



August 22, 2013

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Ms. Brooke Miller-Levy, Project Manager
Central Valley Project Cost Allocation Study
Bureau of Reclamation, MP-730
2800 Cottage Way
Sacramento, CA 95825

Subject: Central Valley Project (CVP) Water Association Financial Affairs Committee (FAC) Comments on the August 9, 2013 CVP Cost Allocation Study (CAS) Public Meeting

Dear Ms. Miller-Levy:

Representatives from the FAC attended Reclamation's August 9, 2013, public meeting where a presentation was made on the water supply benefits analysis approach. This was the second public meeting on the water supply purpose, with the first one focusing on water supply modeling analyses. Once again, the FAC acknowledges and recognizes the complexities that need to be dealt with as this study moves forward. And, as stated previously, the FAC believes that continuous input throughout this process would have the effect of actually saving time and effort, and eventually providing greater validity and agreement to the approach eventually used by Reclamation and interested stakeholders.

Accordingly, and in that spirit, the FAC offers the following comments on the subject public meeting or other unresolved study issues.

1. First and foremost, the FAC was very discouraged and disappointed that the primary presenters for this public meeting were not there in person. They were both from Reclamation's Denver office and gave their presentation over the phone, thereby diminishing the importance of this study in the eyes of the stakeholders. This was not acceptable, especially in light of Reclamation's recent decision to make this a final cost allocation.
2. The FAC is interested in the compilation of a comprehensive schedule that would include the following: (1) project purposes and public outreach (as shown in the presentation); (2) all issues (whether or not resolved) raised previously by stakeholders; and (3) where in the process (technical team, leadership team, Regional Director, Denver Office of Policy and the Commissioners' Office) those issues currently reside. Please note therein should an issue not require approval through one of these stops along the way.
3. The FAC wants to reiterate the desirability of having an accounting of cost to date as well as a resolution as to the repayment methodology (O&M vs.

Construction). Note: we've been informed by Reclamation that to date none of these costs have been included in Reclamation's ratesetting for recovery.

4. The FAC is concerned that we are approximately three years into a seven year study (43%), have only spent \$1.7 million to date (projected costs ranging from \$8 - \$12 million) and are still working on project purpose methodologies (with Water Quality and F&WL still to do).
5. The FAC noted that there is still no hard data for the stakeholders to review and comment on. And, the current project status as noted in #4 above raises questions and concerns about adequate and dedicated staff resources needed to complete this study on time.
6. As noted in prior FAC comments, the FAC is also interested in expediting the cost allocation study process. To do so, the FAC recommends that Reclamation, where ever possible, do the following: (1) identify the issues; (2) identify the pros and cons; (3) provide its recommended approach and assumptions used; and (4) invite stakeholder comments. This practice should streamline the stakeholder input process by limiting the range of feasible alternatives and approaches.
7. The FAC recommends that a decision be made by Reclamation on the period of analysis for the study and that it should be released to stakeholders shortly thereafter. In addition, the FAC recommends that all models (CalSim2, SWAP and LCPSIM) used in Water Supply purpose of the study use the same historical data period and be updated with current data.
8. The FAC understands from their presentation that previous Reclamation studies used the LCPSIM models. Can you tell us what studies those were and how did the results compare to reality? Can you provide us any objective confirmation that shows that this model works?
9. The FAC is concerned about groundwater depletion, especially since South of Delta irrigation contractors water allocations have been 50% or less in six of the past seven years. In 2009 the allocation was 10% and in 2013 it was 20%. As a result, they recommend that groundwater depletion be considered in the water supply modeling.
10. Reclamation's focus at this meeting was on irrigation and M&I water supply benefits. There was no discussion either on refuge water or meeting state water quality standards and their impact(s) on irrigation and M&I water supply. Can you explain how refuge water and meeting state water quality standards fit into this study and how they will impact irrigation and M&I water supply?
11. The FAC recommends that Reclamation use only CVP water contractors / agencies in future demand modeling to determine the economic value per acre foot.

The CVPWA FAC looks forward to its continued participating with Reclamation throughout this important process. If you have any questions regarding these comments, please contact me at 559-303-4150 or mhagman@lindmoreid.com.

Sincerely,



Michael D. Hagman, Chairman
CVP Water Association Financial Affairs Committee

cc: See next page.

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