

DEPARTMENT OF WATER RESOURCES

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Proposal**State Water Project – Contract Extension
Proposed Agreement in Principle for Objective 2b – SWRDS Support Account**

1. A SWRDS Support Account (SSA) shall be established, although it is anticipated that the SSA will not be required until January 1, 2036.
2. The purpose of the SSA shall be to provide a source of funds to pay for costs of the System where there are currently no funds or revenue sources available to pay for such costs.
3. The Department shall consult with and consider input from the Contractors regarding the projects and activities for which monies from the SSA are used.
4. The target amount in the SSA shall be \$60 million, provided that the target amount shall be adjusted up or down every five years based on the percentage change in annual charges to the contractors (or such other formula or index agreed upon by the parties, as part of the contract extension negotiation process).
5. The Department shall use good faith efforts to provide the initial funding for the SSA from available System revenues, including Article 51(e) revenues, and from the amounts, if any, remaining in the Capital Facilities Account on December 31, 2035, so that the SSA will contain the target amount on January 1, 2036.
6. Starting with calendar year 2036, the Water Contractor's shall be charged annually the lesser of (1) 1% of the Contractors annual charges for the billing year or (2) a percentage (if less than 1%) of the Contractors' annual charges which when applied to the amount then in the SSA will bring the SSA up to the target amount (as calculated pursuant to item 5 above) for the billing year.
7. Interest and other investment income in the SSA shall be retained in the SSA for SSA purposes. Interest and other investment income in the General Operating Account (GOA) may, in the Department's discretion, be transferred from the GOA to the SSA for SSA purposes.
8. At such time, if any, that costs paid from the SSA are reimbursed to the System, the Department shall deposit those reimbursed revenues in the SSA.