

**Central Valley Project (CVP) Cost Allocation Study Public Meeting
Summary of Questions and Responses**

October 1, 2010

1. Is the Bureau of Reclamation considering declaring the CVP complete or partially complete?

Reclamation staff understands that this is an area of interest for water and power customers. The decision to classify the cost allocation (and CVP) as final/complete or partially complete has not been made and does not impact the analysis process, methodology, or schedule. Therefore, a decision does not need to be made immediately. As the analysis progresses and additional information becomes available, Reclamation staff will seek and incorporate public input prior to making any cost allocation classification decisions.

2. What has triggered this cost allocation update?

Reclamation Law (requires the full repayment of actual costs, as assigned by the cost allocation process. Public Law 99-546, the Coordinated Operations Act (COA), authorized the Secretary of the Interior to undertake a cost allocation study of the CVP including provisions of the COA and to implement such allocations no later than January 1, 1988. This allocation was never completed and is long overdue. Additionally, Reclamation committed to, and has been preparing for, completion of an updated cost allocation prior to the Folsom Safety of Dams project completion (anticipated in 2016) so that the distribution of those new facility costs will follow a more current allocation.

3. Will this study fulfill the requirement for the CVP Improvement Act (CVPIA) legislation?

Yes, this cost allocation update will satisfy that requirement.

4. What methodology will be used to determine the interest rate used in the study?

Staff is currently discussing all assumptions to be used in the current cost allocation update. A rate of 3.25 percent has been used in past CVP cost allocations and is consistent with Federal policy. Staff will be reviewing that information to determine its applicability to the current effort. The report that accompanies the updated cost allocation will discuss the methodology used in determining interest and discount rates.

5. How will Reclamation determine which facilities to include in the updated cost allocation?

Staff has begun considering the list of facilities for inclusion in the analysis. Currently, staff is considering including all facilities that are complete, authorized, and under construction and/or authorized and planned for construction in the near future and funded. Speculative facilities would not be included unless the facility status changed during the course of the study. For example, a through-Delta conveyance facility has been, and continues to be, discussed and studied for water conveyance. Based on the current status of that project, it would not be included in the cost allocation study. If it were to become a project more

likely to be constructed in the near future, it would be included. Examples of projects that are authorized, funded, but not yet constructed and proposed to be included in the cost allocation are the Red Bluff Pumping Plant, the Delta Intake for Contra Costa, and the Intertie between the California Aqueduct and the Delta-Mendota Canal.

6. Will Reclamation consider suggestions for projects to be included? If so, what will be the process?

Reclamation staff will be hosting a series of meetings related to the cost allocation update effort. One such meeting will likely include a proposed draft facilities list and opportunities for input on that list. If additional facilities need to be considered, then that would be an appropriate time to provide input. Additionally, comments are welcome throughout the duration of the effort. Any comments on the cost allocation update effort should be sent to the Project Manager, Traci Michel, at 2800 Cottage Way, MP-730, Sacramento, CA 95825, or fax 916-978-5094, or e-mail tmichel@usbr.gov.

7. Please provide a quick overview of the allocation methodology currently used and what is being proposed for the new allocation study?

The current cost allocation was approved based on a study which utilized the Separable Costs Remaining Benefits (SCRB) methodology. Reclamation staff proposes utilizing the same methodology for the current effort.

8. How will Reclamation integrate the water quality component into the CVP facility? Also, how will staff develop a metric for determining a water quality allocation?

Staff is currently reviewing each individual facility to understand the type and date of authorized purposes. It is anticipated that purposes for each facility will be evaluated based on their date of authorization. Staff is reviewing statutory mandates with regards to water quality and reimbursability to determine how water quality should be evaluated in the cost allocation update. More information on this subject will be provided at a later date.

9. How will Reclamation deal with the more recent, additional public demands for water placed on the CVP than has been historically practiced (i.e. San Joaquin River Restoration Program and Delta issues)?

This is an area where the review of legislative mandates mentioned above in Question #8 will be very important to understand. For example, certain water previously dedicated to water supply but now dedicated to water quality to meet Delta outflow, San Joaquin River Restoration, and other requirements, will need to be evaluated to better understand reimbursability.

10. Similarly, will Reclamation evaluate Biological Opinions and RPA requirements to determine mitigation versus enhancement?

Yes, it is Reclamation's goal to define mitigation versus enhancement, taking into account water year type. In the past, the U.S. Fish and Wildlife Service's (FWS) opinion has been to treat all CVPIA requirements as mitigation. Reclamation staff recognizes that there may be some value in providing more water in rivers during dry years which will be further explored

with FWS as part of the cost allocation evaluation. More information on this subject will be provided at a later date, once available.

11. Which facilities are required to meet the 2030 repayment requirements?

As part of the legislative mandates review, staff will be confirming those facilities required to meet 2030 repayment requirements.

12. What is the estimated budget to complete the cost allocation study? Is it currently in Reclamation's budget and is it a reimbursable expense?

Reclamation staff is still developing the workplan for the overall effort, which will be used to refine the budget. In general, Reclamation is committed to this effort and has incorporated project expenses into the current and future-years budgets. The study is considered reimbursable, based on allocation factors. Initial feedback from Reclamation's Denver office indicates that the study may qualify for long-term repayment.

13. Will Operations and Maintenance (O&M) be evaluated along the same lines as Capital for cost allocation purposes?

Yes, O&M costs generally utilize the same allocations as Capital.

14. Who will perform the cost allocation work?

Project management, hydrology modeling, cost estimating and most of the benefit evaluations will be completed by Reclamation's Sacramento and Denver offices. It is anticipated that some of the benefit evaluations will be performed by outside agencies/contractors (i.e. U.S. Army Corps of Engineers (COE), FWS, etc.) based upon their specializations.

15. Will the CVPIA program be reviewed in the context of this study?

Yes. CVPIA program requirements will be factored into all modeling and analyses.

16. If and when the CVP is declared complete, what happens to costs that come along afterwards?

Please see response to question #1.

17. Are items such as fish populations, global warming, climate change, etc., that weren't considered in past cost allocations going to be incorporated into this cost allocation?

Staff will consider additional factors in modeling and benefit calculations, as appropriate. This may be a subject targeted for input at a future public meeting. For example, if climate change is projected to create temperature increases which diminish cold water pools, then that would be an issue to consider in the analysis.

18. How do you intend to treat the Trinity facility, since it is operating very differently today than in the past?

Benefit evaluations will include past and projected future accomplishments based on actual past and projected operations. For the Trinity facility, pre-CVPIA requirements allowed

significantly more water to pass through the Judge Francis Carr powerplant, generating more power. That type of information would be captured in the past accomplishments analysis and brought forward to a base year. For future accomplishments, staff would be modeling the Trinity as it operates now, with approximately 48 percent of water dedicated to the Trinity and 52 percent to the CVP.

19. How does Reclamation intend to model future operations given the uncertainty of the BOs and how Shasta, Folsom, and New Melones operations will be affected?

Staff is still developing draft modeling assumptions for the cost allocation analyses, but it is likely that current operations would be used to forecast future operations. Staff is open to input on modeling future operations.

20. Will the San Joaquin River Restoration Program (SJRRP) be incorporated into the cost allocation analyses?

Yes. SJRRP program requirements will be factored into all modeling and analyses.

21. What base period will staff be using and will staff evaluate facilities for each year within the base period?

Staff hasn't made any final decisions yet on the base period to be used, but in the past, 100-year base periods were used. Picking a 100-year period that is reflective of actual past and future accomplishments is easier than evaluating each facility for a 100-year period based on each facility's construction completion/service date, but no decision has been made yet.

22. The COA legislation established a repayment period from 1981 to 2030. Will staff be using that time frame for the cost allocation evaluation or will staff be going back to the time that each facility was actually built or placed in service?

Please see response to Question #21 above.

23. Who will decide which benefits and purposes are assigned to a facility?

As mentioned in Question #8 above, staff is currently reviewing each individual facility to understand the type and date of authorized purposes. Project purposes and allocations are typically clearly defined by law, with little-to-no staff discretion. It is likely that one of the cost allocation study public meetings will include more focused information and discussions on benefit analysis assumptions.

24. For those items where staff has discretion, how does the public provide input?

Written comments will be accepted throughout the duration of the effort and may be submitted by mail, fax, or e-mail. Additionally, all public meetings will provide opportunity for input.

25. How and where will the modeling take place?

Although the cost allocation study workplan is still being developed, it is anticipated that the majority of the modeling work will be completed by Reclamation staff in Denver, who

have extensive experience with water operations modeling in California already, along with Sacramento staff.

26. How will Central Valley Operations Office (CVO) participate in this effort?

CVO staff participates in internal cost allocation study team meetings and will be involved in developing the assumptions used in the analyses.

27. How much work will be contracted versus performed by Reclamation staff?

This has not been determined yet. Once the workplan is complete, Reclamation staff will review the capacity and capability to perform work internally. Regardless of who performs the work, a significant effort will be made to coordinate and communicate clearly with all team members to ensure accurate and realistic modeling simulation and benefit calculation assumptions.

28. How will Reclamation model a system that was constructed before modeling was invented?

Data on historical, actual accomplishments is available and will be used in the analyses.

29. How will Reclamation measure Navigation and Flood Control benefits?

The COE will assist with benefit analyses for Navigation and Flood Control, as they have in past CVP cost allocation updates.

30. Will future billings utilize Reclamation's BOR WORKS program?

Reclamation's Water Operations Record Keeping System (WORKS) is the system that Reclamation currently uses, with no system changes anticipated in the future. Once the new cost allocation is complete, there will be a continuing obligation for operation and maintenance cost repayment, which will likely continue to be accounted for using the BOR WORKS system.

31. Will the cost allocation update take into account the different CVP project purpose priorities?

Yes. Currently, CalSim is used to model CVP accomplishments and operates the system according to the CVP project purpose priorities. This might affect accomplishments of the CVP in terms of operations, but in terms of evaluating benefits versus costs, no single purpose alternative would be assigned a priority.

32. Should contractors be worried about staff turnover, given the extended CVP Cost Allocation Study schedule?

No. The CVP cost allocation study is being managed in such a way that even with staffing changes, data and processes are being appropriately documented to prevent loss of information and schedule delays.

33. Will the cost allocation methodology used in 2001 be considered for the current effort?

No. The 2001 effort was not a cost allocation, but rather a review of the existing methodology (SCRB), and two other proposed methodologies. Based on this review, the Regional Director continued to support SCRB as the preferred methodology for all future updates.

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34. Do all facilities have cost allocations based on the SCRB methodology? Doesn't the San Luis unit utilize a different method?

Some facilities are considered single-purpose, such as the San Luis unit, even though they may have other minor allocations. It is anticipated that those facilities will maintain the same allocations with the current cost allocation update effort. If a repayment contract has been executed, then the allocations would remain the same.

35. How will Reclamation communicate with the public throughout the duration of this effort?

An initial mailing list, consisting of over 500 water and power customers, partnering agencies, elected officials, municipalities, tribes, environmental organizations, and other interested parties, was created for the initial meeting announcement. The mailing list will be updated regularly to include new meeting attendees at future meetings and any other interested parties. All meeting notices will be mailed out utilizing the mailing list and will also be posted to the cost allocation website at <http://www.usbr.gov/mp/cvp/cvp-cas/index.html>. Meeting material will also be posted to the project website. If other communication mechanisms are identified through the public involvement process and prove to be effective, they will also be considered.