

NOTICE TO STATE WATER PROJECT CONTRACTORS



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Number: 26-02

Subject: Criteria for Bulletin 132-26

From: Original signed by _____
John Yarbrough
Deputy Director, State Water Project
Department of Water Resources

Attached for your information are copies of criteria for State Water Project (SWP) operations studies and rates for use in preparing:

1. SWP Contractors' Statements of Charges for the calendar year 2027
2. Bulletin 132-2026, "Management of the California State Water Project"
3. Financial analysis studies

If you have any questions, please contact Hong Lin, Financial Manager of the State Water Project at Hong.Lin@water.ca.gov, or David Barth of her team at David.Barth@water.ca.gov.

Attachments:

- Attachment 1 – SWP Operations Studies
- Attachment 2 – Table 1 Interest Rates

CRITERIA FOR BULLETIN 132-2026**STATE WATER PROJECT OPERATIONS STUDIES**

These criteria provide summaries of the basic operations assumptions to be used in developing the 2027 Statements of Charges (SOC). Actual State Water Project (SWP) operations may ultimately be different and contractor billings will be adjusted as appropriate.

1. **Water Deliveries:** Water demands for the water operations studies will be based on the short-range, five-year (2026-2030), and long-range (2031-2036) requests submitted by the SWP Contractors (Contractors) in October 2025.
2. **Water Supply:**
 - (a) The water and power operations studies will reflect compliance with the following:
 - ◆ March 15, 2000 revision of the State Water Resources Control Board December 1999 Water Right Decision 1641;
 - ◆ Programmatic Biological Opinion for the Reinitiation of Consultation on the Long-Term Operation of the Central Valley Project and State Water Project issued November 8, 2024 by the US Fish and Wildlife Service;
 - ◆ Endangered Species Act Section 7(a)(2) Programmatic Biological Opinion for the Reinitiation of Consultation on the Long-Term Operation of the Central Valley Project and State Water Project issued December 6, 2024 by the NOAA Fisheries;
 - ◆ SWP Incidental Take Permit issued November 4, 2024 by the California Department of Fish and Wildlife;
 - ◆ Implementation of the Lake Oroville 2024/2025 Flood Control Operations Plan;
 - ◆ Feather River Service Area Settlement Contractors' water demand is included in all studies and is based on

historical water delivery patterns.

(b) “Water Supply” includes Table A, Table A transfers, Table A exchanges and Table A carryover receivable by the SWP Contractors through SWP facilities. The water supply assumed for water and power operation studies will be as follows:

- ◆ 2026: The SWP operations study for 2026 will utilize hydrology based on the current Table A allocation at the time of preparation of the SOC. Projections of power generation at the Oroville Hyatt-Thermalito Complex will be based on the Lake Oroville Reservoir inflow from the same hydrology.
- ◆ 2027: SWP operations projected for 2027 are the basis for the 2027 Statements of Charges. The study will assume hydrology sufficient to deliver 50 percent of Contractors' projected Table A requests; 2.285 MAF.
- ◆ 2028: Assume hydrology sufficient to deliver 50 percent of Contractors' projected Table A requests; 2.274 MAF.
- ◆ 2029: Assume hydrology sufficient to deliver 50 percent of Contractors' projected Table A requests; 2.272 MAF.
- ◆ 2030: Assume hydrology sufficient to deliver 50 percent of Contractors' projected Table A requests; 2.272 MAF.
- ◆ 2031-2036: Assume hydrology sufficient to deliver 50 percent of Contractors' projected Table A requests; an average of 2.272 MAF.

3. Operations:

- a) Delta Pumps: The total capacity of Banks Pumping Plant is 10,300 cubic feet per second; however, the actual daily allotment for Clifton Court Forebay will be limited as stated in the U.S. Army Corps of Engineers Public Notices 5820A, October 1981, and Permit SPK-1999-00715, August 2023.
- b) Other Project Yield: For purposes of preparing water and power studies for future years, it will be assumed that the SWP will deliver 50 percent of full Table A requests based on the latest SWP delivery capability report prepared by the Modeling Support Office.

4. **Power Operations:** With price patterns changing in energy markets, energy prices are forecasted to be highest during non-solar hours and summer months. To minimize power costs, aqueduct operation will be optimized by minimizing pumping during expensive hours within operating criteria constraints.

For Bulletin 132-2026, forecasted SWP power resources for the study period will be based on existing SWP generation and power purchases including long-term contracts for approximately 100 additional megawatts of solar generation with an anticipated Commercial Operation Date of 2026, 100 additional megawatts of solar generation with an anticipated Commercial Operation Date of 2027, and for approximately 4 megawatts of small hydro generation with an anticipated Commercial Operation Date of 2027.

Project Order 36, State Power Contract for the Use of Oroville Power, will continue to be applied to the criteria for SWP operations studies through 2017. Project Order 36 was issued in 1994 to address the continuation of DWR's charges to the contractors for the value of Oroville power generation. Although original Oroville power bonds expired in 2017, additional power costs incurred after the original construction of Hyatt-Thermalito power complex continue to be recovered between 2018 and 2035.

5. **Contract Extension Amendment Billing Transition Date:** For calculating the 2027 SOC, the billing transition date for the Contract Extension Amendment is January 1, 2024. The Contract Extension Amendment became effective January 1, 2023.

6. **SWP Joint Use Facilities:** The San Luis Joint Use Facilities (JUF) cost share percentages for operations and maintenance between the State and Federal government are re-calculated every five years. For the five-year billing period from 2021-2025, the United States Bureau of Reclamation's (USBR) cost share is 37.67 percent. The SWP portion is 62.33 percent and shared among the multi-purpose beneficiaries of the SWP. For capital expenditures, the San Luis Joint Use Facilities cost share percentages remain fixed at 45 percent for the USBR and 55 percent for the SWP, unless otherwise negotiated. As an example, the Contributed Funds Agreement for the Sisk Safety of Dams Modification Project is effectively reducing the SWP share of the project to as low as 8.25% of the total cost.

The 2026-2030 cost share factors between the USBR and SWP will be determined during calendar year 2026. If the Department and USBR agree to revised factors prior to March 1, 2026, the factors will be included in the 2027 SOC. The 2027 SOC will otherwise be calculated using the 2021-2025 cost share factors and the revised cost share factors will be used in the calculation of the 2028 SOC, including adjustments to calendar

years 2026 and 2027 reflecting the adjusted cost share factors.

7. **Future SWP Facilities:** These criteria provide summaries of the basic operations assumptions to be used in developing the 2027 Statements of Charges. Actual SWP operations may ultimately be different and contractor billings will be adjusted as appropriate. The schedule for construction of future SWP facilities to be used when preparing information for Bulletin 132-2026 is shown in the following table:

Project	Start Year	Estimated Year of Completion ¹	2027-2040 Projected Costs (in millions \$) ²
Delta Facilities Program	pre-1988	n/a	50.31
Facilities Reconstruction and Improvement	1997	n/a	1,414.02
FERC Relicensing - State Water Project	2014	2034	73.20
Oroville Dam Safety Comprehensive Needs Assessment	2019	2032	8.77
Oroville Dam Spillway Recovery and Restoration Project	2018	2030	5.70
Perris Dam Remediation Program	2005	2033	55.76
Project Planning and Study Costs	pre-1988	n/a	28.50
South Bay Aqueduct Enlargement	2004	2028	0.58
South Bay Aqueduct Improvement	2004	2028	0.48
SWP Communications System Replacement	2004	2028	7.29
California Aqueduct Subsidence (CASP)	2028	2042	2,923.01
Grand Total			4,567.62

Footnotes:

1 - Projects with an n/a completion date are ongoing, meaning they do not have an end date.

2 - Planning Data in the PPM system may have projections past 2040; however, the 2027 SOC will only use projections through 2040.

**TABLE 1
INTEREST RATES
RECOMMENDED IN PREPARING DATA
FOR 2027 STATEMENTS OF CHARGES, BULLETIN 132-2026
AND DWR FINANCIAL ANALYSIS STUDIES**

Item	Interest Rate <u>Per Year</u> ¹
Interest Rates on future general obligation "Offset" bonds (If assumed sold) ²	2.730% (2.820%)
Interest Rate for future Water System Revenue Bonds ²	2.350% (2.620%)
Project Interest Rate for determining Statement of Charges for 2027	4.581% (4.594%)
Interest Rate on future short-term investment of SWP funds ³	4.183% (4.455%)

¹ Figures in parentheses are Bulletin 132-2025 assumptions.

² These estimated interest rates are based on market conditions as of January 31, 2026 and are not used in DWR's Statement of Charges calculations. Future bonds are assumed to be repaid by the end of the current water supply contract repayment period (2035) or contract extension amendment repayment period (2085), with maturities commencing in the year following the date of sale and with equal annual bond service for the principal repayment period.

³ Based on the expected rate of return for funds invested in the State's Surplus Money Investment Fund as of January 31, 2026.