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February 23, 2011

Mr. Donald Glaser, Regional Director
 Bureau of Reclamation, MP-100
 2800 Cottage Way
 Sacramento, CA 95825

Subject: CVP Water Association Financial Affairs Committees (FAC) Comments on the Central Valley Project (CVP) Cost Allocation Study (CAS)

Dear Mr. Glaser:

This letter responds to the CVP CAS Project Manager's request for comments, thoughts and/or questions from the CVP FAC regarding the subject study. This request was most recently made again at the January 14, 2011 CVPWA FAC meeting.

These comments have been developed in consultation with CVP water and power contractors, who are members or members-at-large of the CVP FAC CAS Sub-Committee (Committee), and are as follows:

1. As noted in CVPWA's March 18, 2010 letter (copy attached) the Committee believes that this study should be the "final" CVP CAS and not another "interim" one.
2. The Committee believes that the separable costs remaining benefits (SCRB) cost allocation method will work. However, it is recommended that it be modified since most of the benefits of the project (water supply, power and flood control) probably no longer exceed their respective indexed separable costs.
3. The Committee recommends that Reclamation forgo a single purpose cost analysis for water, power and flood control if that analysis will not have any effect on the outcome of the SCRB cost allocation.
4. The Committee recommends that annual water and power contributions into the CVPIA Restoration Fund be included as Separable Costs and, therefore, considered in the calculation of Remaining Justifiable Expenditures.

5. The CVPIA also created an "Environmental" project purpose, and the Committee recommends that it be included and separately identified in the CVP CAS.
6. Since the purpose of doing a CVP CAS is to align CVP costs with current operation of the CVP, the Committee recommends that the benefit evaluation period should be 100 years forward with the base year being 2010. *Should Reclamation decide to use historical and prospective instead, the Committee recommends using the shortest historical period possible and no further back than the enactment of CVPIA (1993).*
7. The Committee recommends incorporating the water quality standard adjustments required by Public Law 99-546 into the CVP CAS as noted in our joint March 21, 2006 letter and our March 21, 2008 follow-up letter (copies attached).
8. Lastly, while it is the Committees understanding that that the results of the CVP CAS would be applied prospectively and not retroactively, it is requested that Reclamation officially document this and make it available to the Committee as soon as possible.

The Committee looks forward to 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 Hagman, Chairman
CVP Water Association Financial Affairs Committee

cc:

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