



# United States Department of the Interior

BUREAU OF RECLAMATION  
2800 Cottage Way  
Sacramento, CA 95825-1898



IN REPLY REFER TO:

CGB-3400  
2.2.4.22

August 14, 2024

To: Central Valley Project Water Contractors

Subject: Fiscal Year (FY) 2023 Central Valley Project (CVP) Contractor Annual Accounting Analysis for Irrigation and Municipal and Industrial (M&I) Water

Dear Water Contractor:

The CVP FY 2023 (October 2022 through September 2023) Irrigation and M&I annual accounting is complete. Enclosed for your review is the annual accounting analysis (analysis) for your contract.

## Part One of the Analysis

This section identifies:

- Water charges for FY 2023
- Contractor's share of Project Use Energy O&M costs (Recovered on behalf of the Western Area Power Administration)
- Contractor's share of CVP operation and maintenance (O&M) costs (includes extraordinary operation and maintenance costs)
- Water charges applied to outstanding deficit and construction obligations (if any)
- Contractor's surplus or deficit for FY 2023

If your analysis shows a negative balance for part one, then your contract has a deficit for this period. Deficits for O&M may be paid pursuant to the voluntary payment policy which can be found on the Bureau of Reclamation's website at <http://www.usbr.gov/mp/cvp/laws.html>. If the deficit is not paid within 30 days from the date of this letter, interest will accrue on the balance and a deficit component will be included in future water rates to recover this obligation by the year 2030 for Irrigation and 2036 for M&I.

If your analysis shows a positive balance for part one, then your contract has a surplus for this period, and you may be eligible for a refund. You are eligible to receive a refund to the extent: 1. All water charges have been paid for the FY as part of part two; and 2. The surplus is greater than \$1,000. In accordance with the water service contract, if the amount is less than \$1,000, the amount will be applied toward any of the contractor's outstanding obligations. If the contractor does not have any outstanding obligations, the surplus amount will be refunded at the contractor's request.

INTERIOR REGION 10 • CALIFORNIA-GREAT BASIN

CALIFORNIA\*, NEVADA\*, OREGON\*

\* PARTIAL

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Part Two of the Analysis

This section identifies:

- Water charges for FY 2023, and payments received
- Applicable surcharges for FY 2023, and payments received
- Calculation of over/under payment (if any) of water charges and surcharges

Detailed payment information is shown in the enclosed payment analysis, including the check number, payment total, and how the payment was applied to charges. If your analysis shows an overpayment of charges, this indicates that water charges were paid as required by the provisions of your contract and the overpayment can be applied toward other outstanding obligations, future water charges, or refunded. Reclamation anticipates refunds for FY 2023 overpayments may be delayed due to the Department of Interior's migration from Financial and Business Management System (FBMS) to S4HANA. Please notify the Bureau of Reclamation within 30 days of this letter regarding how you would like your overpayment applied. If no notification is received, overpayments will be applied based on ratesetting policy. Overpayments of CVP Improvement Act (CVPIA) and Trinity Public Utility District (TPUD) charges cannot be applied to water charges nor refunded; however, the overpayment can be applied toward future CVPIA or TPUD charges.

If your analysis shows an underpayment of charges, this indicates that your charges have not been fully paid as required by the provisions of your contract. Underpayment of charges identified in the enclosed analysis is due within 30 days of this letter. If not paid within 30 days, interest and penalties will be applied to the amount due. This billing will be formalized through a notice provided by Accounting Services, Financial Management Division.

Payments for underpaid water charges and voluntary payments of a deficit balance, if applicable, should be sent with a copy of this analysis to:

DOI – BOR Region: California Great Basin  
P.O. Box 6200-24  
Portland, OR 97228-6200

If you have any questions, please contact Sherry Fowler at 916-978-5395 or by e-mail at sfowler@usbr.gov.

Sincerely,

SABIR  
AHMAD

Digitally signed by SABIR  
AHMAD  
Date: 2024.08.14  
10:23:34 -07'00'

Sabir Ahmad  
Regional Financial Manager

Enclosure - 3

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**CENTRAL VALLEY PROJECT**  
**ANNUAL ACCOUNTING ANALYSIS**  
**DELTA MENDOTA CANAL**  
 DEL PUERTO WD, CONTRACT NO. 14-06-200-922-LTR1-P      FBMS Customer No: 3000019559  
**FISCAL YEAR 2023**  
**PERIOD ENDING SEPTEMBER 30, 2023**

Ln No	B	C	D	E	F	G
Part -1		Irrigation		M&I	Total	Amounts
		Class 1	Class 2			
1	<b>Water Charges (Contract Rate * A/F) <sup>1</sup></b>					
2	Water Charges per Fiscal Year (Irr: 43,690 A/F, M&I: 30 A/F)	\$ 1,564,150.90	\$ -	\$ 982.50	\$ 1,565,133.40	
3	Charge Adjustment	\$ -	\$ -	\$ -	\$ -	
4	Total Water Charges	\$ 1,564,150.90	\$ -	\$ 982.50	\$ 1,565,133.40	\$ 1,565,133.40
5						
6	<b>Contractor Allocated O&amp;M Expense - FY 2023 <sup>2</sup></b>					
7	Annual O&M Expense	\$ 1,095,751.98	\$ -	\$ 835.67	\$ 1,096,587.65	
8	Extraordinary O&M Expense	\$ 3,772.27	\$ -	\$ 4.20	\$ 3,776.47	
9	Interest (M&I Contractors Only)	\$ -	\$ -	\$ -	\$ -	
10	Total O&M Costs	\$ 1,099,524.25	\$ -	\$ 839.87	\$ 1,100,364.12	
11						
12	<b>Contractor Cost Recovery - FY 2023 <sup>3</sup></b>					
13	Deficit Recovery	\$ -	\$ -	\$ -	\$ -	
14	Construction Recovery (DMC Intertie)	\$ -	\$ -	\$ -	\$ -	
15	Construction Recovery	\$ -	\$ -	\$ -	\$ -	
16	Total Recovery	\$ -	\$ -	\$ -	\$ -	
17						
18	Total Allocated Expense and Cost Recovery	\$ 1,099,524.25	\$ -	\$ 839.87	\$ 1,100,364.12	\$ 1,100,364.12
19						
20	<b>FY 2023 Surplus (Deficit) incurred:</b>	<b>\$ 464,626.65</b>	<b>\$ -</b>	<b>\$ 142.63</b>	<b>\$ 464,769.28</b>	<b>\$ 464,769.28</b>
21						
22						
23	<b>Part -2 Charges and Payment Analysis <sup>4</sup></b>					
24						
25						
26	Description	Charges	Amount Paid	Overpayment/ (Underpayment)		
27						
28	<b>Water Payments</b>					
29	Water Charges (IRR/ M&I)	\$ 1,565,133.40	\$ 212,411.48	\$ (1,352,721.92)		
30	RRA Interest	\$ -	\$ -	\$ -		
31	Rescheduling Fee (IRR/M&I)	\$ 722.10	\$ 76.59	\$ (645.51)		
32	Incremental Charges	\$ 7,993.15	\$ 7,993.15	\$ -		
33	Warren Act Contract Water Charges (W5248)	\$ 60,435.87	\$ 78,178.39	\$ 17,742.52		
34	Warren Act Contract Water Charges (W5818)	\$ 71,776.54	\$ 81,257.59	\$ 9,481.05		
35	Exchange Water/Refuge Level 2 (W1924)	\$ 119,136.80	\$ 119,136.80	\$ -		
36				\$ (1,326,143.86)		
37						
38	<b>PUE Charges</b>					
39	PUE - Direct Pumping	\$ 17,005.00	\$ 35,753.00	\$ 18,748.00		
40	Total PUE			\$ 18,748.00		
41						
42	<b>CVPIA payments</b>					
43	Restoration Charges (IRR)	\$ 113,480.82	\$ 566,265.80	\$ 452,784.98		
44	Restoration Charges (M&I)	\$ 721.50	\$ 51,671.15	\$ 50,949.65		
45				\$ 503,734.63		
46						
47	<b>TPUD payments</b>					
48	TPUD	\$ 6,558.00	\$ 9,287.85	\$ 2,729.85		
49				\$ 2,729.85		
50						
51						
52	Please mail payments to: DOI - BOR - Region: Mid-Pacific					
53	PO Box 6200-24					
54	Portland, OR 97228-6200					
55						
56	Please include this analysis with your payment.					
57						

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Refund

Section  
in error,  
To be  
corrected  
by  
USBR

If you have any que If you have any questions please contact Sherry Fowler (916) 978-5395 or Email at SFowler@usbr.gov

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# MEMORANDUM

TO: SLDMWA Finance & Administration Committee Members, Alternates  
SLDMWA Board of Directors, Alternates

FROM: Pablo Arroyave, Chief Operating Officer  
Ray Tarka, Director of Finance

DATE: August 5, 2024

RE: Finance & Administration Committee Recommendation / Board Approval of  
Adjustment to Water Year 2024 OM&R Water Rates

## BACKGROUND

Since the adoption of Water Year 2024 OM&R Water Rates in February 2024, several events occurred that triggered the need for a rate adjustment. First, on June 25, 2024, Reclamation increased the South of Delta Agricultural allocation from 40% to 50%.

Second, in July 2024, SLDMWA and the Friant Water Authority (FWA) executed a Second Amended and Restated Memorandum of Understanding, which includes an amended OM&R Cost Recovery Plan with revised cost sharing arrangements and additional cost pools. Under the amended Cost Recovery Plan, OM&R costs associated with the Delta Conveyance Intertie (Intertie) are included in the Upper Cost Pool. Intertie costs for power and conveyance are classified as Intertie variable costs and are included in a new cost pool by that name. FWA only participates in this cost pool under limited circumstances described in the amended Cost Recovery Plan. The Lower DMC and the Mendota Pool each have their own separate cost pools under the new agreement. Deliveries on the Lower DMC no longer share the OM&R cost of the Mendota Pool but do bear the cost of all other charges associated with the transferred works applicable to their delivery. Mendota Pool deliveries that are not conveyed using the DMC, such as water pumped into the Mendota Pool and delivered in the Mendota Pool, and flows from the San Joaquin River that are delivered at the pool, share 25% of the Lower Cost Pool charges and the OM&R costs of Mendota Pool without additional charges for the reserve components associated with the transferred works.

In June 2024, staff requested members to submit their anticipated Water Year (WY) 2024 deliveries to identify delivery volumes through the various cost pools of the transferred works on which to calculate the self-funding rates. After Reclamation's announcement on June 25, 2024, increasing the south-of-Delta agricultural contractor allocation to 50%, staff updated their request for the projections to be reported under the updated allocation scenario of 50% for agricultural contractors. In determining the volume for the revised rate calculation, staff also included 25% "minimum participation" for CVP contractors whose survey response was below their contractual participation amount. The inclusion of the minimum participation added 12,024 Acre-Feet to the delivery base at 50%.

Third, Reclamation recently updated the repayment schedules for the repayment agreements for the rewind of Jones Pumping Plant Units 5 & 6 and issued a repayment schedule for Unit 3, resulting in an overall decrease of \$86,384 in reserve funding necessary for the current year, and for future years.

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Accordingly, an adjustment is necessary to recover costs through the WY2024 OM&R water rate including: (1) FY2025 Self-Funding OM&R budget of \$14,980,416, (2) FY2025 EO&M budget of \$10,623,257, (3) FY2025 Debt Service on repayment agreements for the Jones Pumping Plant Rewinds of Units 6, 5, and 3, of \$255,239, \$266,174, and \$337,255 respectively, (4) FY2025 Debt Service on the Series 2021A bonds of \$374,086, and (5) unbudgeted FY2025 pass-thru costs for Project Use Energy of \$24,569,099, San Luis Joint Use of \$18,397,001, and DWR conveyance fees associated with the use of the Intertie estimated at \$3,256,050.

In July 2024, Reclamation provided an updated estimate of power (Project Use Energy, or "PUE") costs to SLDMWA, indicating that SLDMWA's share of a significant variance expected to be due to the Western Area Power Administration (WAPA) could exceed \$14 million. This variance relates to SLDMWA's Water Year 2022 and Water Year 2023. The adjusted rates submitted for approval do not include this anticipated power true-up obligation as was previously discussed in the July, 2024 meetings. Instead, once the amount of the True-Up is certain, staff plans to bill this charge to members in separate billings ratably by the water year that benefitted from the power usage as part of an interim final accounting billing for PUE for each water year.

The Intertie conveyance cost estimate was determined following guidance from the Joint WRC/FAC/BOD workshop held on January 17, 2024. During that workshop, staff was directed to conservatively estimate wheeling fees in order to create a "rainy day" fund in the event that Intertie usage in Water Year 2024 exceeded the historical average volume pumped through this facility which could result in a cash flow shortage for the Authority. After some discussion, staff was further instructed to use a volume of 125,000 Acre-Feet applied to the current DWR wheeling rate charged for water conveyance to the O'Neill Forebay from the Intertie to calculate this cost.

The FY2025 costs associated with each cost pool have been identified in the self-funding budget.

#### **ISSUE FOR DECISION**

Whether the Finance & Administration Committee should recommend, and the Board should approve, an adjustment to Water Year 2024 OM&R water rates as calculated under a 50% agricultural contractor allocation.

#### **RECOMMENDATION**

Staff recommends approval of the proposed adjustment to Water Year 2024 OM&R water rates assuming a 50% agricultural contractor allocation and member-reported anticipated deliveries with minimum participation volumes included. (**Attachment 1.**)

#### **ANALYSIS**

In July 2024, members provided staff with their updated anticipated water deliveries for Water Year 2024 under the requested allocation scenario of 50% in sufficient detail to identify the delivery source and included other sources of water beyond their expected contractual allocation. This included anticipated transfers between members, pumped in water, carryforward water from prior water years and water acquired through other activity agreements among members and non-members. Members also provided their anticipated carry-over into the next water year. The updated delivery data exceeded the previous estimate of delivery volumes through the O'Neill Pumping/Generating Plant by 49,750 Acre-Feet.



The anticipated delivery information provided by members was entered into a revised delivery assumption model that segregated and summed the volumes by the revised cost pools. In addition, staff followed the recent direction of the Board in the amended Cost Recovery Plan to include minimum participation amounts in the model, where applicable.

The summed deliveries by cost pool were used as the numerator in the equation to determine the rate component per cost pool. These costs were then aggregated by delivery area to arrive at WY24 Water Rates. The results of those calculations are as follows:



**San Luis & Delta-Mendota Water Authority**  
 2nd AMENDED MOU - WY24 SELF-FUNDING RATES  
 WITH BOR SOD AG ALLOCATION @ 50%  
 FAC 08/05/2024 BOD 08/08/2024  
 RATE COMPARISON TO BOD Approved WY24 RATES  
 Using July 2024 Member Projection of WY24 Deliveries,  
 based on @ 50% Ag ALLOCATION, DCI CONVEYANCE  
 per Guidance

	NEW WY2024 Rate 3/1/24-2/28/25 AMENDED MOU (B2) WY2024	WY2024 Rate 3/1/24-2/28/25 WY24 RATES(B1) WY2024	Variance
<b>WATER SUPPLY</b>			
Irrigation	50%	40%	10%
M&I	75%	75%	0%
Refuge	100%	100%	0%
Exchange/Water Rights	100%	100%	0%
<b>RATES</b>			
Upper DMC	\$20.53	\$21.80	(\$1.27)
Upper DMC - Exchange/Wtr Rts	\$17.88	\$18.18	(\$0.30)
Mendota Pool Only	\$0.46	N/A	N/A
Lower DMC Only	\$21.60	N/A	N/A
Lower DMC/Pool	\$22.06	\$24.66	(\$2.60)
Lower DMC/Pool - Exchange/Wtr Rts	\$19.41	\$21.04	(\$1.63)
San Felipe	\$23.92	\$26.15	(\$2.23)
SLC Above Dos Amigos	\$37.58	\$45.05	(\$7.47)
SLC Below Dos Amigos	\$46.62	\$57.57	(\$10.95)
Volta Wells	\$11.24	\$11.23	\$0.01
San Luis Drain	\$0.19	\$0.23	(\$0.04)

Delivery Volumes through O'Neill                      2,185,645                      2,135,895                      49,750  
 ( Direct and Storage)

\*\*Updated 08.05.24 to reflect correct volume for DCI Variable cost component

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**San Luis & Delta-Mendota Water Authority**  
**FAC 08/05/2024 BOD 08/08/2024**

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**2nd AMENDED MOU - WY24 SELF-FUNDING RATES WITH BOR SOD AG ALLOCATION @ 50%**

Notes to Support the discussion on Re-Calculating WY24 O&M Rates under new MOU

**1 O&M Budget - Self Funded**

WY24 - Fiscal Year 3/1/24-2/28/25

RO&M = \$15,504,703.67 total, \$14,991,387.12 SLDMWA Water Users, \$513,316.55 USBR

1 EO&M = \$10,623,257.29- includes indirect

**ADDED ADDITIONAL COST POOLS FOR LOWER DMC, MENDOTA POOL, INTERTIE VARIABLE COSTS**

**INTERTIE O&M COSTS INCLUDED IN UPPER COST POOL**

**2 Delivery Assumptions**

- Ag - Contractor Estimates, 50%, with Contractor projections
- M&I - Contractor Estimates, 75%, with Contractor projections
- Refuge - 100% used BOR Refuge Estimate
- Exchange/Water Rights - 100%
- Estimated Rescheduled Water
- Pump-Ins
- Miscellaneous Transfers
- Mendota Pool Pumpers
- Volta Well Pumping

**3 Intertie**

**Intertie RO&M included in Upper Rate for WY24**

Intertie FY25 O&M Budget \$437,899.16

Intertie DWR Wheeling charges for WY24 -Per WRC/FAC/BOD guidance estimated at 125,000 A-F

@ DWR FY24 rate of \$26.58 (net of 2% loss) \$3,256,050; **not applicable to ECI/FA due to allocation exceeding 5%**

*Total  
3,743,008*

**4 Volta Wells**

Volta Wells Program estimated at 2,400 a/f - Costs split between DPWD and SLWD

**5 PUE SLDMWA Meters**

WY24 PUE estimates based on BOR PUE FYE 9/7/24 Billing Plan

PUE Budget relating to WY23- FY 3/1/23- 2/28/24 = \$20,209,382

PUE Budget relating to WY24- FY 3/1/24- 2/28/25 = \$24,569,099

**6 DWR San Luis Joint Use**

WY24 SLJU costs based on DWR 2024 Calendar Year Budget Estimates & Historical Actuals

SLJU Budget relating to WY23 - FY 3/1/23- 2/28/24 = \$15,980,436

SLJU Budget relating to WY24 - FY 3/1/24- 2/28/25 = \$18,397,000

Federal cost allocation for 2023-2024= 37.67%

**7 EO&M Funding**

Funding Obligation:

1 EO&M Funding Obligation WY24 FY 3/1/24 - 2/28/25 = \$10,623,257.29, EO&M Budget =	\$10,623,257.29
<b>Revised Rewind Debt Service Funding Obligation-BOR Repayment Contract Unit 6 WY24 FY 3/1/24-2/28/25 =</b>	<b>\$ 255,239.00 *</b>
<b>Revised Rewind Debt Service Funding Obligation-BOR Repayment Contract Unit 5 WY24 FY 3/1/24-2/28/25 =</b>	<b>\$ 266,174.00 *</b>
<b>Revised Rewind Debt Service Funding Obligation-BOR Repayment Contract Unit 3 WY24 FY 3/1/24-2/28/25 =</b>	<b>\$ 337,255.00 *</b>
Rewind Debt Service Funding Obligation-2021A Bonds WY24 FY 3/1/24-2/28/25 =	\$ 374,086.00

\* BOR Repayment contracts recalculated, yielding net annual recurring savings of \$86,384

**8 Overall increase in Estimated Recoverable Costs over Prior Year.**

Total Estimated Recoverable Costs in Water Year 2024 =	\$ 73,069,546
Total Estimated Recoverable Costs in Water Year 2023 =	\$ 64,264,612

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San Luis & Delta-Mendota Water Authority

FAC 08/05/2024 BOD 08/08/2024  
 2nd AMENDED MOU - WY24 SELF-FUNDING RATES WITH BOR SOD AG ALLOCATION @ 50%  
 Self-Funding O&M Budget Comparison WY24/WY23

	RO&M	EO&M Self-Funding Reserve Obligation	Self-Funding PUE	Self-Funding SLJU	Volta Wells (DPWD & SLWD Only)	Intertie DWR Conveyance	TOTALS
WY24 BUDGET	\$ 14,964,430	\$ 11,856,011	\$ 24,569,099	\$ 18,397,000	\$ 26,956	\$ 3,256,050	\$ 73,069,546
WY23 BUDGET	\$ 18,790,710	\$ 7,801,365	\$ 20,209,382	\$ 15,980,436	\$ 69,935	\$ 1,412,784 a)	\$ 64,264,612
Variance	\$ (3,826,280)	\$ 4,054,646	\$ 4,359,717	\$ 2,416,564	\$ (42,979)	\$ 1,843,266	\$ 8,804,934

\* Included in O&M Rate Calculations

- O&M
- Reserve Obligations
- Project Use Energy (PUE)
- San Luis Joint Use (SLJU)
- Volta Wells (DPWD & SLWD only)
- Intertie DWR Conveyance

**San Luis & Delta-Mendota Water Authority**

**FAC 08/05/2024 BOD 08/08/2024**

2nd AMENDED MOU - WY24 SELF-FUNDING RATES WITH BOR SOD AG ALLOCATION @ 50%

**WY24 - Other Deliveries - Adjusted Rates ( 2nd Amended MOU)**

<b>Pumped in Upper DMC</b>		
Upper DMC	\$4.05	A
Intertie Variable	\$2.39	Aa
O'Neill Storage	\$1.15	H
Reserves	\$4.87	G
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
<b>Delivered Upper DMC</b>		
Check 13 and Above	<u>\$13.11</u>	

<b>Pumped in Upper DMC</b>		
Upper DMC	\$4.05	A
Intertie Variable	\$2.39	Aa
O'Neill Direct	\$4.54	G
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
San Luis Canal O & M	\$13.66	N
Dos Amigos O & M	\$3.89	O
Dos Amigos Power	\$5.15	P
<b>Delivered SLC (BDA)</b>		
	<u>\$39.20</u>	

<b>Flows/Pumped In at MP, delivered MP</b>		
9 Mendota Pool	\$0.46	D
<b>Delivered MP</b>		
	<u>\$0.46</u>	

<b>Pumped in Upper DMC</b>		
Upper DMC	\$4.05	A
Intertie Variable	\$2.39	Aa
Lower DMC	\$1.07	E
O'Neill Storage	\$1.15	H
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
<b>Delivered Lower DMC</b>		
Below Check 13	<u>\$14.18</u>	

<b>Pumped in Lower DMC</b>		
O'Neill Storage	\$1.15	H
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
Lower DMC	\$1.07	E
<b>Delivered Lower DMC</b>		
Below Check 13	<u>\$7.74</u>	

<b>Picked up @ O'Neill</b>		
O'Neill Storage	1.15	H
Reserves	4.87	I
Reserves - Unit 6 Rewind BOR Repayment	0.12	J
Reserves - Unit 5 Rewind BOR Repayment	0.12	K
Reserves - Unit 3 Rewind BOR Repayment	0.15	L
Reserves - 2021 A Bonds	0.26	M
Lower DMC	1.07	E
<b>Delivered Lower DMC</b>		
	<u>\$7.74</u>	

<b>Pumped in Upper DMC</b>		
Upper DMC	\$4.05	A
Intertie Variable	\$2.39	Aa
Mendota Pool	\$0.46	D
Lower DMC	\$1.07	E
O'Neill Storage	\$1.15	H
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
<b>Delivered MP</b>		
	<u>\$14.64</u>	

<b>Pumped in Lower DMC</b>		
O'Neill Direct	\$4.54	G
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
San Luis Canal O & M	\$13.66	N
<b>Exchanged &amp; Delivered SLC ADA</b>		
	<u>\$23.72</u>	

<b>Picked up @ O'Neill</b>		
O'Neill Direct	4.54	G
Reserves	4.87	I
Reserves - Unit 6 Rewind BOR Repayment	0.12	J
Reserves - Unit 5 Rewind BOR Repayment	0.12	K
Reserves - Unit 3 Rewind BOR Repayment	0.15	L
Reserves - 2021 A Bonds	0.26	M
San Luis Canal O & M	13.66	N
<b>Delivered SLC (ADA)</b>		
	<u>\$23.72</u>	

<b>Pumped in Upper DMC</b>		
Upper DMC	\$4.05	A
Intertie Variable	\$2.39	Aa
O'Neill Direct	\$4.54	G
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
San Luis Canal O & M	\$13.66	N
<b>Delivered SLC (ADA)</b>		
	<u>\$30.16</u>	

<b>Pumped in Lower DMC</b>		
O'Neill Direct	\$4.54	G
Reserves	\$4.87	I
Reserves - Unit 6 Rewind BOR Repayment	\$0.12	J
Reserves - Unit 5 Rewind BOR Repayment	\$0.12	K
Reserves - Unit 3 Rewind BOR Repayment	\$0.15	L
Reserves - 2021 A Bonds	\$0.26	M
San Luis Canal O & M	\$13.66	N
Dos Amigos O & M	\$3.89	O
Dos Amigos Power	\$5.15	P
<b>Exchanged &amp; Delivered SLC BDA</b>		
	<u>\$32.76</u>	

<b>Picked up @ O'Neill</b>		
O'Neill Direct	4.54	G
Reserves	4.87	I
Reserves - Unit 6 Rewind BOR Repayment	0.12	J
Reserves - Unit 5 Rewind BOR Repayment	0.12	K
Reserves - Unit 3 Rewind BOR Repayment	0.15	L
Reserves - 2021 A Bonds	0.26	M
San Luis Canal O & M	13.66	N
Dos Amigos O & M	3.89	O
Dos Amigos Power	5.15	P
<b>Delivered SLC (BDA)</b>		
	<u>\$32.76</u>	

<b>WY24 Facility Use Fee</b>	<u>\$2.73</u>
------------------------------	---------------

<b>Flows at MP, delivered MP Exchange Contractors</b>		
13 Mendota Pool	\$0.46	D
<b>Delivered MP</b>		
	<u>\$0.46</u>	

\*\*Updated 08.05.24 to reflect correct volume for DCI Variable cost component

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San Luis & Delta-Mendota Water Authority

FAC 08/05/2024 BOD 08/08/2024

2nd AMENDED MOU - WY24 SELF-FUNDING RATES WITH BOR SOD AG ALLOCATION @ 50%

\*\*Updated 08.05.24 to reflect correct volume for DCI Variable cost component

COST POOLS	SLDMWA ANNUAL O&M and POWER								SLDMWA RESERVES					SLJU DWR COSTS			TOTAL	
	UPPER	UPPER	JPP PWR	VOLTA	Mendota Pool	Lower DMC	Lower DMC/ Mendota Pool	O'NEILL P/G	RESERVES	RESERVES	RESERVES	RESERVES	RESERVES	San Luis Canal O&M	Dos Amigos O&M	Dos Amigos Power		
	Upper DMC/DCI JPP O&M	Intertie Variable	All Users (Actual Pumping Only)	WELLS	MP Only	Lower Only	Lower DMC & MP Users	O'Neill O&M & PWR	EO&M & CIP	Unit 6 Rewind BOR Repayment	Unit 5 Rewind BOR Repayment	Unit 3 Rewind BOR Repayment	Two Rewind Units 2021A Bonds	All SLJU Users	Dos Amigos Users	Dos Amigos Users		
PARTICIPANTS	All Users	All Users Excludes Exchange Cont. and Water Rights when Ag Alloc > 5%	All Users (Actual Pumping Only)	DPWD SLWD	MP Only	Lower Only	Lower DMC & MP Users	All Users "Direct" "Storage"	All Users	All Users	All Users	All Users	All Users Excludes Exchange Cont. and Water Rights	All SLJU Users	Dos Amigos Users	Dos Amigos Users		
COSTS TO BE ALLOCATED**	\$8,793,238	\$3,743,008	\$15,947,367	\$26,956	\$947,678	\$2,203,161	\$3,150,839	\$4,685,826	\$1,321,643	\$10,623,257	\$255,239	\$266,174	\$337,255	\$374,086	\$14,093,534	\$3,997,918	\$5,292,576	\$72,908,916
ACRE FEET	2,170,185	1,568,857	2,149,675	2,400	54,053	982,060	1,036,113	1,032,418	1,153,227	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	% of 10 Yr Historical Use	1,032,418	1,028,642	1,028,642	
RATE PER AF	\$4.05	\$2.39	\$7.42	\$11.24	\$0.46	\$1.07	\$1.53	\$4.54	\$1.15	\$4.87	\$0.12	\$0.12	\$0.15	\$0.26	\$13.66	\$3.89	\$5.15	
	A	Aa	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	

Component	Rate	Delivery Area / Contractor
Upper DMC	\$20.53	A+Aa+B+H+I+J+K+L+M
Exchange/Wtr Rts (Upper)	\$17.88	A+B+H+I+J+K+L Excludes Intertie VC & 2021A Bonds Reserve
Lower DMC/Pool	\$22.06	A+Aa+B+F+H+I+J+K+L+M
Lower DMC	\$21.60	A+Aa+B+E+H+I+J+K+L+M
Pool Only	\$0.46	D
San Felipe	\$23.92	A+Aa+B+G+I+J+K+L+M
San Luis Canal Above Dos Amigos	\$37.58	A+Aa+B+G+I+J+K+L+M+N
San Luis Canal Below Dos Amigos	\$46.62	A+Aa+B+G+I+J+K+L+M+N+O+P
Exchange/Wtr Rts (Lower)	\$19.41	A+B+F+H+I+J+K+L Excludes Intertie VC & 2021A Bonds Reserve
Refuge (Lower)	\$22.06	A+Aa+B+F+H+I+J+K+L+M
Volta Wells	\$11.24	C
San Luis Drain	\$0.19	\$160,630

	Direct	Storage
O&M	\$2.16	\$0.55
O&M DWR	\$0.23	\$0.06
Pwr	\$2.15	\$0.54
O&M	\$2.16	\$0.55
DWR	\$0.23	\$0.06
PUE	\$2.15	\$0.54
	\$4.54	\$1.15

Irrigation	50%
M&I	75%
Refuge	100%
Ex/Wtr Rts	100%

Note: Supply assumptions are based on contractor estimates

O&M Budget per above (excludes Volta Wells O&M)	\$18,059,850	Included in \$	\$ 2,16
Required Reserve Funding	\$10,623,257		0.545546898
Rewind Reserve Funding -Debt Service Unit 6 BOR Rpmt Contract	\$255,239	\$ 2,859,723.14	\$ 2,230,584.05
Rewind Reserve Funding (Est) -Debt Service Unit 5BOR Rpmt Contract	\$266,174		\$ 629,139.09
Rewind Reserve Funding (Est) -Debt Service Unit 3BOR Rpmt Contract	\$337,255		\$ 2,859,723.14
Rewind Reserve Funding -2021A Bonds	\$374,086		
San Luis Drain	\$160,630		
Volta Wells -DPWD/SLWD	\$26,956		
<b>POWER</b>			
JPP	\$15,947,367		
Intertie	\$486,958		\$ 2.15
Volta Wells	\$0		54%
O'Neill	\$2,842,198	\$ 19,276,523	\$ 2,842,198.00
			\$ 2,216,914.44
			\$ 625,283.56
			\$ 2,842,198.00
<b>SAN LUIS JOINT USE</b>			
DWR - San Luis Canal O&M	\$14,093,534		\$ 0.23
DWR - Dos Amigos O&M	\$3,997,918		0.058289037
DWR - O'Neill	\$305,548	\$ 305,547.64	\$ 238,327.16
			\$ 67,220.48
			\$ 305,547.64
<b>POWER</b>			
Dos Amigos	\$5,292,576		
<b>Total</b>	\$73,069,546		
DCI Wheeling 125,000 A-F at Current DWR Rate (net of 2% loss)	\$3,256,050		

O'Neill Split  
78%/22%  
78% O'Neill Direct  
22% O'Neill Storage

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# CalPERS Reports Preliminary 9.3% Investment Return for 2023-24 Fiscal Year

July 15, 2024

Communications & Stakeholder Relations

Contact: Office of Public Affairs

(916) 795-3991 - [newsroom@calpers.ca.gov](mailto:newsroom@calpers.ca.gov)

**SACRAMENTO, Calif.** – CalPERS today reported a preliminary net return of 9.3% on its investments for the 12-month period ending June 30, 2024. Assets as of that date were valued at \$502.9 billion.

The investment return outpaced the discount rate of 6.8%, comparable to an assumed rate of return and a policy marker established by the CalPERS Board of Administration. It was also a notable improvement from the two most recent fiscal years, where investment returns were influenced by a variety of economic and geopolitical challenges.

When using the preliminary net return of 9.3% to assess long-term obligations, the overall estimated funded status of the Public Employees' Retirement Fund (PERF) stands at 75%.

"Our investing strategy was well positioned to take advantage of improving economic conditions over the past 12 months," said CalPERS Chief Executive Officer Marcie Frost.

"Meeting or exceeding our long-term investing goals is crucial for providing the retirement benefits that our 2 million members and their families are counting on."

Public equity investments, comprising 41.9% of the PERF, led the way among asset classes with an estimated 17.5% return.

The private debt asset class, established in 2022, also performed strongly. Its estimated return was 17%.



Fixed income and private equity reported returns of 3.7% and 10.9%, respectively. Real assets reported a negative return for FY 2023-24.

"Our team remains focused on executing on our long-term investment strategy, building a diversified portfolio to navigate markets and mitigate volatility over our multi-generational investment horizon," said Interim Chief Investment Officer Dan Bienvenue.

### 1 Year Return of June 30, 2024

Asset Class	Net Rate of Return (in percent)
PERF	9.3
Public Equity	17.5
Income	3.7
Private Equity*	10.9
Real Assets*	-7.1
Private Debt*	17.0

*\*Private market asset valuations lag one quarter and are as of March 31, 2024.*

Updated long-term return rates reflect the addition of recent lower investment returns in the calculation. Preliminary total fund annualized returns for the five-year period ending June 30, 2024, stood at 6.6%; the 10-year period at 6.2%; and the 20-year period at 6.7%.

The 30-year return rate rose slightly to 7.7%.

Preliminary net returns are an early snapshot of the CalPERS portfolio. CalPERS investment and finance staff and outside experts will review the portfolio's performance in the next few months to determine the final fiscal year returns for 2023-24.

The ending value of the PERF for FY 2023-24 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees.

Once finalized, fiscal year performance returns are used to set contribution levels for the State of California and school districts in the 2025-26 fiscal year and for contracting counties, cities, and special districts in the 2026-27 fiscal year.



Under the current provisions of the CalPERS Asset Liability Management process, investment returns that exceed the established 6.8% discount rate require the Board of Administration to review whether to lower the rate for future years. This process is included in the CalPERS Funding Risk Mitigation Policy.

## Media Advisory

A news media availability via Zoom to discuss fiscal year investment returns with CalPERS senior leaders will be held Monday, July 15 at 12:45 p.m. PDT. Credentialed media can send an email to [newsroom@calpers.ca.gov](mailto:newsroom@calpers.ca.gov) for login information.

## About CalPERS

For more than nine decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 2 million members in the CalPERS retirement system and administers benefits for more than 1.5 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. For more information, visit [www.calpers.ca.gov](http://www.calpers.ca.gov).

Updated: July 15, 2024

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P.O. Box 1596 Patterson, CA 95363-1596

Phone (209) 892-4470 • Fax (209) 892-4469

June 28, 2024

Chloe Weil  
Director & Lead Analysis – Municipal Utilities  
S&P Global Ratings  
One California Street – 31st Floor  
San Francisco, CA 94111

**Re: Del Puerto Water District Credit Rating Follow-Up**

Dear Chloe,

It was a pleasure meeting with you to discuss the Del Puerto Water District's financial statement and other related data. We are pleased to provide the follow-up information you requested and wish to take this opportunity to summarize some of the key points that emerged from our conversation.

Our rating is extremely important to us as we pursue a portfolio of water storage and supply projects which will be a key to our success in the years ahead. Del Puerto Water District (the "District") has managed for decades, and continues to manage and successfully mitigate, the financial challenges associated with hydrological variability and the regulatory regime that governs the District's Repayment Contract with the U.S. Bureau of Reclamation. The District has a resilient business model and strong governance, and implements intentional business strategies which enable it to achieve its stated mission of providing its *Agricultural Customers with an Adequate, Affordable and Reliable Water Supply*.

#### **Compliance with CoBank Rate Covenant**

As we explained, our CoBank rate covenant uses the ratio of assessments to debt service. We achieved our required 1.1x coverage in FY2023 and establish assessments each year with this DSC covenant in mind. The District has no other outstanding debt, and DSC requirements will certainly be a consideration at such time as the Board of Directors ("Board") may consider plans to issue additional debt.

#### **Change in Net Position FY22 to FY23**

We understand that negative operating income in FY2023 and reduction in net position from FY2022 triggered "warning signals" at S&P and, at least in part, prompted your credit review of the District. As we explained, the District's FY2023 financial results primarily reflect a calculated investment in the development of new water resources to better achieve supply reliability for its customers, and the Board's balancing of those development costs versus current rate levels. The decision to run somewhat leaner in terms of cash balances at year-end FY2023 was calculated, and in fact reflected in the District's FY2023 budget, which is attached hereto.

The intentionality of our FY2023 results is an important point that we consider a significant credit positive because it was a result of our business strategy rather than resulting from some unforeseen or uncontrollable circumstance. The negative net operating income for FY2023 did not result from

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mismatches in water purchases and water sales, or other factors beyond the District’s control, but rather a strategy of using a moderate level of cash resources to invest in the future.

Normally the Board directs staff to carry approximately \$4 million in operating and rate stabilization reserves. In lean years, the Board may intentionally use these reserves to subsidize administrative overhead and project development costs as the District pursues grants and future projects. Such projects include the District’s participation in the regional BF Sisk Dam Raise and Expansion project (surface storage), its own Del Puerto Canyon Reservoir Program in partnership with the San Joaquin River Exchange Contractors Water Authority (surface storage), and its nearly completed Orestimba Creek Recharge & Recovery Project (underground storage). The District is also participating in the Los Vaqueros Reservoir Expansion project in order to gain access to new conveyance to better manage Delta pumping restrictions. These projects and others serve the ultimate goal of the District being able to own more reliable storage and conveyance so as to increase its ability to capture water in times of plenty and have it available in times of drought.

**Prepaid Water as Liquid Asset**

In any given year, the District’s cash position is further supplemented by its investment in “future” water supplies, specifically water acquired, paid for, and stored in water banks for future return. The balance sheet line-item titled “Prepaid water – other sources” reflects this asset. If any portion of the of the asset has been paid for by Customers reserving specific quantities, that is reported as “Deferred Revenue.” For this portion of the stored supply, the offsetting balance sheet line-items “Prepaid Water – other sources” and “Deferred Revenue” will be amortized as water is delivered to those Customers. The additional investment in “future” water will generate cash as that portion of the water is purchased and paid for, making it a highly reliable asset that supplements the District’s cash position. As of February 28, 2023, the value of that asset was \$2,897,375.

Table A  
Investments in Prepaid Water at February 28, 2023

Prepaid water – other sources	\$8,796,473
Less: Deferred Revenue	<u>5,899,098</u>
Excess prepaid water	<u>\$2,897,375</u>

**Supplemental Water Supply**

The District’s implementation of a highly-functional supplemental water supply program, as directed by the Board and implemented by staff, is another aspect of our business model that we wanted to further expand upon. In response to your request, attached are the District’s annual Supply/Use/Completed Transaction Summaries for fiscal years 2021, 2022, and 2023. These summaries illustrate the District’s active and robust supplemental water supply program. Please note that the District received a CVP allocation of only 28,042 AF for FY2021, and zero CVP allocation in FY2022 and FY2023, yet with little to no CVP water, was able to source 52,902AF, 57,518AF and 49,923AF of supplemental supply, respectively, in each of those years. The District has worked for decades to develop multiple sources of supplemental water supply and considers this ongoing strategy to be a significant credit positive.

**Stable Energy Costs**

The District also benefits from stable and predictable energy costs supporting our water sources, relative

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to other California water utilities. Our North Valley Regional Recycled Water Program (NVRWP) is powered by energy supplied by the Turlock Irrigation District, which recently lowered its rates and is a very stable source of energy. Power to convey water in USBR facilities is supplied by the Western Area Power Administration (WAPA), a Federal agency with fairly affordable and stable pricing. We consider our energy supply strategy to be another credit positive.

### Adequate Liquidity

The District has adequate liquidity in consideration of the stability of our water purchase and sale activities and the absence of any debt other than the assessment-secured CoBank loan. As of February 28, 2023, the District had a net cash position of \$6.5 million comprised of the following:

Table B  
Net Cash Position at February 28, 2023

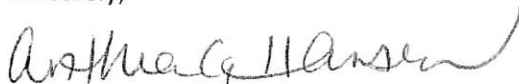
Unrestricted Cash and cash equivalents	730,406
Unrestricted Investments	1,105,812
Board designated cash and cash equivalents	4,674,538
Total	6,510,756

As we discussed, our reported Net Position as of February 28, 2023 indicates a series of designations in the contributing line-items. These designations are not imposed by third-parties or contractual obligations, rather reflect Board decision-making and can be revised at the District's sole discretion. The preliminary estimate for the District's cash position at the end of our FY2024 is also around \$6 million.

### Summary

We appreciate your attention to Del Puerto Water District. If you have any follow-up questions or requests further information, please do not hesitate to contact me directly at (209) 892-4470.

Sincerely,



Anthea G. Hansen  
General Manager

CC: Joyce Machado, Director of Finance and Administration, Del Puerto Water District  
David Moore, Financial Advisor, Clean Energy Capital

### Attachments

FY 2023 Budget

DPWD Supply/Use/Completed Transactions Summary for 2021, 2022 and 2023

Del Puerto Water District  
2022-23 Operating Budget  
FINAL Budget 02.16.22

	FINAL 2022-23 Budget	Current 2021-22 Forecast	Prior Year 2021-22 Budget	\$/Acre
<b>Other Income Earned:</b>				
Administration Income	\$ 2,101,872.00	\$ 1,971,675.00	\$ 1,971,675.00	\$45.00
Bank Interest	\$ 1,300.00	\$ 1,100.00	\$ 1,300.00	\$0.03
Investment Interest	\$ 60,000.00	\$ -	\$ 50,000.00	\$1.14
Office Rent Income	\$ 6,000.00	\$ 5,880.00	\$ 5,880.00	\$0.13
Program Admin Fees	\$ -	\$ -	\$ -	\$0.00
NVRRWP Admin Fees to RWSP	\$ 156,600.00	\$ 137,100.00	\$ 137,100.00	\$3.13
Watershed Coordinator Income	\$ 103,967.00	\$ 101,372.00	\$ 101,372.00	\$2.31
<b>Total Other Income:</b>	\$ 2,429,739.00	\$ 2,217,127.00	\$ 2,267,327.00	\$51.75
<b>Administrative Expenses:</b>				
Wages & Related Expenses	\$ 1,153,984.00	\$ 1,028,262.00	\$ 977,898.00	\$22.32
Conservation Expense	\$ 4,001.00	\$ 5,511.00	\$ 3,938.00	\$0.09
Office Supplies, Rent & Other	\$ 41,188.00	\$ 42,388.00	\$ 41,129.00	\$0.94
Repairs & Maintenance	\$ 8,400.00	\$ 7,886.00	\$ 10,161.00	\$0.23
Metering Program	\$ 1,500.00	\$ 2,200.00	\$ 6,975.00	\$0.16
Association Fees	\$ 288,187.00	\$ 289,483.00	\$ 296,787.00	\$6.77
SWRCB Water Rights Fee	\$ 179,073.00	\$ 172,600.00	\$ 166,358.00	\$3.80
Utilities	\$ 23,117.00	\$ 23,136.00	\$ 22,088.00	\$0.50
Legal & Audit Fees	\$ 146,650.00	\$ 219,529.00	\$ 273,200.00	\$6.24
Consulting Services	\$ 2,553,118.00	\$ 896,960.00	\$ 1,952,573.00	\$44.56
Vehicle, Travel & Conferences	\$ 30,601.00	\$ 23,168.00	\$ 23,859.00	\$0.54
Insurance	\$ 21,416.00	\$ 20,429.00	\$ 19,269.00	\$0.44
Depreciation & Amortization	\$ 81,080.00	\$ 71,048.00	\$ 59,253.00	\$1.35
	\$ 4,532,315.00	\$ 2,801,612.00	\$ 3,853,498.00	\$87.95
<b>Capital Expenses:</b>				
Capital Expenditures	\$ 10,000.00	\$ 157,354.00	\$ 46,736.00	\$1.07
Asset Replacement Contingency	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$0.23
	\$ 20,000.00	\$ 167,354.00	\$ 56,736.00	\$1.32
<b>Total Other Expense:</b>	\$ 4,552,315.00	\$ 2,968,966.00	\$ 3,910,234.00	\$89.27
<b>Net Profit/(Loss)</b>	\$ (2,122,576.00)	\$ (751,839.00)	\$ (1,642,907.00)	(\$37.50)
<b>Addback: Noncash Deprec. Expense</b>	\$ 81,080.00	\$ 71,048.00	\$ 59,253.00	\$1.35
<b>Addback: Prior Year Unspent Budget</b>	\$ 1,142,317.00	\$ 345,000.00	\$ 345,000.00	\$7.87
<b>Use of Reserves</b>	\$ 405,000.00	\$ 800,000.00	\$ 1,250,000.00	\$28.53
<b>IRWM Grant - DPCR</b>	\$ 495,000.00	\$ 18.26	\$ -	\$ -
<b>Gross Profit/(Loss) From Administrative Activities</b>	\$ 821.00	\$ 464,209.00	\$ 11,356.00	\$0.26
<b>SGMA GSP Implementation Fee</b>	\$ 356,037.00	\$ 261,256.00	\$ 276,035.00	\$6.30
<b>SGMA Dues</b>	\$ 356,037.00	\$ 209,384.00	\$ 275,591.00	\$6.29
	\$ -	\$ 51,872.00	\$ 444.00	\$0.01
<b>Coalition Membership Income</b>	\$ 292,868.00	\$ 267,520.00	\$ 267,657.00	\$6.65
<b>Coalition Dues</b>	\$ 292,359.00	\$ 276,410.00	\$ 266,549.00	\$6.82
	\$ 509.00	\$ (8,890.00)	\$ 1,108.00	\$0.03

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**DEL PUERTO WATER DISTRICT 2020-21 SUPPLY/USE/COMPLETED TRANSACTIONS SUMMARY  
as of February 28, 2021**

Supply Type	2020-21
2019-20 Rescheduled Contract Supply	14,021
Lees: Monthly 1% Storage Loss Est.	(184)
Sub-Total: Rescheduled Supplies	13,837
2020 CVP Allocation (20%)	28,042
2020 Ground Water Pump-Ins	776
2011-2014 RWSP Completion	1,683
2020 NVRWP	19,046
2020 SLCC Exchange	250
2020 CCID Exchange	2,109
2020 Customer Transfer In	6
Sub-Total: Current Year Customer Supplies	51,912
2020 YCWA	3,171
2020 GWD Transfer	368
2020 Volta Wells Transfer	198
2020 AEWSO Return	4,000
2020 LTRID Return	1,500
2020 SJRECWA Transfer	5,938
Subtotal: Outside Purchases	16,196
<b>Total Gross Projected Supply Available</b>	<b>80,944</b>

Feb 2021 Quantity	Completed to Date
	14021
	(184)

83	788
0	1683
239	19046
0	250
0	2109

0	2588
25	388
0	198
0	4000
0	1500
0	5938

2019-20 IN DISTRICT USE		2020-21 IN DISTRICT USE	2020-21 OCCRP USE	2020-21 TRANSFERS OUT	2020-21 MONTHLY USE
564	MAR	2,704			2,704
5,362	APR	4,123			4,123
7,059	MAY	7,286		1,491	8,777
9,914	JUN	8,931		6,217	15,148
12,238	JUL	9,443		2,551	11,994
8,866	AUG	8,967		1,600	8,567
6,320	SEP	4,545		250	4,795
4,454	OCT	3,743		730	4,473
2,222	NOV	2,183		136	2,319
7	DEC	681			681
117	JAN	234			234
2,803	FEB	1,088		100	1,188
59,916		51,928	0	13,075	
<b>TOTAL USED &amp; TRANSFERRED OUT</b>					<b>65,003</b>
<b>TOTAL SCHEDULED</b>					<b>0</b>
<b>TOTAL ESTIMATED FOR RESCHEDULING INTO 2021-22</b>					<b>16,941</b>
<b>TOTAL GROSS PROJECTED SUPPLY AVAILABLE</b>					<b>80,944</b>

NOTE: The District has 3,425 AF in storage at AEWSO and 2,000 AF in storage at LTRID as of 8/31/20.



**DEL PUERTO WATER DISTRICT 2021-22 SUPPLY/USE/COMPLETED TRANSACTIONS SUMMARY  
as of February 28, 2022**

Supply Type	2021-22
2020-21 Rescheduled Contract Supply	14,021
2020-21 Rescheduled YCWA Supply	583
2020-21 Rescheduled Warren Act Supply	49
2020-21 Rescheduled NVRWP Supply	1,288
Lees: Monthly 1% Storage Loss Est.	(288)
Sub-Total: Rescheduled Supplies	15,653
2021 CVP Allocation (0%)	0
2021 Ground Water Pump-Ins	2,234
2021 NVRWP	10,831
2021 CCID Exchange	3,787
Sub-Total: Current Year Customer Supplies	24,852
2021 YCWA (Net of SLWD/WWD 2022 Pre-delivery)	2,406
2021 GWD Transfer	281
2021 Volta Wells Transfer	177
2021 CCWD Transfer	2,000
2021 PID Transfer	1,747
2021 Mapos Transfer	4,291
2021 SEWD Transfer	6,051
2021 AEWS Return	60
Subtotal: Outside Purchases	17,013
<b>Total Gross Projected Supply Available</b>	<b>57,518</b>

Feb 2022 Quantity	Completed to Date
----------------------	----------------------

289	2234
1152	18831
0	3787

0	2406
0	281
0	177
0	2000
0	1747
883	4291
0	6051
15	60

2020-21 IN DISTRICT USE		2021-22 IN DISTRICT USE	2021-22 OCRRP USE	2021-22 TRANSFERS OUT	2021-22 MONTHLY USE
2,704	MAR	1,930			1,930
4,123	APR	4,307			4,307
7,286	MAY	5,716		500	6,216
8,931	JUN	6,976			6,976
9,443	JUL	7,551			7,551
6,967	AUG	4,654			4,654
4,545	SEP	2,984			2,984
3,743	OCT	1,625			1,625
2,183	NOV	188			188
681	DEC	255			255
234	JAN	45			45
1,088	FEB	1,591			1,591
51,928		37,822	0	500	
<b>TOTAL USED &amp; TRANSFERRED OUT</b>					<b>38,322</b>
<b>TOTAL SCHEDULED</b>					<b>0</b>
<b>TOTAL ESTIMATED FOR RESCHEDULING INTO 2022-23</b>					<b>19,196</b>
<b>TOTAL GROSS PROJECTED SUPPLY AVAILABLE</b>					<b>57,518</b>

NOTE: The District has 3,365 AF in storage at AEWS and 2,000 AF in storage at LTRID.

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**DEL PUERTO WATER DISTRICT 2022-23 SUPPLY/USE/COMPLETED TRANSACTIONS SUMMARY  
as of February 28, 2023**

Supply Type	2022-23
2021-22 Rescheduled Warren Act Supply	1,453
2021-22 Rescheduled Warren Act Supply	4,291
2021-22 Rescheduled NVRWWP Supply	13,462
Loss: Monthly 1% Storage Loss Est.	(423)
Sub-Total: Rescheduled Supplies	18,773
2022 CVP Allocation (0%)	0
2022 Ground Water Pump-Ins	2,368
2022 NVRWWP	18,824
2022 CCID Exchange	360
Sub-Total: Current Year Customer Supplies	21,352
2022 YCWA	2,450
2022 AEWS	106
2022 LTRID	48
2022 Ceres Emergency Agreement (Est.)	596
2022 GWD Transfer	191
2022 Volta Wells Transfer	160
2022 PID Transfer	996
2022 O-Creek Recovery	42
2021 Mapes Transfer (Continued Into 2022)	5,209
Subtotal: Outside Purchases	9,798
<b>Total Gross Projected Supply Available</b>	<b>49,923</b>

February 2023 Quantity	Completed to Date
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316	2968
636	18624
0	360

0	2450
0	106
0	48
0	596
0	191
0	160
0	996
0	42
155	5209

2021-22 IN DISTRICT USE		2022-23 IN DISTRICT USE	2022-23 OCRRP USE	2022-23 TRANSFERS OUT	2022-23 MONTHLY USE
1,930	MAR	1,824			1,824
4,307	APR	3,064			3,064
5,716	MAY	5,529			5,529
6,976	JUN	6,387			6,387
7,551	JUL	7,133			7,133
4,654	AUG	4,361			4,361
2,984	SEP	2,596			2,596
1,625	OCT	1,769			1,769
188	NOV	294			294
255	DEC	41			41
45	JAN	10			10
1,591	FEB	80			80
37,822		33,088	0	0	
<b>TOTAL USED &amp; TRANSFERRED OUT</b>					<b>33,088</b>
<b>TOTAL SCHEDULED</b>					<b>0</b>
<b>TOTAL ESTIMATED FOR RESCHEDULING INTO 2023-24</b>					<b>16,836</b>
<b>TOTAL GROSS PROJECTED SUPPLY AVAILABLE</b>					<b>49,923</b>

NOTE: The District has 3,259 AF in storage at AEWS and 1,952 AF in storage at LTRID.

Blank



July 24, 2024

Del Puerto Water District  
17840 Ward Ave  
Patterson, CA 95363  
Attention: Anthea Hansen, General Manager

Re: *Del Puerto Water District ICR, California*

Dear Anthea Hansen

S&P Global Ratings hereby affirms its rating of "BBB+" for the above-referenced obligations and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

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# RatingsDirect®

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## Summary:

# Del Puerto Water District, California; Water/Sewer

### Primary Credit Analyst:

Chloe S Weil, San Francisco + 1 (415) 371 5026; chloe.weil@spglobal.com

### Secondary Contact:

Alexandra Rozgonyi, Englewood + 1 (303) 721 4824; alexandra.rozgonyi@spglobal.com

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## Summary:

# Del Puerto Water District, California; Water/Sewer

### Credit Profile

Del Puerto Water District ICR

Long Term Rating

BBB+/Stable

Affirmed

## Credit Highlights

- S&P Global Ratings affirmed its 'BBB+' issuer credit rating (ICR) on Del Puerto Water District, Calif.
- The outlook is stable.

## Security

The district has no capital market debt outstanding. However, in November 2020, it executed a 15-year loan from CoBank, the proceeds from which were used to prepay a portion of the district's capital obligation to the U.S. Bureau of Reclamation (USBR) and convert its Central Valley Project (CVP) water supply contract, which is delivered from the Delta-Mendota Canal, for 140,210 acre-feet of water per year to a 9(d) permanent contract from a 9(e) contract.

The loan is secured by a land-based assessment currently levied on 35,431 assessed acres (currently \$25 per acre). Loan provisions requires the district generate collected assessment revenue equivalent to 1.1x annual debt service (and excludes other operating expenses of the district). The surplus each year is set aside in a cumulative reserve fund that is currently funded at \$256,000. As of July 1, 2024, the district had about \$7.6 million in remaining principal outstanding on the loan.

The permanent CVP contractual right thereby eliminates potential contract renewal risk, administrative costs, and certain limitations on corporate farming.

## Credit overview

In our view, the rating is underpinned by the district's proven record navigating climate challenges and variable hydrological conditions through its long-term water supply investments and strategic regional collaboration. Although the CVP has historically been the district's primary source of water supply, because of chronic shortages in its contractual entitlement, the district has worked for many years to develop multiple alternative sources of water to bolster reliability for agriculture in its service area, and management considers this ongoing strategy a key part of its business model.

The district received a CVP allocation of only 28,042 acre-feet for fiscal 2021, and zero for fiscals 2022 and 2023, yet with little to no CVP water, the district was still able to source 52,904 acre-feet, 57,518 acre-feet and 49,923 acre-feet of supplemental supply, in each of these years, respectively, which we consider credit supportive. Between 2015 and 2018, the district secured a long-term agreement for 27,000 acre-feet per annum of (drought-resistant) recycled

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## Summary: Del Puerto Water District, California; Water/Sewer

wastewater from nearby municipal treatment plants in Turlock and Modesto (through the North Valley Regional Recycled Water Program) which became operational in 2020 and now supplies a third of the district's annual demand. Privately developed groundwater is available only on a limited basis across the district's service territory.

We understand the district is also pursuing several groundwater recharge projects to further solidify its supply, including the Orestimba Creek project (15,000 acre-feet per year), which is nearly completed, and it is participating in multiple large-scale regional partnerships to bolster storage, the Del Puerto Canyon Reservoir program (82,000 acre-feet per year) in partnership with the San Joaquin River Exchange. It is also a local agency partner in both the BF Sisk dam raise and expansion project, as well as the expansion of the Los Vaqueros reservoir expansion project to gain access to new conveyance and better manage Delta pumping restrictions. We note that the district has not solidified a funding plan for these projects.

In our view, less dire water supply conditions should benefit the district's financial performance in 2024. Wet conditions experienced during the 2023 water year bolstered CVP allocations, which were raised to 40% for south-of-Delta contractors, including the district, in April 2024.

Although the contract conversion assessment provides a stable revenue stream for loan repayment, in aggregate (when considering all the district's costs to operate), the district produced negative operating income in fiscal 2023 and also saw declines in its net position between fiscals 2022 and 2023, which we would consider a credit risk if the district had not designed and budgeted for it. We understand the district's leaner operations were driven by the higher costs of water coupled with management's desire by management to use reserves to subsidize administrative overhead and project development costs as the district pursues grants and other funding sources for the above projects. In fiscal 2023, total operating revenues increased by \$4.4 million or 57.39%, to \$12.0 million. The increase was primarily due to the higher cost of water in the third year of drought. At the same time, total operating expenses increased by \$5.8 million (or 53.32%) to \$16.7 million. The increase was primarily reflective of planned expenditures for the advancement of the Del Puerto Canyon Reservoir project greater than the year prior, the addition of a staff member and the greatly increased cost of purchased water.

However, given that the predictability of assessment revenues is, in our view, key to rating stability, the biggest risk to the rating would be if, as Del Puerto Canyon Reservoir and other storage projects become closer to fruition, all-in debt service coverage (when considering fixed costs associated with these projects) were to experience prolonged weakness.

The rating is further supported by our assessment of the district's following factors:

- Agricultural-based service area on the western side of the San Joaquin Valley, serving parts of Stanislaus, San Joaquin, and Merced counties. The district produces about \$225 million in farmed output annually from its top 10 crops--the crop mix is about 80% permanent crops and 20% row crops, with almonds generating the largest percentage. The district serves a limited number of municipal or industrial customers, the top 10 landowners are all farms with limited access to alternative water supplies;
- Concentrated customer base as the top 10 landowners are expected to generate 24% of total district assessments, while the largest generates only 5% of total district assessments, we believe a bankruptcy or delinquency of any of these landowners could erode the district's credit quality;



## Summary: Del Puerto Water District, California; Water/Sewer

- Good operational management practices and policies. The district annually adopts water availability charges for agricultural water service. During the budgeting process it evaluates the rates established by reclamation for CVP water, anticipated deliveries, hydrologic year type, and capital repayment, however, there can be a timing mismatch between when water is purchased and when it is billed if the water is stored (inventoried) and used in a later year;
- As of Feb. 28, 2023, the district held about \$6.5 million in legally unrestricted cash and cash equivalents (in addition to \$2.9 million of pre-paid water investments), which we consider adequate relative to its water and purchase and sale activities;
- High debt-to-capitalization ratio of 56.3% (inclusive of the CoBank loan); and
- Financial management practices and policies that are supportive of the current rating.

Each year, the district's customers are given the opportunity to request their allocation of CVP supply, which varies based on the district's allocation from the USBR. If supply is requested, a prepayment of 25% of the cost of the water is required by March 31 of each year, and after that, CVP water delivered is billed monthly until 75% of the supply is used, at which time the deposit is used to pay for the remaining 25%. If the entire supply is not used, the appropriate portion of the deposit is credited at the end of the year to be used against future charges. Therefore, the timing and magnitude of CVP credits can distort the district's operating margins.

### Environmental, social, and governance

We believe social and governance risk factors are neutral considerations in our credit analysis, but the district faces elevated environmental risk related to increasing drought and hydrological volatility exposure. Prolonged and more frequent droughts could have a negative effect on water supply and agricultural production. We also believe the transition to sustainable groundwater use under prolonged drought conditions and state regulation could create downward credit pressures for California irrigation districts in the long term. Given the complexities of supplemental water procurement, having a management team with commensurate skill and experience in the water industry will be important to ongoing credit quality. Under the Sustainable Groundwater Management Act (SGMA), the entire Delta-Mendota subbasin (in which the district is located) must achieve groundwater sustainability within 20 years. We understand that the groundwater sustainability plan (GSP) for the subbasin is currently under review by the California Department of Water Resources.

### Outlook

The stable outlook reflects our view of the district's rate structure and long-range water supply plans. We expect the district will continue to review its rates, assessments, and charges annually. We expect CVP supplies are expected to remain the district's landowner's primary water supply for the foreseeable future.

### Downside scenario

We could lower the rating if management were to spend down liquidity significantly, such as from such as from an extraordinarily large change in capital plans (without timely rate adjustments) or prolonged drought conditions.

### Upside scenario

While unlikely based on the agricultural customer concentration, we could raise the rating if management were to



## Summary: Del Puerto Water District, California; Water/Sewer

maintain very strong liquidity and consistently outperform projections while mitigating operational risks associated with prolonged drought.

### Del Puerto Water District, California--economic and financial data

	Fiscal year-end				Median (BBB+)
	Most recent	2023	2022	2021	
<b>Economic data</b>					
Water customers	--				3,290
Sewer customers	--				3,560
MHHEBI of the service area as % of the U.S.	98.0				78.0
Unemployment rate (%)	5.9				4.8
Poverty rate (%)	14.4				13.9
Water rate (6,000 gallons or actual) (\$)	--				44.0
Sewer rate (6,000 gallons or actual) (\$)	--				43.0
Annual utility bill as % of MHHEBI	--				1.5
Operational Management Assessment	Standard				Standard
<b>Financial data</b>					
Gross revenues (\$000s)		15,009	10,496	17,057	2,093
Total operating expenses less depreciation (\$000s)		16,586	10,800	14,890	1,821
Net revenues available for debt service (\$000s)		-1,614	443	2,313	--
Debt service (\$000s)		715	701	690	--
S&P Global Ratings-adjusted all-in DSC (x)		-2.3	0.6	3.4	1.3
Unrestricted cash (\$000s)		6,510	8,159	8,365	1,164
Days' cash of operating expenses		143	276	205	293
Total on-balance-sheet debt (\$000s)		10,724	11,158	11,848	7,721
Debt-to-capitalization ratio (%)		56.2	53.4	56.3	50.0
Financial Management Assessment	Standard	--	--	--	Standard

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

## Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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