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District staff and legal counsel have developed this Rule and Procedures over the past 18 months. The Rule describes and implements the Annual Carryover Program, while the Procedures describe the operational details. The Board adopted the Rule at a public hearing held on August 13, 2004

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# ANNUAL CARRYOVER PROGRAM (ACP)

## RULE

### NORTHERN COLORADO WATER CONSERVANCY DISTRICT

August 2004

#### I. Carryover Program Background

The Northern Colorado Water Conservancy District (District) Board of Directors established a carryover program on September 13, 1985 for the 1986 water year. The Board implemented this experimental program to enable Colorado-Big Thompson (C-BT) Project allottees to carry over undelivered water in District storage facilities from one year to the next as a hedge against drought and low runoff. The carryover concept encourages C-BT allottees to leave water in Project storage, freeing local reservoir storage space to capture additional native spring runoff. Carryover water is then available for direct beneficial use along with the subsequent year's C-BT allotment.

Under the initial carryover program the District delivered carryover water for direct use only from April 1 through May 31 of that particular water year. The District delivered nearly 130,000 acre-feet of carryover water from water year 1987 through 1989. The Board discontinued the program in water year 1990, and then reinstated it one year later with several modifications allowing C-BT allottees additional flexibility. Beginning in 1991 the District extended the delivery period for carryover water to July 15. In addition, the District allowed water users to utilize carryover water to fill local reservoirs after June 1. The carryover program remained unchanged from 1991 through 1997.

In 1998 the Board further amended the carryover program to include:

- Extending the carryover delivery period to October 31 to coincide with the end of the water year;
- Limiting carryover quantity for a Water Delivery Account to 20 percent of the amount certified for delivery to that account under a 100 percent quota declaration;
- Adding an assessment charge to those C-BT allottees utilizing the carryover program;
- Providing C-BT allottees with two dates to declare and pay for carryover water; and,
- Providing an assessment refund in the event of a Project spill.

The Board annually evaluated the carryover program's intent – to increase water user flexibility, maintain the Project's long-term reliability, and enhance the District's water management responsibilities and opportunities.

Due to heightened awareness of water resource management during drought cycles, shifting C-BT ownership trends, and evolving operational needs, District staff and regional water users spent significant time throughout 2003 and 2004 reviewing NCWCD rules, policies, and guidelines. After many workshops with municipal, industrial, and agricultural water users, the District determined that modifications to the existing carryover program were in order.

The *Annual Carryover Program Rule* describes the general parameters and intent of the Annual Carryover Program (ACP). Detailed guidelines pertaining to the daily and seasonal implementation of the *Annual Carryover Program Rule* are outlined in an accompanying document entitled *Annual Carryover Program Procedures*.

As with past carryover programs, the District Board, staff, and counsel will review the advantages and consequences of the ACP on a continuing basis. And while the Board recognizes the Program's benefit to many C-BT allottees, it may modify or discontinue the ACP at any time.

## II. Purpose & Authority

The ACP provides C-BT allottees an opportunity to better manage and benefit from their Project water without adversely impacting: 1) Project operations and reliability, 2) The contractual rights of C-BT allottees, and 3) The ancillary rights of District constituents.

The Board has sole discretion and authority to implement the ACP and allocate Project water under the 1938 Repayment Contract, the Water Conservancy Act, District allotment contracts, and other applicable authorities.

## III. General ACP Description

Each water year the District requires C-BT allottees to certify their allotment to an Account Entity<sup>‡</sup> (AE). The District then allocates water to C-BT allottees in accordance with their C-BT contract(s). The general terms of each contract are identical and state that the annual yield of each C-BT acre-foot unit issued to an allottee under an allotment contract is “.....1/310,000 of the quantity of water annually declared by the Board of Directors of the District to be available for delivery from the water supplies of the District.” Under some conditions an AE may not utilize the full annual pro rata yield from its C-BT contract(s) to meet its current water year demand.

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<sup>‡</sup> An Account Entity is a term used by the District to define one or more water users that certify their Project water to a similar Quota Account. See *Annual Carryover Program Procedures*, Section C.

Consequently some AEs have a positive water delivery account balance at the end of a water year. Under the terms of the allotment contracts, and absent an ACP, the District would cancel any water remaining in a Quota Account at 11:59 p.m. on October 31 of each year. This water would revert back to the general Project pool for re-allocation in forthcoming years.

The ACP enables C-BT water users with positive end-of-water year account balances to maintain control of this water into the next water year, within the limits of ACP specifications and absent adverse impacts to other C-BT water users. The ACP volumetrically limits (in acre-feet) the amount of water carried over to a fraction of the C-BT units held by an AE. Any water remaining in a Quota Account at the end of a water year is automatically “carried” from that water year into the next water year, and is eligible for the ACP. An AE has six months to exercise its “carryover option” (in full, or in part) by submitting the appropriate form and paying the assessment charge to carry over the water for an additional year. Once an AE exercises this option, the District credits the carryover water to a Carryover Account and the AE may take delivery of its “certified” carryover water through the end of that current water year. If an AE elects not to fully exercise its carryover option, any non-“certified” or ineligible water will revert back to the general Project pool.

#### IV. ACP Eligibility

The ACP is intended to benefit Project allottees. To be eligible for the ACP an AE must have: (1) certified C-BT units, (2) a Quota Account in the current water year, and (3) had a Quota Account in the previous water year.

Each AE is responsible for the internal accounting, administration, and/or delivery of water within its Quota Account and Carryover Account. However, for the purpose of meeting its accounting and administration obligations associated with C-BT Project return flows, the District reserves its right to require an accounting of the actual use of an AE’s quota water and carryover water.

#### V. Carryover Water Certification & Limitation

On the first day of the current water year, the District will determine the amount of carryover water that is available to each eligible AE for the current water year (per *Annual Carryover Program Procedures*). In total, the maximum project carryover for all AE’s combined is limited to no more than approximately 62,000 acre-feet, or 0.20 times 310,000 C-BT acre-foot units.

To take delivery of carryover water, each AE must complete a certification process, including notifying the District of the quantity of eligible carryover water desired and submitting the full assessment charge currently in effect. The District will cancel any carryover water remaining in an AE’s Carryover Account at the end of the water year,

and this water will revert to the future supplies of the District. Under certain circumstances, AEs may transfer water from their Carryover Account to the Carryover Account of another AE, provided that the AE transferring the carryover water ultimately becomes the beneficiary of a like amount of water, either directly or by exchange, and within the same water year in which the carryover transfer occurred.

#### VI. ACP Permanence

The Board recognizes the importance of the ACP to many AEs and allottees. It is the Board's intent to promote programs that increase water users' abilities to manage regional water supplies, while maintaining the long-term reliability and yield of the Project.

It is the Board's current intent to continue the ACP. The ACP shall continue unless the Board resolves, while considering the first supplemental quota setting (the second Friday in April each year), to discontinue or modify the ACP. Any limitations on an AE's ability or right to utilize the ACP will be stated in the current edition of the District's *Annual Carryover Program Rule and Procedures*.

The Board may discontinue or modify the ACP as necessary:

- 1) To prevent injury to other Project allottees or Project beneficiaries;
- 2) If continuation of the existing ACP could result, or has resulted, in a breach of the District's contractual obligations to the Bureau of Reclamation, or another allottee;
- 3) As a consequence of a decision rendered by a court of competent jurisdiction, or
- 4) For other circumstances that, in the opinion of the Board, require modification or discontinuation of the ACP.

#### VII. Consideration of Carryover Water in Calculations for Quota Recommendations and in Spill Situations

The District will not consider the total amount of water contained in all Carryover Accounts, if equal to or less than 62,000 acre-feet, as part of the available regional water supply during its analysis of the water supply situation within District boundaries.

The sum total of carryover water certified and held within the Project at the time of an operational spill will be preserved and made available to respective AEs following any such spill.

# ANNUAL CARRYOVER PROGRAM (ACP)

## PROCEDURES

NORTHERN COLORADO WATER CONSERVANCY DISTRICT

August 2004

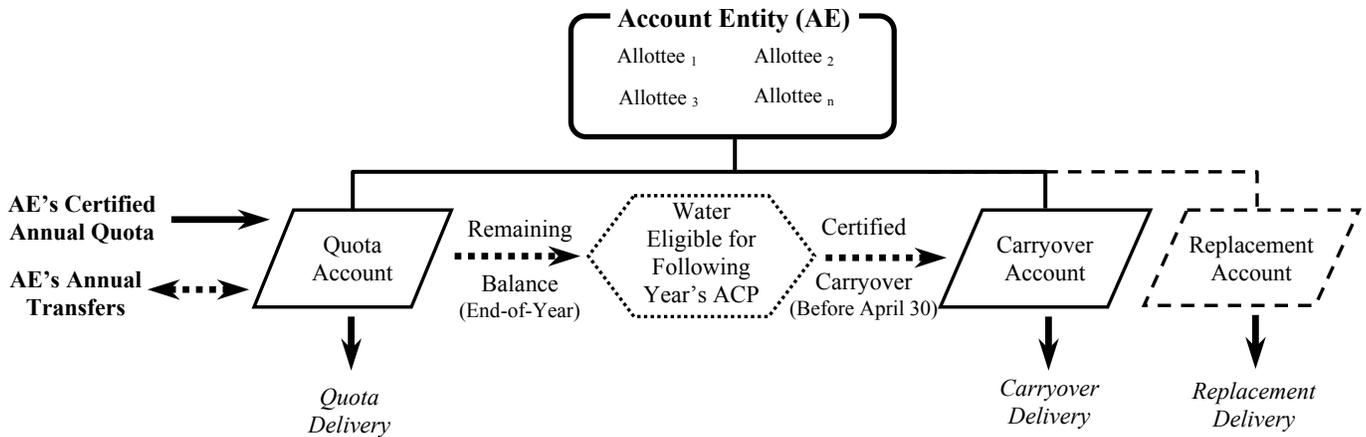
### A. Purpose of Procedures

The *Annual Carryover Program Rule* (August 2004) describes and implements the Northern Colorado Water Conservancy District's (District) Annual Carryover Program (ACP). Following are the specific Procedures used by District staff to administer the *Annual Carryover Program Rule*. The *Annual Carryover Program Procedures* should also assist Colorado-Big Thompson (C-BT) allottees in understanding the ACP's administration and demonstrating the water management benefit(s) the ACP may offer.

As described in the *Annual Carryover Program Rule*, the District's carryover program has been modified several times. Program modifications were often the result of the carryover program's unanticipated consequences to the C-BT Project (Project), particularly during unusual hydrologic periods. The District staff and counsel may periodically modify the following Procedures incorporating new concepts and provisions to improve ACP administration.

### B. District and ACP Nomenclature

The District's water administration and accounting have evolved throughout the Project's history, including unique District nomenclature. The ACP is founded on many of these concepts. The following illustration and description clarify this nomenclature.



An Account Entity (AE) may consist of one or more C-BT allottees, all of which have certified their quota water to that particular AE. The District individually maintains up to three (3) Accounts for each AE: a Quota Account, a Carryover Account, and for some AEs, a Replacement Account. As illustrated, the District will credit all of an AE's certified quota water to the Quota Account throughout the water year in which it was declared. Some AEs may elect to transfer annually a portion of their certified quota water to another AE. In that same water year, the AE may take delivery of water from its Quota Account, and potentially at multiple delivery points.

At the end of the water year, any water remaining in the Quota Account automatically becomes eligible for the ACP (subject to the *Rule* and all applicable *Procedures*). If an AE elects to certify all or part of its eligible carryover water for use in the next water year (by submitting the appropriate form and payment), the District will credit the then certified water to the Carryover Account and deliver it upon request to the same delivery point(s) identified for the AE's Quota Account.

Some AEs receive replacement water. Like carryover water, the District will credit replacement water to an AE's Replacement Account and deliver it to the AE as requested.

In certain circumstances an AE may not have a C-BT allotment contract(s) certified for delivery through its Quota Account. This condition only arises when C-BT water is rented and transferred on an annual basis to a water user that is not an allottee. Any AE having this characteristic cannot participate in the ACP because it would not meet the program's C-BT ownership criteria.

For the sake of simplicity, the illustration above does not depict other water supplies that may be available to certain AEs. "Additional" water supplies may include Windy Gap Project water or water held in the Project under the terms and conditions of a C-BT carriage contract.

### C. ACP Related Definitions

The following definitions and principles are used in formulating and describing the *Rule* and *Procedures* that govern the implementation of the ACP.

Account Entity (AE) - An AE may be comprised of a single C-BT water user, or multiple C-BT water users. In most instances one or more C-BT allotment contracts have been certified for delivery through an AE's respective Quota Account. An AE may have multiple physical delivery points from the C-BT Project. For some agricultural water users, a C-BT "carrier" may be synonymous with an AE having the same name.

Carryover Account - An account that is maintained by the District for each AE that had a Quota Account in the previous water year and that has a

Quota Account in the current water year. The District will automatically establish this account on November 1 of the current water year. If, and when, an AE elects to certify all, or a portion, of its eligible carryover water from its previous water year's Quota Account the Carryover Account is credited an amount equal to the certified volume. Water can only be delivered from the Carryover Account during the current water year and for those uses and purposes consistent with all the District's rules, policies, procedures, and guidelines. Only under certain circumstances can carryover water be transferred from one AE's Carryover Account to another AE's Carryover Account.

Carryover Capacity - The potential maximum volumetric limitation of a given Carryover Account. Each Carryover Account has an automatically computed carryover capacity and generally referred to as the base carryover capacity. An AE may voluntarily increase or decrease its respective carryover capacity by utilizing the District's Carryover Capacity Transferability Program (CCTP) as defined in the *Carryover Capacity Transferability Program Rule*. Any carryover capacity leased by an AE to increase its respective carryover capacity beyond the computed base carryover capacity is referred to as supplemental carryover capacity. The amount of carryover water credited to an AE's Carryover Account must be less than, or equal to, the AE's respective carryover capacity. Carryover capacity is measured in acre-feet.

Carryover Water - The quantity of water in an AE's Carryover Account that has been carried over from the previous water year's Quota Account. This water is allocated and credited to the AE's Carryover Account in accordance with the District's *Annual Carryover Program Rule and Procedures*. An AE may use its carryover water only after its eligible carryover water is certified. Furthermore, carryover water must be used by the holding AE and may only be transferred in certain circumstances. Any carryover water not used in the current water year will be cancelled from the AE's Carryover Account and revert back to the Project.

Quota Account - An account established and maintained by the District to administer the delivery of quota water. Quota Account water consists of water allocated in the current water year and may be Project quota water and/or water annually transferred from the Quota Account of another AE. Only water remaining in a Quota Account at the end of the water year is eligible for carryover under the ACP.

Quota Water - Project water that is made available or allocated to an allottee owning a Project water allotment contract or contracts. The total volume of quota water in a given water year is the summation of the initial quota declaration, which takes effect on November 1 of the current water year, plus any subsequent supplemental quota declarations made by the Board. Each allottee or Project water user must notify the District and identify which Quota Account should be credited with its respective quota water.

Replacement Account - An account established and maintained by the District to administer the delivery of replacement water.

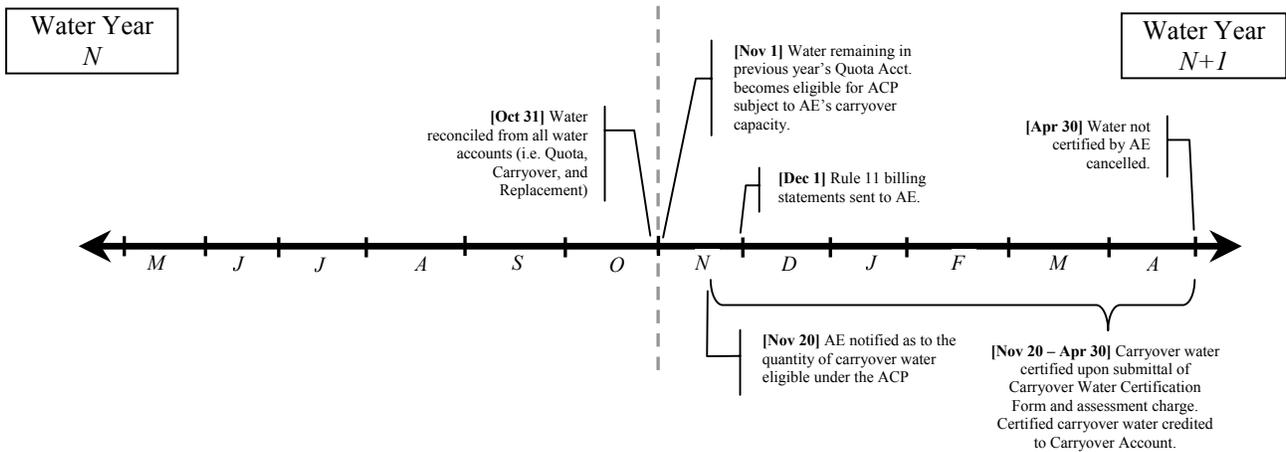
Replacement Water - Water that is credited to a water user's Replacement Account each water year because of an existing Replacement Contract or other contractual obligation between the District and the water user. The District makes Replacement water available to select water users in lieu of certain pre-existing water supplies that were interrupted due to Project construction. AEs with replacement water must take delivery of replacement water prior to any quota water and/or carryover water. Replacement water is not eligible for the ACP.

Transferred Water - Water that is transferred during the water year from the Quota Account of one AE into the Quota Account of another AE utilizing a CD-4 card, or other District-approved means, to document the transfer of C-BT Project quota water. Such transfers must be done in accordance with all District rules, policies, guidelines, and procedures.

Water Year - November 1 of one calendar year through the end of October 31 of the following calendar year.

D. Annual Timeline and Key Dates

Throughout the water year certain ACP-related events often occur and are contingent upon previous actions taken by an AE or the District. Below is a timeline outlining such key events and procedures related to the ACP. The timeline spans mid-water year to mid-water year to accurately portray end of the water year events.



E. Reconciliation of Water Accounts & Annual Carryover Eligibility

At 11:59 p.m. on October 31 of each water year, the District will reconcile all water remaining within each AE's (1) Quota Account, (2) Carryover Account, and/or (3) Replacement Account. At the close of the water year the District will cancel any quantity of water remaining within an AE's Carryover Account and/or Replacement Account. Such cancelled supplies (Carryover Account plus Replacement Account) shall revert to the District. Subject to the limitations outlined below, the District will declare any water remaining within an AE's Quota Account eligible for the ACP at the close of the water year.

At 12:01 a.m. on November 1 of the following water year (i.e. the following day) the District will credit each AE's Quota Account and Replacement Account as follows:

Quota Account - The District will credit an AE's Quota Account with an amount of water equal to the product of the number of units certified to the respective AE times the initial quota as determined by the Board for the now current water year. The District may subsequently credit an AE's Quota Account with water derived from a supplemental quota and/or C-BT water transferred from other AEs under existing District rules, policies, guidelines, and procedures. Alternatively, the District may debit a Quota Account when Project water annually is transferred to another AE, or more commonly when an AE orders and takes delivery of water in the Quota Account.

In many instances, an AE may constitute numerous C-BT allottees and/or water users. The District will not account for, administer, or be responsible for allocating C-BT water beyond the AE level. However, for the purpose of meeting its obligations to account for and administer C-BT Project return flows, the District may require an accounting of the allocations and deliveries from an AE's Quota Account, Replacement Account, and Carryover Account.

Replacement Account - The District will credit with the appropriate amount of water any AE consisting of water users with existing Replacement Contracts, or other contractual obligations with the District.

Lastly, the District will automatically compute for each AE the maximum amount of water eligible for carryover under the ACP. The District will cancel any water held in the Quota Account from the previous water year, and in excess of the amount eligible for carryover. This water will revert back to the Project for future supplies of the District. The District will not deliver carryover water until an eligible AE elects to certify such water (described below). The District will compute the amount of eligible carryover water only if the AE had a Quota Account in the previous water year (i.e. source of water eligible for carryover) and qualifies for a Quota Account in the current water year.

The District will determine the quantity of carryover water eligible to each AE (as described in the *Annual Carryover Program Rule*) as the LESSER of ALL the following limitations:

- 1) The AE's Carryover Capacity as of November 1 of the Current Water Year: The carryover capacity is the summation of: a) the number of C-BT acre-foot units certified to the AE on November 1 of the current water year multiplied by **0.20** acre feet per acre-foot unit; b) PLUS or MINUS any carryover capacity transferred TO or FROM the same AE under the District's *Carryover Capacity Transferability Program Rule* (as measured in acre-feet).

Thus,

$$\left\{ \begin{array}{l} \text{Carryover Capacity} = (\text{Number of acre-foot units certified} \\ \text{to a Quota Account} \times 0.2 \text{ acre-foot per unit}) \text{ +/- all} \\ \text{transferred carryover capacity (measured in acre-feet).} \end{array} \right\}$$

- 2) Net Balance Remaining in Quota Account: The product of the quantity of water that exists in an AE's quota account as of October 31 of the previous water year multiplied by **0.90** (accounts for a 10% shrink upon transfer from previous year's Quota Account to current year's Carryover Account). This quantification is dependent upon water remaining within the AE's Quota Account only and does not include water that may remain in the same AE's Replacement Account from the previous water year. This discount factor intrinsically incorporates the system losses that occur to carryover water held within the Project for an additional water year (see Procedure H).
- 3) Other limitations imposed on the ACP by the Board: The Board may impose limitations, modify, or discontinue the ACP at any time.

Once the quantity of eligible carryover water has been determined according to the Procedure outlined above, and no later than November 20 of the current water year, the District will notify each AE's authorized account representative in writing of the amount of water declared eligible via the ACP. The carryover water notification mailing will include a Carryover Water Certification Form.

The District will maintain a password limited Web page allowing each AE to view the current status of its accounts (i.e. Quota Account, Carryover Account, and Replacement Account). If the amount of water credited to an AE's Quota Account or Replacement Account, or the amount of water computed as eligible for the ACP is in question, the authorized AE representative must contact the District immediately. All such questions must be raised and resolved on or before January 15 of the same water year.

#### F. Certification of Eligible Carryover Water

An AE may only order and take delivery of carryover water after certifying all, or a portion, of its eligible carryover water. To initiate the carryover certification process an AE must: (1) Notify the District of the amount of carryover water to be certified, and (2) Submit a payment to the District for the total carryover assessment charge.

To certify any, or all, of an AE's eligible carryover water the AE must accomplish ALL of the following:

- 1) Submit to the District a Carryover Water Certification Form specifying the quantity of carryover water that the AE elects to certify. The specified quantity cannot exceed the amount declared eligible to the AE in accordance with Provision E (above). To certify all, or a portion, of its eligible carryover water, an AE must submit a completed Carryover Water

Certification Form to the District's headquarters before the close of the last business day of April (of the current water year). The District will accept one, and only one, Carryover Water Certification Form per water year per AE. The District will not accept any Carryover Water Certification Form received after this date, either hand delivered or via the United States Postal Service.

- 2) Submit an assessment charge payment for the amount of water on the Carryover Water Certification Form (see Provision F.1). The Carryover Water Certification Form will include the carryover assessment schedule for the current water year. The District will assess carryover charges in a tiered fashion and on an acre-foot basis. The District will compute carryover assessment charges based on the amount of carryover water an AE requests for certification. If an AE requests carryover water in an amount equal to, or less than, its computed base carryover capacity, the District will assess a carryover charge (on an acre-foot basis) equal to the assessment (on an acre-foot unit basis) for an open-rated allotment contract for which the AE places Project water to beneficial use. Any carryover water requested in addition to the computed base carryover capacity (i.e. supplemental carryover capacity), and allowed under the *Carryover Capacity Transferability Rule*, will be assessed a carryover charge (on an acre-foot basis) equal to the assessment charged by the District (on an acre-foot unit basis) for an open-rated agricultural allotment contract. Thus, an AE's total assessment charge will be the assessment charge for the requested carryover water residing within an AE's base carryover capacity PLUS the assessment charge for the requested water residing within an AE's supplemental carryover capacity. The District will levy no additional certified carryover water assessments for those AEs located within Unit 2 of the District (area requiring water delivery via Boulder Reservoir). All assessments submitted to the District will be non-refundable. The District will not distribute billing statements for carryover water assessment charges or payments.

Upon completing Procedures F.1 and F.2 above, an AE has fulfilled the carryover water certification process. The District will then credit each AE's Carryover Account with the volume of carryover water certified. An entity may order and take delivery of the water credited to its Carryover Account on, or after, the first day of the month following the month in which the District finished certifying the AE's carryover water. The earliest day the District will deliver carryover water is December 1 of the water year in which it was certified.

In the event of a Project operational spill the District shall preserve any, and all, carryover water held within an AE's Carryover Account. This action will ensure an AE's uninterrupted use of carryover water throughout the remainder of the then current water year. Any carryover water the District declares eligible to an AE, but is not

certified by close of the last business day of April (of the current water year), shall be cancelled and revert to the future supplies of the District.

#### G. Use of Water in Carryover Accounts

The District will require all AEs that are annually provided Project replacement water to take delivery of all such replacement water prior to ordering other water account sources. An AE may order and take delivery of its carryover water on, or after, the first day of the month following the month in which the entity submitted the Carryover Water Certification Form and paid in full the carryover water assessment charge.

All AE's shall specify on the Carryover Water Certification Form that upon carryover certification, and when ordering water from the District, 1) The District will automatically deliver carryover water until the Carryover Account balance is consumed, at which time the District will automatically debit orders from the Quota Account; OR 2) The AE will specify which account source type (Carryover or Quota) the District should draw the ordered water from (subject to a positive account balance). If the AE does not initially authorize the District to deliver water from its Carryover Account, and the AE's authorized representative does not specify the account source type upon ordering, the District will automatically debit the AE's Quota Account (rather than its Carryover Account). All carryover water ordered and delivered to an AE must be utilized in accordance with all District rules, policies, guidelines, and procedures.

Under certain circumstances an AE may be unable to take direct delivery, or elect to take direct delivery (via a defined physical delivery point) of its carryover water. In such a case, the AE may transfer water from its Carryover Account (transferor) to the Carryover Account of another AE (transferee). The carryover transferor must, in turn, take delivery of a like amount of water from the carryover transferee either directly, or by exchange, and during the water year in which the transfer procedure was executed. The District will consider the water the transferor ultimately receives in exchange for such carryover water (from transferee) as having the same identical C-BT characteristics as the original carryover water. Carryover water can only be transferred after such water is certified and credited to an AE's Carryover Account.

To transfer carryover water an AE must complete and sign (by the authorized account representative) a Carryover Transfer Card (CD-12 Card) and send or deliver it to the District. A Carryover Transfer Card can only be used to transfer carryover water from one Carryover Account to another Carryover Account. Upon receipt of the Carryover Transfer Card the District will debit the respective transferor's Carryover Account and correspondingly credit the respective transferee's Carryover Account. All carryover transfers include the transfer of both carryover water and a like amount of carryover capacity. Thus, an AE that elected to lease all carryover capacity in the prior water year (see *Carryover Capacity Transferability Program Rule and Procedures*) may still be the recipient of transferred carryover water in the current water year.

All carryover water transferred will be considered by the District as being beneficially used by the transferor and thus will not be considered as a differential assessment charge credit under Rule 11 (see Procedure I).

The District will cancel any and all water remaining in an AE's Carryover Account at 11:59 p.m. on October 31 of the same water year in which the carryover water was certified.

#### H. Shrink of Carryover Water

Due to system losses within the Project, the District shall assess shrink against all eligible carryover water at a rate of ten percent (10%) and will be automatically applied to all eligible carryover water on November 1 of each water year. The District will apply this shrink factor when computing each AE's eligible carryover in accordance with Procedure E.2. Thus, the District will declare as eligible only ninety percent (90%) of an AE's year-end Quota Account balance (subject to the AE's available carryover capacity) as carryover water in the following water year.

#### I. Rule 11 Application

Per current policy, the District will charge the difference between assessment rates to the final user or recipient when any C-BT water is transferred from one beneficial use to another having a higher assessment rate. The District will apply Rule 11 differential assessment charges on a per acre-foot unit basis, as it does for C-BT annual water assessment charges.

Because the ACP allows an AE to extend the delivery period of at least a portion of its C-BT water by an additional year, the District cannot determine the final disposition of all quota water declared in a given year until 24 months following the initial quota declaration. Therefore, the District will compute Rule 11 differential assessments two (2) years in arrears. The District will compute Rule 11 differential assessment charges based on the following formula:

$$\text{RULE 11}_{(Year\ N - 1)} =$$

$$\left( \left( \frac{\text{STR}_{(In, Year\ N - 1)} - \text{STR}_{(Out, Year\ N - 1)} - \text{CANC}_{(QA, Year\ N - 1)} - \text{CANC}_{(CA, Year\ N)}}{\text{QUOTA}_{(Year\ N - 1)}} \right) - \text{PTR}_{(In, Year\ N - 1)} \right) \times \Delta \text{RATE}_{(Year\ N - 1)}$$

where;

$\text{STR}_{(In, Year\ N - 1)}$  = Seasonal transfer. Quantity of water (in acre-feet) transferred in the previous water year to the AE's Quota Account from another AE.

$\text{STR}_{(Out, Year\ N - 1)}$  = Seasonal transfer. Quantity of water (in acre-feet) transferred in the previous water year from the AE's Quota Account to another EA.

$\text{CANC}_{(QA, Year\ N - 1)}$  = Quantity of water (in acre-feet) in the previous water year that was canceled from the AE's Quota Account (at the end of the previous water year). Based on Procedure E.1 and E.2 this value will include computed shrink PLUS any water that is declared ineligible for carryover (i.e. in excess of the AE's carryover capacity).

$\text{CANC}_{(CA, Year\ N)}$  = Quantity of water (in acre-feet) at the end of the current water year that was canceled from the AE's Carryover Account.

$\text{QUOTA}_{(Year\ N - 1)}$  = Sum of the initial C-BT quota plus all supplemental quotas (as a fraction) declared by the Board for the previous water year.

$\text{PTR}_{(In, Year\ N - 1)}$  = Quantity of C-BT units permanently transferred to the Quota Account by virtue of the sale of one or more C-BT unit(s). Only permanent transfers occurring between January 1 and August 31 of the previous water year are included.

$\Delta \text{RATE}_{(Year\ N - 1)}$  = Differential assessment charge for the previous water year in dollars per acre-foot unit. Computed as the difference between the annual assessments of the water having the higher rate less the annual assessments of the water having the lower rate.

Because the District requires a carryover transferor to beneficially use (directly or indirectly) any transferred carryover water, it is not incorporated in the Rule 11 formula, and thus will not reduce an AE's differential assessment charge.

The District will mail Rule 11 billing statements no later than December 1 of each water year. Such billing statements will compute the Rule 11 charge for C-BT water allocated two (2) water years previously.