

## Mid-Pacific Region Central Valley Project (CVP) Water Contracts Fact Sheet

The Mid-Pacific Region holds over 270 contracts for the delivery of 9.5 million acre-feet of water on an annual basis. There are several different types of contracts including Settlement Contracts, the San Joaquin River Exchange Contract, Refuge Water Supply Contracts, Repayment Contracts, and Water Service contracts. Entities that hold water supply contracts with Reclamation are collectively referred to as Contractors and the water is generally referred to as CVP Water or Project Water.

**Sacramento River Settlement Contracts** - Prior to construction of the CVP, individuals and entities along the Sacramento River were diverting water for irrigation and M&I use under different types of water rights. These individuals and entities (collectively referred to as the Sacramento River Settlement Contractors or Settlement Contractors) have Sacramento River water rights that are senior to the CVP that entitle them to divert a significant amount of water from the Sacramento River. If they were to divert their full entitlements, Reclamation could not effectively operate the CVP.



Conversely, construction of Shasta Dam substantially modified the flows of the Sacramento River causing interference with senior water right holders' ability to divert water for beneficial use.

Central Valley Vineyards

After the CVP was authorized, contractors holding water rights on the Sacramento River protested the issuance of CVP water rights. To settle the water rights dispute so that Reclamation could operate the CVP, Reclamation and the Sacramento River diverters entered into settlement discussions and eventually

settlement contracts. The contracts specified a quantity of water that the Settlement Contractors could divert free of charge (Base Supply), and the quantity that would be paid for (Project Water). Without these Settlement Contracts, it would have been difficult, if not impossible, for the United States to develop the balance of the CVP.

The Settlement Contracts recognize the prior direct diversion rights of the Settlement Contractors. However, as a result of negotiations, the Settlement Contractors agreed to take an average yield of their water rights from the flow of the Sacramento River and its tributaries in return for the benefit of the certainty of water provided by the operation of the CVP. In return, Reclamation received the ability to operate the CVP and avoided litigation and potential adjudication of the Sacramento River watershed.

The Settlement Contracts provide a total Base Supply of 1,775,509 acre-feet, and in addition to Base Supply quantities, Reclamation provides the Settlement Contractors with designated monthly quantities of Project Water primarily in the months of July, August and September. This Project Water is subject to all of the pricing and other requirements of federal Reclamation law with the exception of tiered pricing required under CVPIA.

**South of Delta Settlement Contracts** - After Reclamation began operating Friant Dam, water users at the Mendota Pool began experiencing difficulties in diversion since the San Joaquin River water was no longer reaching the Mendota Pool in quantities necessary to meet their irrigation demands. As a result, Reclamation entered into settlement agreements to provide a quantity of CVP water as "Replacement Water" through the DMC at no charge to replace their water rights water from the San Joaquin River.

This settled the water user's claims that the construction and operation of Friant Division interfered with their rights to and the use of San Joaquin River water.



**San Joaquin River Exchange Contract** - The San Joaquin River Exchange Contractors (Exchange Contractors) consist of the San Luis Canal Company, Central California Irrigation District, Firebaugh Canal Water District, and Columbia Canal Company. These four districts hold some of the oldest water rights in the state, dating back to the late 1800s. Their water rights are for diversion of water from the San Joaquin and Kings Rivers.

The operation of Friant Dam and the Friant Division depended upon water being diverted from the San Joaquin River and conveyed to the east side of the valley via the Friant-Kern Canal. To accomplish this, Reclamation and the Exchange Contractors entered into an agreement whereby the Exchange Contractors agreed to not exercise their right to divert from the San Joaquin River *in exchange* for Reclamation deliveries from the Sacramento River by means of the Delta-Mendota Canal and other facilities of the United States. This agreement is known as the "Exchange Contract".

In normal years the Exchange Contractors are assured 100 percent of their contractual water allotment (840,000 acre feet) and in critical years 75 percent (650,000 af). If Reclamation cannot deliver its contracted deliveries of substitute water from other sources, the Exchange Contractors reserve the right to receive their water from the San Joaquin River.

**Oakdale Irrigation District and South San Joaquin Irrigation District** - When Reclamation began operating New Melones Reservoir on the Stanislaus River in 1980, Reclamation was required to meet prior water right obligations for Oakdale Irrigation District (OID) and South San Joaquin Irrigation District (SSJID). OID and SSJID have settlement agreements which entitle them up to the first 600,000 acre-feet of inflow to New Melones Reservoir on an annual basis in recognition of their water rights on the Stanislaus River.

**Repayment Contracts** - Repayment contracts are authorized under Sections 9c(1) and 9d of the Reclamation Project Act of 1939 respectively for M&I and irrigation water. Repayment contracts are used when specific cost obligations can be readily assigned to beneficiaries such as when a specific facility is constructed for the sole benefit of a single contractor. Repayment contracts generally provide for 40 fixed annual payments to repay a fixed repayment amount.

**Water Service Contracts** - Water service contracts are authorized under Sections 9c(2) and 9e of the Reclamation Project Act of 1939 Act respectively for M&I and irrigation water. Water service contracts are used in instances such as the CVP where the project includes multiple individual multipurpose facilities benefiting different project functions and many different contractors. For such projects, costs are allocated to, and recovered from, appropriate beneficiaries based on the amount of water received (i.e., water service). The basic unit of measurement for water deliveries and, consequently for cost recovery, is acre-feet of water.

For water service contracts, the Act requires the Secretary of the Interior to establish water rates for the sale of water to "produce revenue at least sufficient to cover annual operations and maintenance (O&M) costs and the appropriate share of fixed charges (construction costs) of the project."

Reclamation has broad discretion under the Reclamation Project Act of 1939 Act for developing and implementing ratesetting policies. Ratesetting policies can be either (1) negotiated as a specific provision of individual water service contracts; or (2) set forth into a formal policy applicable to multiple contractors.

**Cross Valley Contracts** - Beginning in 1975, the Cross Valley (CV) contractor(s) entered into contracts with Reclamation and DWR for delivery of excess CVP water utilizing excess conveyance capacity in DWR facilities. Reclamation provided the water supply and DWR provided conveyance for the CV contractors. CV water is delivered either by the California Aqueduct to the CV Canal or through exchange. These contracts were negotiated before the complete build out of the CVP and its contractors, and therefore, were meant to be temporary in nature to put CVP excess water to beneficial use. CVPIA mandated their renewal; however, DWR no longer has excess capacity in the California Aqueduct to guarantee the delivery of this water nor does the CVP have excess water to allocate.

**For More Information:**  
MP Region Public Affairs  
916-978-5100  
[www.usbr.gov/mp](http://www.usbr.gov/mp)

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