

**ORLAND-ARTOIS WATER DISTRICT**

**NOTICE OF PUBLIC HEARING UNDER PROPOSITION 218 REGARDING  
PROPOSED WATER CHARGES FOR 2021 AND FOLLOWING YEARS**

The Board of Directors of the Orland-Artois Water District (“District”) will hold a public hearing to consider revising the District’s water charges for 2021 through 2025 and imposing a new Loan Conversion Charge. The public hearing will be held on September 15, 2020 at 1:30 p.m. at the District Office, which is located at 6505 County Road 27, Orland, California 95963. *If COVID-19 restrictions are still in effect at the time of the meeting and pursuant to Governor Newsom’s Executive Orders N-29-20 this meeting will be conducted by teleconference. Join the meeting from your computer, tablet or smartphone. <https://global.gotomeeting.com/join/753342845> You can also dial in using your phone. (For supported devices, tap a one-touch number below to join instantly.) United States: +1 (312) 757-3121 - One-touch: tel:+13127573121,,753342845# Access Code: 753-342-845*

The proposed new water charges include: (1) a per-acre base charge on each of the 28,888.59 acres of land that have District water service immediately available to them, which would be calculated to pay the District’s fixed expenses (the “Operations Charge”); (2) a charge to make the annual payments on a bank loan to pay off the Bureau of Reclamation (“USBR”) for the District’s share of building the Central Valley Project facilities that develop and deliver water to the District, which is a fixed amount that will be billed as a per acre charge to assessed acres in the District (the “Loan Conversion Charge”); and (3) a charge for each acre-foot of water that the District sells and delivers to its customers, which would be calculated to recover the District’s variable expenses and includes a number of pass-through charges that will be determined on an annual basis (the “Volumetric Charge”). The attached list of Glenn County Assessor’s Parcel Numbers describes the parcels that would be subject to the Operations and Loan Conversion Charges. The District’s proposed charges are:

|                                |  |
|--------------------------------|--|
| <u>Operations Charge:</u>      | \$46.12 per acre (not to exceed, subject to inflation) |
| <u>Loan Conversion Charge:</u> | \$28.31 per acre (not to exceed)                       |
| <u>Volumetric Charge:</u>      | See examples in Part 3 below                           |

*The Operations Charged is calculated for 2025 projected costs and will be lower for previous years. \$46.12 per acre is a “not to exceed amount”.*

*The Loan Conversion Charge is based on the best information available and the highest interest rates expected. The USBR final numbers are not yet available for the CVP Construction. Recent payments, discounts, charges, and credits have not yet been applied to OAWD’s account. The amounts used in this notice are worst case and expected to be lower. The OAWD Directors are committed to negotiating best interest rates possible and provide the landowners the lowest costs possible.*

The District’s staff report that describes the District’s fixed and variable expenses, and how the District calculated the Operations, Loan Conversion, and Volumetric Charges, is available for inspection and copying at the District Office and website, <https://www.oawd.org/>.

If you wish to protest the proposed charges, you must submit a written protest to the District that states that you protest the proposed charges, but you do not need to explain the reasons for your

protest (although you are welcome to state your reasons, if desired). Your written protest must identify the parcel or parcels for which it is being submitted. You may submit only one protest per parcel. The District must receive your written protest by 4:00 p.m. on September 14, 2020, or written protests may be submitted at the public hearing. The District’s mailing address is: P.O. Box 218, Orland, California 95963. The Board will consider all written protests that it receives by the September 14, 2020 deadline or at the hearing. If protests are not submitted by a majority of parcels, then, after its September 15, 2020 public hearing, the Board may adopt a resolution to adopt the proposed charges.

## 1. Purpose and Calculation of the Operations Charge

Revenue from the Operations Charge would be used to pay the District’s fixed expenses, which do not change based on the amount of water that the District delivers to its customers. The District’s fixed expenses include: (1) overhead expenses, and funding for reserves; (2) the Tehama-Colusa Canal Authority’s (“TCCA”) Assessment; and (3) the State Water Resources Control Board’s (“SWRCB”) water rights fees. The amount of the fixed expenses then would be divided among the 28,888.59 acres of land that have OAWD water service immediately available to them to calculate a per-acre Operations Charge that reflects each acre’s proportional share of District fixed expenses. The District’s Operations Charge for 2021 is calculated as follows:

|   |                |
|---|----------------|
| Total District Budgeted Overhead                      | \$700,912.19   |
| SWRCB Water Rights Fee                                | \$79,474.53    |
| TCCA Assessment                                       | \$551,906.45   |
| <hr/>   |                |
| Total O&M Expenses for Operations Charge              | \$1,332,293.17 |
| <b>Per-Acre Operations Charge (Total ÷ 28,888.59)</b> | <b>\$46.12</b> |

In accordance with Government Code section 53756(b), the Operations Charge may be increased due to inflation on April 1st of each year for the years 2022 through 2025 based on the previous year’s change in the U.S. Consumer Price Index for All Urban Consumers, San Francisco Region, as calculated by the U.S. Department of Labor, Bureau of Labor Statistics. Any automatic adjustment to the Operations Charge will be limited so that, in any year, Operations Charge revenue will not exceed the amount of OAWD’s Fixed Expenses. In addition, the TCCA Assessment varies annually due to changes in that agency’s costs of operation. Because the TCCA assessment generally is known before Operations Charge bills are rendered and mailed, OAWD will pass through any increases or decreases in that charge each year in 2021 through 2025. The TCCA Assessment portion of the Operations Charge will be adjusted each year according to the amount billed by TCCA, but will not be adjusted for inflation. Like the TCCA Assessment, the SWRCB Water Rights Fees component of the Operations Charge is a fixed amount that varies each year according to a determination made by the SWRCB. Therefore, this component will not be adjusted for inflation but is a pass-through expense that will vary according to the amount billed by the SWRCB each year to OAWD. OAWD will provide written notice to you at least 30 days before the date on which any adjustments to the Operations Charge or the SWRCB water rights fee would take effect.

## 2. Purpose and Calculation of the Loan Conversion Charge

The District has two loans with USBR. Both are non-interest bearing and both are currently paid either by revenues from water sales or the annual assessment levied by OAWD. The first loan is

for the costs of building of the CVP water infrastructure required to divert water into and store surface water in Shasta Reservoir, and to convey a portion of that water to the District's diversions on the Tehama-Colusa Canal ("CVP Construction Loan"). Presently, this loan is paid as a portion of the water rate for surface water purchased from USBR and delivered by the District to water users. The CVP Construction Loan has a balance of about \$8,100,000 and is due to be paid off in 2030. For 2020, that portion of the CVP water service rate is \$34.37 per acre-foot.

The second loan is the "9(d) Loan", which OAWD obtained to build the in-District water distribution system. On the current repayment schedule, OAWD would pay off the 9(d) Loan in mid-2032. The 9(d) Loan is being paid for by all landowners from an assessment on assessed acres within the District. The current 9(d) assessment is \$19.94 per-acre per-year, but is authorized to be and was levied in the past at the maximum rate of \$24.94 per-acre. The balance on the 9(d) Loan after October 2020 will be \$6,938,261.24.

Section 4011 of the Water Infrastructure Improvements for the Nation (WIIN) Act of 2016 allows for the immediate prepayment of CVP construction debt under certain water service contracts between the United States and contractors. OAWD is one of the eligible contractors. There are a number of benefits to OAWD and its landowners if the District takes advantage of the WIIN Act repayment contract option. To obtain these benefits, OAWD will refinance its obligations to USBR by securing two 20-year loans from a bank, one for the 9(d) Loan and one for the CVP Construction Loan. The bank loan to pay off the outstanding balance of the 9(d) Loan will be paid from the District assessment (at the full authorized rate of \$24.94), and therefore is not part of these Proposition 218 proceedings or a component of the water rate. But the outstanding principal amount of the CVP Construction Loan will be paid off with a separate bank loan that the District is proposing to be paid off with the new Loan Conversion Charge that would be imposed on all acres of OAWD lands capable of receiving District water service, including the existing 28,888.59 acres and any new acres annexed into OAWD.

Because of the benefits that paying off the CVP Construction Loan debt would provide to all landowners and water users, including lower long-term water rates, obtaining a permanent CVP water service contract in the amount of 53,000 acre-feet, and termination of the RRA acreage limitation, the Loan Conversion Charge would be imposed equally on each of the 28,888.59 acres of land to which OAWD can currently make water available. If additional lands are annexed into the District, this charge would be imposed on those parcels, thus lowering the charge on a per-acre basis. The Loan Conversion Charge therefore will be imposed as a per-acre charge that is calculated by dividing the annual debt service costs for the bank loan by the 28,888.59 acres to which OAWD makes irrigation water service immediately available. Allocating the maximum annual loan payment of \$817,719 on each of the 28,888.59 acres to which OAWD makes irrigation water service immediately available will result in a Loan Conversion Charge of \$28.31 per-acre. This charge is intended to be fixed and will not be subject to annual inflationary or other adjustments. It therefore will remain in place until the pay-off of the bank loan in 20 years, any earlier repayment of the loan, or any need for adjustment, which will require new Proposition 218 proceedings.

### 3. Purpose and Calculation of the Volumetric Charge

The purpose of the Volumetric Charge is to recover the District’s payment of USBR’s water service charges for water that it delivers to OAWD through the Tehama-Colusa Canal, and OAWD’s costs to pump CVP water from the Tehama-Colusa Canal and to make that water available to OAWD customers (the “Variable Expenses”). OAWD’s Variable Expenses vary based on the amount of water that USBR delivers to OAWD, and the amount of the delivered water that landowners within the District purchase from OAWD. To recover OAWD’s Variable Expenses, OAWD’s Volumetric Charge includes: (1) a USBR water service charge component; (2) an OAWD pumping cost component related to OAWD’s pumping of water from the Tehama-Colusa Canal; (3) in some years, a groundwater pumping cost component to pay for OAWD’s costs to pump groundwater that OAWD uses to supplement its surface water supply and meet customer water demands; and (4) an imported water cost component in years when the District expects to purchase surface water from a non-USBR source to supplement its water supplies, or in a year to pay for imported water costs that were incurred but not included in the Variable Expenses for the previous year. An example of this calculation is illustrated below using the 2020 50% allocation:

| TYPE            | 50%              | USBR  | Purchase | PUE  | TPUD | Power | Resto | Per AF                     | Total               |
|-----------------|------------------|-------|----------|------|------|-------|-------|----------------------------|---------------------|
| USBR            | 26,500.00        | 60.41 | 0.00     | 0.94 | 0.12 | 4.65  | 10.91 | 77.03                      | 2,041,295.00        |
| Wells Power     | 1,000.00         | 0.00  | 0.00     | 0.00 | 0.00 | 70.00 | 0.00  | 70.00                      | 70,000.00           |
| C/S Pump Power  |                  | 0.00  | 0.00     | 0.00 | 0.00 | 0.00  | 0.00  | 0.00                       | 5,000.00            |
| Baber           | 2,500.00         | 73.66 | 30.00    | 0.00 | 0.00 | 0.00  | 0.00  | 103.66                     | 259,150.00          |
| MID             | 6,000.00         | 64.90 | 35.00    | 0.00 | 0.00 | 0.00  | 0.00  | 99.90                      | 599,400.00          |
| PCGID           | 3,500.00         | 64.92 | 50.00    | 0.00 | 0.00 | 0.00  | 0.00  | 114.92                     | 402,220.00          |
| 215 Water       | 0.00             | 20.00 | 0.00     | 0.00 | 0.12 | 4.65  | 10.91 | 35.68                      | 0.00                |
| <b>Total AF</b> | <b>39,500.00</b> |       |          |      |      |       |       |                            |                     |
|                 |                  |       |          |      |      |       |       | <b>Total Cost of water</b> | <b>3,377,065.00</b> |
|                 |                  |       |          |      |      |       |       | <b>Cost per acre-foot.</b> | <b>85.50</b>        |

*For 2020 at 50% allocation without the construction component the USBR cost would have been \$26.04/af and the rate for Base water would have been \$62.46/af. At 50% the cost of transferred water increases. At 100%, without construction, the rate for Base water would have been \$53.03.*

In accordance with Government Code section 53756(c), this schedule of passed-through increases in USBR charges will be in effect for the years 2021 through 2025. OAWD will provide written notice to its customers at least 30 days before the date on which an adjustment to the Volumetric Charge would take effect.

OAWD Parcels 05/01/2020

|               |               |               |               |               |
|---------------|---------------|---------------|---------------|---------------|
| 020-080-009-0 | 020-263-019-0 | 023-210-011-9 | 024-030-007-9 | 024-080-057-9 |
| 020-080-010-0 | 020-270-001-0 | 023-210-012-0 | 024-030-008-9 | 024-080-058-9 |
| 020-080-019-0 | 020-350-029-9 | 023-220-001-9 | 024-030-009-9 | 024-080-059-9 |
| 020-080-026-9 | 020-350-031-9 | 023-220-002-0 | 024-030-011-0 | 024-090-004-9 |
| 020-080-028-9 | 020-350-032-9 | 023-220-011-0 | 024-030-012-9 | 024-090-005-0 |
| 020-080-036-0 | 020-350-033-9 | 023-220-012-0 | 024-030-013-0 | 024-090-006-0 |
| 020-150-002-0 | 020-350-034-9 | 023-220-013-9 | 024-030-014-0 | 024-090-009-0 |
| 020-150-007-0 | 020-350-035-9 | 023-220-014-0 | 024-030-015-9 | 024-090-015-0 |
| 020-150-008-0 | 021-020-002-9 | 023-220-015-0 | 024-030-016-9 | 024-090-086-9 |
| 020-150-011-0 | 021-020-012-9 | 023-220-016-0 | 024-030-019-9 | 024-100-017-0 |
| 020-150-012-0 | 021-020-013-9 | 023-230-002-0 | 024-030-022-9 | 024-110-005-0 |
| 020-150-013-0 | 021-020-014-0 | 023-230-003-0 | 024-030-024-9 | 024-110-010-0 |
| 020-160-004-9 | 021-020-018-0 | 023-230-004-9 | 024-030-025-9 | 024-120-004-0 |
| 020-160-008-0 | 021-020-022-9 | 023-230-009-0 | 024-030-026-9 | 024-130-032-9 |
| 020-160-009-0 | 021-020-023-9 | 023-240-005-0 | 024-030-027-9 | 024-130-033-9 |
| 020-171-005-0 | 021-020-024-9 | 023-240-006-0 | 024-030-028-9 | 024-130-037-9 |
| 020-172-003-0 | 021-020-025-9 | 023-240-007-0 | 024-030-029-9 | 024-130-038-9 |
| 020-172-004-0 | 021-020-026-9 | 023-240-009-9 | 024-030-030-9 | 024-130-039-9 |
| 020-172-011-0 | 021-020-029-9 | 023-240-010-9 | 024-030-031-9 | 024-130-041-0 |
| 020-172-012-0 | 021-020-030-9 | 023-240-011-9 | 024-030-032-9 | 024-130-043-0 |
| 020-173-007-0 | 021-020-031-9 | 023-240-012-9 | 024-040-003-0 | 024-130-044-0 |
| 020-173-008-0 | 021-210-004-0 | 023-240-013-9 | 024-040-004-9 | 024-130-045-0 |
| 020-173-012-0 | 023-140-002-9 | 023-240-014-0 | 024-040-005-9 | 024-140-015-0 |
| 020-173-013-0 | 023-140-006-9 | 023-290-001-9 | 024-040-010-9 | 024-140-017-9 |
| 020-173-014-0 | 023-140-011-9 | 023-290-002-9 | 024-040-013-9 | 024-140-018-9 |
| 020-173-016-0 | 023-150-002-0 | 023-290-003-9 | 024-040-021-9 | 024-150-005-0 |
| 020-173-019-0 | 023-150-008-0 | 023-290-004-9 | 024-040-022-9 | 024-150-007-9 |
| 020-200-001-9 | 023-150-009-0 | 024-020-002-9 | 024-050-004-0 | 024-150-008-9 |
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| 020-210-009-0 | 023-160-002-9 | 024-020-009-9 | 024-050-014-9 | 024-150-027-9 |
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| 020-230-007-9 | 023-200-027-0 | 024-020-016-0 | 024-060-020-0 | 024-160-020-9 |
| 020-230-008-9 | 023-200-029-0 | 024-020-018-9 | 024-060-021-0 | 024-160-023-9 |
| 020-230-013-0 | 023-200-031-0 | 024-020-020-0 | 024-060-022-0 | 024-160-025-9 |
| 020-230-014-0 | 023-200-032-0 | 024-020-021-0 | 024-060-023-0 | 024-160-026-9 |
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| 020-230-022-9 | 023-200-035-0 | 024-020-024-0 | 024-080-026-0 | 024-160-029-0 |
| 020-261-014-0 | 023-200-036-0 | 024-020-025-0 | 024-080-041-9 | 024-160-030-9 |
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| 020-262-002-0 | 023-210-007-9 | 024-030-005-9 | 024-080-055-9 | 024-170-014-9 |
| 020-262-012-0 | 023-210-010-0 | 024-030-006-9 | 024-080-056-9 | 024-170-015-9 |

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|                 |               |               |               |
|-----------------|---------------|---------------|---------------|
| 024-180-006-0   | 024-220-029-9 | 047-160-049-0 | 047-280-005-0 |
| 024-180-007-0   | 024-220-030-9 | 047-170-001-0 | 047-280-006-0 |
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| 024-190-002-9   | 024-320-001-9 | 047-170-006-0 | 047-280-008-0 |
| 024-190-003-9   | 024-340-001-9 | 047-170-007-9 | 047-280-009-0 |
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| 024-190-005-9   | 024-370-004-0 | 047-170-021-0 |               |
| 024-190-008-9   | 024-370-005-0 | 047-170-022-0 |               |
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| 024-200-021-9   | 024-380-005-0 | 047-260-011-0 |               |
| 024-200-022-9   | 024-380-006-0 | 047-260-012-0 |               |
| 024-200-025-0   | 037-430-004-0 | 047-260-013-0 |               |
| 024-200-026-0   | 037-430-005-0 | 047-260-014-9 |               |
| 024-210-001-0-A | 037-430-006-0 | 047-260-016-9 |               |
| 024-210-001-0-B | 046-310-004-9 | 047-260-017-9 |               |
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| 024-210-006-9   | 047-160-016-0 | 047-260-019-9 |               |
| 024-210-009-9   | 047-160-019-0 | 047-260-020-9 |               |
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| 024-210-013-9   | 047-160-031-0 | 047-260-025-0 |               |
| 024-210-014-0   | 047-160-032-0 | 047-260-027-9 |               |
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| 024-220-025-9   | 047-160-045-0 | 047-280-001-0 |               |
| 024-220-026-9   | 047-160-046-9 | 047-280-002-9 |               |
| 024-220-027-9   | 047-160-047-9 | 047-280-003-9 |               |
| 024-220-028-9   | 047-160-048-9 | 047-280-004-9 |               |