

RECLAMATION

Managing Water in the West

CVP Cost Allocation Two-Period Repayment / Two Cost Allocation Approach Public Meeting – Nov. 21, 2014



U.S. Department of the Interior
Bureau of Reclamation

Two-Period Repayment / Two Cost Allocation Approach

- **Cost Allocation:**
 - Allocate equitable shares to project purposes
 - Allocation factors used for:
 - Repayment of construction
 - Recovery of O&M

Two-Period Repayment / Two Cost Allocation Approach

- **Period of Analysis (PEC 01-02):**
 - Project life
 - 100 years beyond initial service
 - Same as project formulation

Two-Period Repayment / Two Cost Allocation Approach

- **Water and Power Contractors**
 - Want prospective only benefits
- **Reclamation Policy**
 - Benefits begin with initial service
- **Period of Analysis**
 - 100-year period

Two-Period Repayment / Two Cost Allocation Approach

- **Consideration**
 - Separating repayment into two periods
 - Apply existing cost allocation to period one
 - Apply new prospective cost allocation to period two

Two-Period Repayment / Two Cost Allocation Approach

- **New Prospective Cost Allocation**
 - Prospective only
 - 100-year benefit period
 - SCRB method

Two-Period Repayment / Two Cost Allocation Approach

- **Separate Repayment Period**
 - Repayment ends 2030
 - Repayment began about 1944
- **When to Split Repayment Period**
 - 1988 (COA) – approximately 50.4% - 49.6%
 - 1992 (CVPIA) approximately 56% - 44%
 - 50% - 50% (rounded COA)

Two-Period Repayment / Two Cost Allocation Approach

- **Estimate Repayment Obligation**
 - **Period One % of Current Plant in Service**
 - **Apply existing allocation factors**
 - **Period Two % of Current Plant in Service**
 - **Apply new allocation factors**
 - **Sum period one and two obligation**

Two-Period Repayment / Two Cost Allocation Approach

- Estimate Remaining Repayment Obligation
 - Subtract total repayment from obligation

Two-Period Repayment / Two Cost Allocation Approach

- **Potential Benefits**
 - Incorporates prospective benefits desired by contractors
 - Changing allocation factors with project maturity
 - Allocation used in O&M recovery is current
 - Incorporates over/under repayment
 - Reduces cost of benefit estimation (no historic)
 - Helps keep CAS on schedule
 - Meets the intent of Reclamation Policy

Example

RECLAMATION