

General Manager's Newsletter

We hear a lot of comments in the media about OID selling water to irrigation districts who are outside Stanislaus County. The comments center on "keeping our water local". A valid concern that deserves a response.

There are a number of factors that need to be met before you can sell water locally; Factor Number 1: You need a local buyer! Factor Number 2: You need a connection (pipe or canal) to the OID canal system to deliver that water to the buyer. Factor Number 3: You have to be able to take water only between March and July. Factor Number 4: You have to pay a "fair market" price that generates enough revenue so OID constituents don't end up subsidizing the buyer.

Factor Number 1: OID has contacted the following potential buyers who have said they have "no current" interest in purchasing water from OID; City of Oakdale, City of Riverbank, City of Modesto, Modesto Irrigation District, Turlock Irrigation District and the Stanislaus Regional Water Authority (SRWA) representing the City of Turlock, South Modesto and the City of Ceres.

Factor Number 2: OID has contacted the following potential buyers who would like to take water but have "no connection" or pipe to do so and/or no financial resources to pay for such a connection and/or "local politics" that preclude water delivery; Eastside Irrigation District, Del Puerto Irrigation District, City and County of San Francisco and about 25,000 acres in eastern Stanislaus County pumping groundwater.

Factor Number 3: Because of new water accounting criteria (Senate Bill 88) OID cannot deliver any of its "stored water" from its reservoirs to any entity outside its irrigation service area unless OID has State Water Board concurrence. That concurrence can take hundreds of thousands of dollars. To date no takers have stepped up to pay these expenses. Prior to July, OID can make available its senior pre-1914 water but after that, the available water becomes very limited. That is why when OID sells water to irrigation districts on the westside it is sold and moved between April and May to avoid that problem.

Factor Number 4: Fair market price. This gets interesting. OID's Water Resources Plan was developed using water sales as the mechanism to fund the rebuilding and modernization requirements of OID without raising water rates. The annual cost for that effort is \$7.1 million in inflation adjusted dollars. OID has some surplus water almost every year. What water not used by September 30th of each year is relinquished to the USBR pursuant to the 88 Agreement, for free! So if OID doesn't sell its surplus water it will lose it and not be compensated.

The OID's finances are simple; the market value return on sold water needs to be about \$180/AF in order for OID to meet its capital needs. Not meeting those capital need means OID will have to raise water rates (eventually) to its constituents. Every \$1 million shortfall in water sales equates to about \$15 per acre in added "water taxes." People say they would pay more to keep water local. If they wish to do that, "water taxes" would rise \$109 per acre in addition to the existing \$28 per acre cost PLUS the cost of water. That would bring agriculture's ANNUAL water cost to around \$155-\$160 per acre. If that's an attractive proposal to OID's Ag customers, please let OID know.

OID is making water available locally at a "subsidized" rate to "local Ag" users outside the OID service area for \$100/AF. OID is willing to backfill the \$80 loss. So far this year that local Ag has not taken ANY water. Why? They prefer to pump the groundwater at \$60/AF and save money rather than protect the aquifer. Unfortunately that's farming for those who are not a part of OID.

So the next time someone asks, "Why doesn't OID sell water locally?" you need to ask them 4 simple questions: Is there a buyer? Is there conveyance? Is there a beneficial use? What is the price? Keeping water local makes for a nice sound bite but in reality, it's difficult and complicated to do.

OID will need to continue to sell water outside the area until there is a local buyer with a credible proposal that doesn't require OID constituents to substantially subsidize their offer.

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Water Report as of July 1, 2016

Facility	Max Storage (af)	Current Storage (af)	Capacity %	Inflow (cfs)	Storage Change (af) since 6/1
New Melones -Federal	2,419,523	630,035	26	978	4,676
Donnells	64,325	61,838	95	650	2,759
Beardsley	97,802	96,423	99	683	2,654
Tulloch	66,968	64,698	97	650	(332)

New Melones Inflow since Oct 1 = 824,430 af
 OID 2015/16 Water Allocation = 300,000 af
 Water Used since Oct 1 = 81,536 af
 Projected Use July 1-Sept 30 = 131,541 af
 Projected Use Oct 1-Sept 30 = 213,077 af
 Water Sold this year (April/May) = 42,500 af
 Water made available for local use = 5,000 af
 Local Water Use to date = 0 af
 Projected water relinquished to Government on September 30 = 44,423 af