1
 - Attachment 2 – Water Rights Fund Condition and Option 2
 - Attachment 3 – Cost Drivers
 - Attachment 4 – Effect of Increase on Fee Payers
 - Attachment 5 – Division of Water Rights Budget
 - Attachment 6 – FERC Fee Comparison
3. Open Discussion on Fees
4. Closing Remarks

**State Water Resources Control Board
Water Rights Fee Stakeholder Meeting
August 12, 2014**

Authority

Water Code Section 1525 requires the State Water Resources Control Board (State Water Board) to adopt, by emergency regulations, an annual schedule of fees. Water Code Section 1525 further requires the State Water Board to adjust the fees annually to conform to the revenue levels set forth in the Budget Act. Water Code Section 1551 requires that all water rights fee revenue be deposited in the Water Rights Fund (WRF). The current annual fee schedules were adopted on October 8, 2013.

Financial Condition

Attachment 1 shows an analysis of the fund condition for the WRF. The beginning balance for FY 2013-14 was \$5.1 million. Total estimated revenue is approximately \$16.1 million and total expenditures are approximately \$17.4 million, resulting in a \$1.3 million decrease in the fund with an ending balance of \$3.8 million and a fund reserve of approximately 22.0 percent.

The projected beginning balance for FY 2014-15 is \$3.8 million. Under the current fee schedule, total revenue is anticipated to be approximately \$16.1 million, including \$1.0 million in cost recovery for California Environmental Quality Act (CEQA) consultation and \$86,000 in other revenue. Total expenditures are projected to be approximately \$17.7 million resulting in a \$1.6 million decrease in the fund with an ending balance of \$2.3 million and a fund reserve of approximately 12.7 percent.

Since FY 2010-11, the fund reserve has been drawn down to offset the fee increases necessary to meet budgetary expenditures. As Attachment 1 shows, if fees are not increased, the WRF will end FY 2015-16 with an ending balance of only \$337,000 and a fund reserve of approximately 1.9 percent. Under Option 1, the per acre-foot fee would increase to \$0.062 in FY 2015-16, resulting in an ending balance of \$1.9 million and a fund reserve of approximately 10.2 percent. Alternatively, Option 2 would increase the per acre-foot fee by a smaller amount both in FY 2014-15 and FY 2015-16. Both these options, described in more detail below, will bring revenue in line with budgetary expenditures while maintaining a prudent fund reserve.

Option 1

For FY 2014-15, Permit, License, and Application fees will remain at the current levels. For FY 2015-16, in order to generate sufficient revenue to meet projected budgetary expenditures and maintain a prudent fund reserve, it is anticipated that Permit, License, and Application fees will need to be increased by approximately 17 percent, from \$0.053 per acre-foot to \$0.062 per acre-foot. The proposed fee increase will generate approximately \$17.8 million in revenue. Total expenditures in FY 2015-16 are projected to be \$18.2 million, resulting in a \$398,000 decrease in the fund, with an ending balance of approximately \$1.9 million and a fund reserve of approximately 10.2 percent.

Option 2

As an alternative to the large fee increase in FY 2015-16 proposed in Option 1, staff proposes to implement a gradual fee increase over the next three years, from FY 2014-15 through FY 2016-17. As Attachment 2 shows, this option requires partial fee increases in FY 2014-15 and FY 2015-16 made possible by drawing down the fund reserve and an increase in

FY 2016-17 to raise sufficient revenue to meet budgetary expenditures and maintain a prudent fund reserve.

Attachment 3 lists the cost drivers beginning with FY 2010-11. The cost drivers represent a combination of one-time and on-going costs.

Attachment 4 shows an analysis of Permit, License and Application fee payers paying over \$37,000 at the current and proposed fee rates.

Attachment 5 shows the Division of Water Rights budget funding components, including General Fund, Federal Trust Fund, Public Resources Account and the Water Rights Fund.

Cap Adjustment

State Water Board staff proposes to adjust the caps on application and petition filing fees based on the consumer price index. Currently, the caps for application and petition filing fees are set at \$482,609 for applications and for change petitions involving water transfers, and \$6,062 for most other change petitions. The adjustment will increase the current cap of \$482,609 by the increase in the consumer price index of 1.5 percent to \$489,848 and increase the current cap of \$6,062 by the increase in the consumer price index of 1.5 percent to \$6,153.

Federal Energy Regulatory Commission (FERC) License Fee Adjustment

In order to support the FERC certification portion of the Water Rights budget, State Water Board staff proposes to adjust the certification program fees to account for changes in projects undergoing licensing. The changes will generate the necessary revenues of \$2.1 million to support FERC activities.

Attachment 6 shows a comparison of FERC fees for FYs 2013-14 and 2014-15 for projects undergoing licensing.

The Division is in the process of reviewing the FERC work distribution between the “undergoing Licensing” and “Licensed” (Maintenance) portions of the program. Many newer licensed projects have significant ongoing workload that may not have been captured in the initial assessment of the relative workloads. The Division will evaluate the time spent on the two portions of FERC work this year to see if an adjustment is warranted. The review may result in changes to the fee structures in the FY 2015-16 fee schedules.

Emergency Drought Funding

With California facing a third dry year and severe drought conditions throughout the State, Governor Brown declared a drought State of Emergency and directed state officials to take all necessary actions to prepare for water shortages. To respond to the impending drought, the Legislature passed and the Governor signed emergency drought legislation that included new authorities and emergency appropriations for drought relief work.

As part this emergency drought legislation, the State Water Board received emergency funding of \$2.5 million for FY 2013-14 and \$4.2 million for FY 2014-15 to support the extra work necessary for drought-related water right and water conservation activities, including establishing and enforcing requirements to prevent the waste or unreasonable use of water and to promote water recycling, establishing and enforcing curtailments in diversion based on unavailability of water under the diverters priority of right, and enforcing terms and conditions of water right permits and licenses. This emergency funding is being used in the Division of Water Rights to fund: 1) additional work on pre-1914 and riparian water right holders that cannot be

supported using the Water Rights Fund; and 2) overtime, and additional work done by staff from the Regional Water Boards, other Water Board Divisions, and the Department of Water Resources, redirected to support the Division of Water Rights drought work. The State Water Board will be utilizing the appropriated emergency funding only for the extra work that exceeds its prior appropriated funding level.

Disclaimer

This report is based on current budget and revenue data and is provided to stakeholders for planning purposes only. Staff will propose to the Board a fee schedule based on final budget and revenue data. This presentation is tentatively scheduled for the September 23, 2014 Board meeting agenda.

**State Water Resources Control Board
Water Rights Fund Condition (\$000)**

Per Acre-Foot Charge					Forecast				
						Option 1			
					\$0.053	\$0.053	\$0.053	\$0.062	\$0.067
	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16 No Increase	FY 15-16 With Increase	FY 16-17
BEGINNING BALANCE	\$5,518	\$5,701	\$5,649	\$6,154	\$4,498	\$3,834	\$2,376	\$2,251	\$1,853
Prior year adjustments	\$79	(\$20)	\$1,976	\$662	\$616	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$5,597	\$5,681	\$7,625	\$6,816	\$5,114	\$3,834	\$2,376	\$2,251	\$1,853
Revenue									
Regulatory Fees ¹	\$7,531	\$9,506	\$13,939	\$14,215	\$15,037	\$15,037	\$15,037	\$16,678	\$17,637
Cost Recovery ²				\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other Revenue ³	\$119	\$61	\$62	\$86	\$86	\$86	\$86	\$86	\$86
Loan to General Fund ⁴		(\$926)	\$926						
Total Revenue	\$7,650	\$8,641	\$14,927	\$14,301	\$16,123	\$16,123	\$16,123	\$17,764	\$18,723
Expenditures									
Water Board State Operations	\$7,129	\$8,348	\$15,918	\$16,084	\$15,800	\$16,194	\$16,650	\$16,650	\$17,150
Cost Recovery Expenditures				\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Other State Operations ⁵	\$417	\$325	\$480	\$535	\$603	\$512	\$512	\$512	\$512
Total Expenditures	\$7,546	\$8,673	\$16,398	\$16,619	\$17,403	\$17,706	\$18,162	\$18,162	\$18,662
Increase(Decrease)	\$104	(\$32)	(\$1,471)	(\$2,318)	(\$1,280)	(\$1,583)	(\$2,039)	(\$398)	\$61
ENDING BALANCE	\$5,701	\$5,649	\$6,154	\$4,498	\$3,834	\$2,251	\$337	\$1,853	\$1,914
Fund Reserve	75.5%	65.1%	37.5%	27.1%	22.0%	12.7%	1.9%	10.2%	10.3%

Footnotes:

¹ For FY 13-14 through FY 16-17, forecasted revenue is based on the estimated billing amounts for license/permit/applications and estimated revenue from petitions and one time applications.

² A \$1 million ongoing cost recovery for CEQA Consultation

³ Other revenue includes miscellaneous services to the public, SMIF & Enforcement.

⁴ A loan authorized by the FY 2010-11 state budget that transfers \$926,000 from the Water Rights Fund to the General Fund. The loan was repaid in full on June 30, 2012.

⁵ Other projected expenditures for FY 13-14 include \$485 to BOE, \$39 to CalEPA, \$78 to FI\$CAL and \$1 to State Controller and for FYs 14-15 through FY 16-17, other projected expenditures include \$484 to BOE, \$37 to CalEPA, and \$14 to FI\$CAL.

**State Water Resources Control Board
Water Rights Fund Condition (\$000)**

Per Acre-Foot Charge					Forecast			
						Option 2		
					\$0.053	\$0.057	\$0.062	\$0.067
	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
BEGINNING BALANCE	\$5,518	\$5,701	\$5,649	\$6,154	\$4,498	\$3,834	\$2,922	\$2,524
Prior year adjustments	\$79	(\$20)	\$1,976	\$662	\$616	\$0	\$0	\$0
Adjusted Beginning Balance	\$5,597	\$5,681	\$7,625	\$6,816	\$5,114	\$3,834	\$2,922	\$2,524
Revenue								
Regulatory Fees ¹	\$7,531	\$9,506	\$13,939	\$14,215	\$15,037	\$15,708	\$16,678	\$17,637
Cost Recovery ²				\$0	\$1,000	\$1,000	\$1,000	\$1,000
Other Revenue ³	\$119	\$61	\$62	\$86	\$86	\$86	\$86	\$86
Loan to General Fund ⁴		(\$926)	\$926					
Total Revenue	\$7,650	\$8,641	\$14,927	\$14,301	\$16,123	\$16,794	\$17,764	\$18,723
Expenditures								
Water Board State Operations	\$7,129	\$8,348	\$15,918	\$16,084	\$15,800	\$16,194	\$16,650	\$17,150
Cost Recovery Expenditures				\$0	\$1,000	\$1,000	\$1,000	\$1,000
Other State Operations ⁵	\$417	\$325	\$480	\$535	\$603	\$512	\$512	\$512
Total Expenditures	\$7,546	\$8,673	\$16,398	\$16,619	\$17,403	\$17,706	\$18,162	\$18,662
Increase(Decrease)	\$104	(\$32)	(\$1,471)	(\$2,318)	(\$1,280)	(\$912)	(\$398)	\$61
ENDING BALANCE	\$5,701	\$5,649	\$6,154	\$4,498	\$3,834	\$2,922	\$2,524	\$2,585
Fund Reserve	75.5%	65.1%	37.5%	27.1%	22.0%	16.5%	13.9%	13.9%

Footnotes:

¹ For FY 13-14 through FY 16-17, forecasted revenue is based on the estimated billing amounts for license/permit/applications and estimated revenue from petitions and one time applications.

² A \$1 million ongoing cost recovery for CEQA Consultation

³ Other revenue includes miscellaneous services to the public, SMIF & Enforcement.

⁴ A loan authorized by the FY 2010-11 state budget that transfers \$926,000 from the Water Rights Fund to the General Fund. The loan was repaid in full on June 30, 2012.

⁵ Other projected expenditures for FY 13-14 include \$485 to BOE, \$39 to CalEPA, \$78 to FISCAL and \$1 to State Controller and for FYs 14-15 through FY 16-17, other projected expenditures include \$484 to BOE, \$37 to CalEPA, and \$14 to FISCAL.

**State Water Resources Control Board
Water Rights Fund
Budgetary Cost Drivers
FY 2010-11 thru FY 2014-15**

Fiscal Year 2010-11

BCP - CEQA Cost Recovery	\$1,000,000
BCP - 401 FERC Hydroelectric	\$603,000
Pro Rata	\$38,000
Retirement Adjustments	\$16,000
Total	\$1,657,000

Fiscal Year 2011-12

Fund Shift - General Fund to Water Rights	\$3,570,000
Pro Rata	\$234,000
Retirement & Employee Benefit Adjustments	(\$317,000)
Total	\$3,487,000

Fiscal Year 2012-13

BCP - Billable Legal Services	\$450,000
Pro Rata	(\$83,000)
Retirement & Employee Benefit Adjustments	(\$4,000)
Total	\$363,000

Fiscal Year 2013-14

Employee Compensation	\$120,000
Pro Rata	\$186,000
Retirement & Employee Benefit Adjustments	\$113,000
Total	\$419,000

Fiscal Year 2014-15

Employee Compensation*	\$225,000
Pro Rata	\$196,000
Retirement & Employee Benefit Adjustments	\$23,000
Total	\$444,000

* For FY 2014-15, a 2% salary increase is estimated and included in employee compensation.

State Water Resources Control Board Water Rights Fund

Permits, Licenses and Applications - Current and Proposed Fee Schedule

Permit, License and Application Fees		Current	Proposed		
Base		\$150	\$150	\$150	\$150
Per Acre/Foot		\$0.053	\$0.057	\$0.062	\$0.067

Billing Name	Total Projects	\$0.053	\$0.057	\$0.062	\$0.067
U S Bureau of Reclamation/Contracts	270	\$4,095,103	\$4,403,578	\$4,789,173	\$5,174,768
IMPERIAL IRRIGATION DISTRICT	7	\$1,362,762	\$1,465,566	\$1,594,172	\$1,722,578
CALIF DEPT OF WATER RESOURCES	22	\$991,874	\$1,066,500	\$1,159,781	\$1,253,063
PACIFIC GAS AND ELECTRIC COMPANY	91	\$528,343	\$567,710	\$616,923	\$666,137
KINGS RIVER WATER ASSOCIATION	6	\$271,998	\$292,458	\$318,033	\$343,609
TURLOCK I D & MODESTO I D	9	\$204,985	\$220,385	\$239,635	\$258,886
YUBA COUNTY WATER AGENCY	12	\$185,822	\$199,733	\$217,213	\$234,655
SOUTHERN CALIFORNIA EDISON COMPANY	46	\$143,574	\$159,474	\$167,424	\$180,675
PLACER COUNTY WATER AGENCY	6	\$131,467	\$141,354	\$153,711	\$166,068
NEVADA IRRIGATION DISTRICT	28	\$100,343	\$107,710	\$116,919	\$126,128
MERCED IRRIGATION DISTRICT	9	\$106,606	\$114,574	\$124,534	\$134,493
METRO WATER DISTRICT OF SOUTHERN CALIF	5	\$113,128	\$121,610	\$132,212	\$142,813
CITY OF SACRAMENTO	6	\$99,387	\$106,820	\$116,112	\$125,403
OAKDALE IRRIGATION DISTRICT	16	\$94,680	\$101,696	\$110,465	\$119,235
COACHELLA VALLEY WATER DISTRICT	3	\$94,605	\$101,711	\$110,594	\$119,477
EAST BAY MUNICIPAL UTILITY DISTRICT	10	\$75,886	\$81,532	\$88,589	\$95,646
SACRAMENTO MUNICIPAL UTILITY DISTRICT	9	\$68,289	\$73,405	\$79,799	\$86,193
PALO VERDE IRRIGATION DISTRICT	1	\$57,706	\$62,050	\$67,479	\$72,909
STOCKTON EAST WATER DISTRICT	11	\$57,536	\$61,754	\$67,026	\$72,298
FRIANT POWER AUTHORITY	6	\$52,838	\$56,806	\$61,766	\$66,725
MONTEREY COUNTY WATER RESOURCES AGENCY	6	\$51,036	\$54,826	\$59,563	\$64,300
YOLO COUNTY F C & W C DISTRICT	3	\$50,788	\$54,608	\$59,368	\$64,127
DELTA WETLANDS PROPERTIES	4	\$55,689	\$59,848	\$65,045	\$70,242
CALAVERAS COUNTY WATER DISTRICT	15	\$43,459	\$46,617	\$50,564	\$54,511
KINGS RIVER CONSERVATION DISTRICT	1	\$43,484	\$46,762	\$50,860	\$54,958
NORTH YUBA WATER DISTRICT	2	\$41,065	\$44,141	\$47,987	\$51,833
PACIFICORP	3	\$38,332	\$41,199	\$44,783	\$48,366
SONOMA COUNTY WATER AGENCY	9	\$37,679	\$40,429	\$43,966	\$47,303
Revenue from Fee Payers paying greater than \$40,000		\$9,198,464	\$9,894,856	\$10,753,696	\$11,617,399
Revenue from Fee Payers paying less than \$40,000		\$2,976,134	\$2,951,331	\$3,061,863	\$3,157,795
Subtotal less FERC & Petitions		\$12,174,598	\$12,846,187	\$13,815,559	\$14,775,194
FERC Revenue		\$2,141,070	\$2,141,070	\$2,141,070	\$2,141,070
Petition Revenue		\$196,000	\$196,000	\$196,000	\$196,000
One Time Fees		\$525,000	\$525,000	\$525,000	\$525,000
Total Revenue		\$15,036,668	\$15,708,257	\$16,677,629	\$17,637,264

**State Water Resources Control Board
Division of Water Rights Funding
FY 2013-14 and FY 2014-15
(\$000)**

Division of Water Rights Budget

Fund Source	FY 2013-14 Appropriation	FY 2014-15 Appropriation
General Fund	\$1,000	\$1,000
Federal Trust Fund	\$223	\$223
Public Resources Account, Tobacco Products Surtax Fund	\$276	\$273
Water Rights Fund ¹	\$16,881	\$17,194 ²
Total	\$18,380	\$18,710
Emergency Drought Funding ³	\$2,500	\$4,200

¹ Does not include \$450,000 in funding appropriated for Department of Justice Legal Services.

² A 2% salary increase has been estimated and included in the Water Rights Fund.

³ For use on drought-related water rights and water conservation activities.

Water Rights Fund

Water Rights Fund	FY 2013-14 Appropriation	FY 2014-15 Appropriation
Budget Act ⁴	\$13,000	\$13,314
Continuous Appropriation ⁵	\$3,750	\$3,750
Mid-Year Miscellaneous Adjustments ⁶	\$131	
2% Salary Increase		\$130
Total	\$16,881	\$17,194⁷

⁴ The Budget Act includes \$1 million in ongoing cost recovery for CEQA Consultation.

⁵ Chapter 2, Statutes of 2009

⁶ Adjustments to health care and employee compensation.

⁷ Does not include mid-year miscellaneous adjustment from FY 2013-14.

FERC Certification Fee Comparison

Undergoing Licensing			
Billing Name	Project #	FY 2013-14 Fees @ \$0.342	FY 2014-15 Proposed Fees @ \$0.430
PACIFIC GAS AND ELECTRIC COMPANY	FERC1121	\$13,346	\$16,523
SOUTHERN CALIFORNIA EDISON COMPANY	FERC120	\$60,662	\$76,014
RUGRAW INC	FERC12496	\$2,710	\$3,150
PINE CREEK MINE LLC	FERC12532	\$1,513	\$1,645
LAKE CLEMENTINE HYRDO, LLC	FERC13432	\$6,130	\$7,450
ARCHON ENERGY 1, INC.	FERC14432	\$2,026	\$2,290
KEN C WILLIS	FERC1992	\$1,021	\$1,026
PLACER COUNTY WATER AGENCY	FERC2079	\$77,524	\$97,191
PACIFICORP	FERC2082	\$23,982	\$29,896
SOUTHERN CALIFORNIA EDISON COMPANY	FERC2085	\$52,621	\$83,103
SOUTHERN CALIFORNIA EDISON COMPANY	FERC2086	\$1,000	\$1,000
SOUTH FEATHER WATER & POWER AGENCY	FERC2088	\$36,602	\$45,763
CA DEPT. OF WATER RESOURCES	FERC2100	\$261,895	\$329,026
SACRAMENTO MUNICIPAL UTILITY DISTRICT	FERC2101	\$236,296	\$276,609
PACIFIC GAS AND ELECTRIC COMPANY	FERC2105	\$124,907	\$156,789
PACIFIC GAS AND ELECTRIC COMPANY	FERC2106	\$126,856	\$159,240
PACIFIC GAS AND ELECTRIC COMPANY	FERC2107	\$49,906	\$62,490
PACIFIC GAS AND ELECTRIC COMPANY	FERC2155	\$3,394	\$4,010
SOUTHERN CALIFORNIA EDISON COMPANY	FERC2174	\$4,694	\$5,644
SOUTHERN CALIFORNIA EDISON COMPANY	FERC2175	\$52,351	\$65,565
MERCED IRRIGATION DISTRICT	FERC2179	\$37,628	\$45,505
YUBA COUNTY WATER AGENCY	FERC2246	\$124,770	\$156,617
NEVADA IRRIGATION DISTRICT	FERC2266	\$32,026	\$35,366
TURLOCK IRRIGATION DISTRICT	FERC2299	\$58,461	\$73,246
PACIFIC GAS AND ELECTRIC COMPANY	FERC2310	\$66,493	\$78,918
PACIFIC GAS AND ELECTRIC COMPANY	FERC2467	\$2,176	\$2,479
PACIFIC GAS AND ELECTRIC COMPANY	FERC2687A	\$1,000	\$1,000
PACIFIC GAS AND ELECTRIC COMPANY	FERC606	\$2,518	\$2,909
PACIFIC GAS AND ELECTRIC COMPANY	FERC619	\$30,002	\$37,464
SOUTHERN CALIFORNIA EDISON COMPANY	FERC67	\$128,675	\$166,464
PACIFIC GAS AND ELECTRIC COMPANY	FERC803	\$10,114	\$12,094
N/A	N/A	\$445,600	
Total Revenue		\$2,078,899	\$2,036,485
# of FERC Facilities		32	31

FERC TYPE	Fiscal Year 2013-14				Fiscal Year 2014-15			
	Number of FERC Facilities	Fee Rates	Revenue	Percentage of Total Revenue	Number of FERC Facilities	Proposed Fee Rates	Estimated Revenue	Percentage of Total Revenue
Undergoing Licensing	32	\$1,000 base fee plus \$0.342 per Kilowatt	\$2,078,899	95%	31	\$1,000 base fee plus \$0.430 per Kilowatt	\$2,036,485	95%
Licensed	19	\$100 base fee plus \$0.125 per Kilowatt	\$104,585	5%	19	\$100 base fee plus \$0.125 per Kilowatt	\$104,585	5%
Totals	51		\$2,183,484	100%	50		\$2,141,070	100%