

DEPARTMENT OF WATER RESOURCES

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Water Supply Contract Negotiations**Objective 3: Simplify the State Water Project¹ Billing Process****DWR Initial Proposal 3 – New Billing Procedure**

Initial Proposal to meet Objective: Implement a billing procedure that matches revenues to expenditures on a go forward basis.

Background

The Water Supply Contracts were based on principles that deferred the recovery of initial construction costs to a later period in the contract. As a result, not all expenditures match revenues on an annual basis. Additionally, if the Water Supply Contracts are extended, some cost recovery factors will no longer function correctly and will need to be modified (i.e., the Project Repayment Period).

Initial Proposal

Modify the current billing process to recover expenditures in the following two distinct time periods and implement a billing procedure that matches revenues to expenditures on a go forward basis.

1. Repayment of all costs incurred prior to the date of execution of the contract extension will follow the existing cost allocation and repayment methodologies provided by the existing contract.
2. Repayment of all costs from the effective date of the contract extension to the termination date of the extended contract will be on a “pay-as-you-go” basis. All DWR costs will be recovered in the year they are incurred.

¹ The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931).