



Westlands Water District

3130 N. Fresno Street, P.O. Box 6056, Fresno, California 93703-6056, (559) 224-1523, FAX (559) 241-6277

April 28, 2014

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

Subject: CVP Cost Allocation Study (CAS) Draft Findings and Recommendations Table

Dear Ms. Miller-Levi,

Westlands Water District (District) submits its comments on the four published issue papers and two technical memorandums included in the draft Findings and Recommendations Table as requested at the CVP CAS March 28, 2014 public meeting. The District also includes comments on two issues outside of the six specifically requested items.

The District is being asked to comment on processes being developed for the CAS and to not consider the resulting outcome. The District maintains that a thorough review of the output of the CAS models and processes should be vetted against current project operating parameters. Vetting the CAS model outcome data against current operating constraints appears to have been neglected in the proposed CAS processes. The District believes there are assumptions in the model that are not consistent with current operations. Therefore, the District reserves the right to comment and disagree with the currently proposed processes when the outcomes of these processes become known. The District specifically requests that the output data from CalSim2 and any other models used in the CAS be made available for public review and comment with adequate time to be properly reviewed and commented on.

The District anticipates that water supply allocation factors will be reduced due to the significant decrease in the historical deliveries of the CVP over the last 20 years. Prior to 1991, the average allocation was just over 90%. However, in 2011, south-of-Delta water service contract allocations were just over 40% of contract quantities, a 50% reduction. Each significant reduction to south-of-Delta water service contract allocations has been precipitated by legislation and/or Bureau of Reclamation decisions for water quality, the environment or a biological opinion. This is illustrated in the attached graph, "Long Term Average, CVP south-of-Delta Ag Service Contract Allocation," prepared by Mr. Thomas Boardman, Water Resources Engineer of the San Luis Delta-Mendota Water Authority, dated October 25, 2013.

April 28, 2014
Page 2

The District looks forward to Reclamation's response to our comments and to the release of all comments and responses to these matters. In addition, the District anticipates that it will have an opportunity to comment on a draft cost allocation decision prior to that decision becoming final.

Please contact Mr. Stephen Farmer at 559-241-6240 or sfarmer@westlandswater.org if you have any questions or require any additional information.

Sincerely,



Thomas W. Birmingham
General Manager

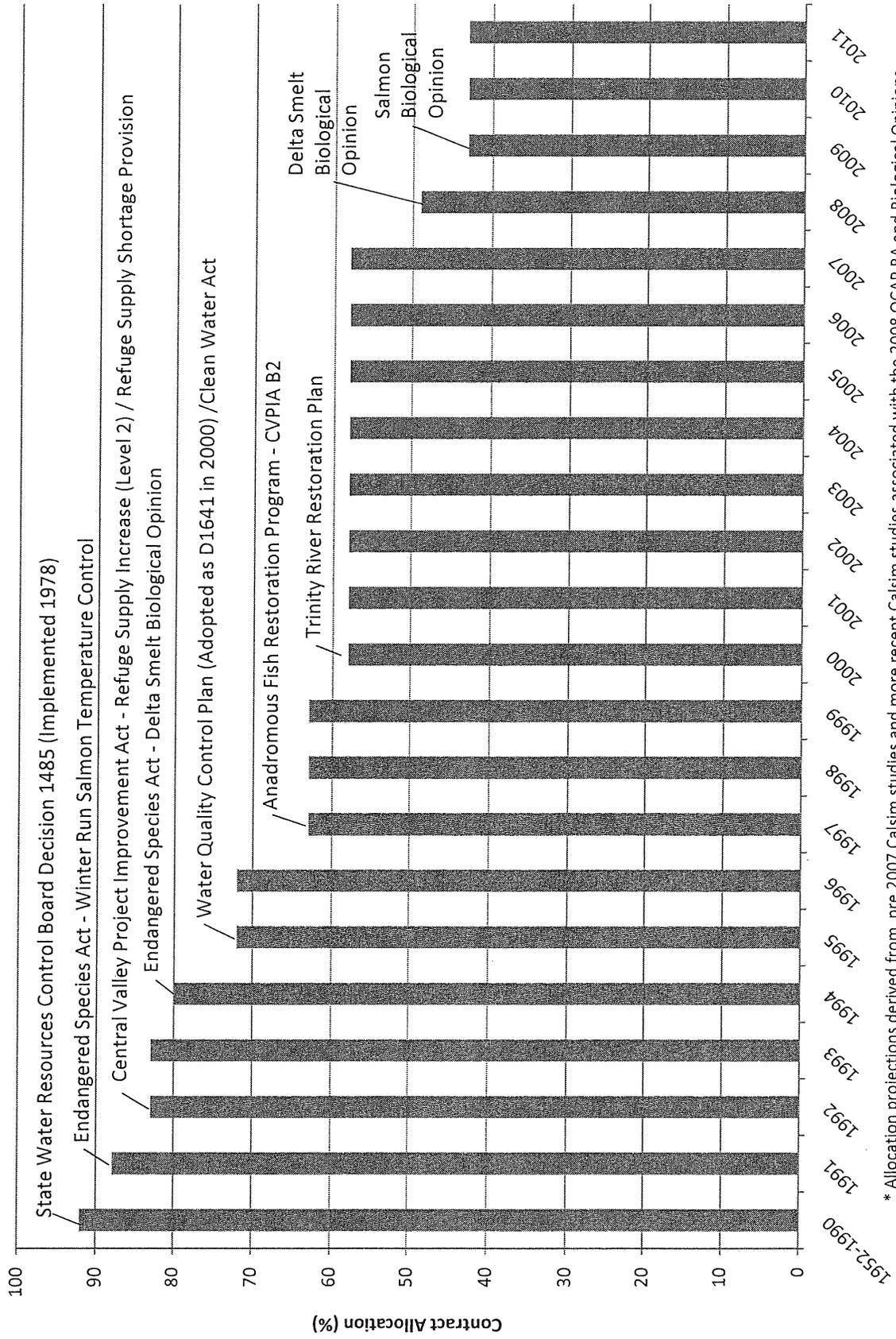
Attachments

cc: Brenda Bryant
Assistant Regional Director for Business Services

Michelle H. Denning
Regional Planning Officer

David Murillo
Regional Director

Long Term Average, CVP S. of Delta Ag Service Contract Allocation



* Allocation projections derived from pre 2007 Calsim studies and more recent Calsim studies associated with the 2008 OCAP BA and Biological Opinions

Westlands Water District
Comments on
Central Valley Project Cost Allocation Study
Findings and Recommendations Table

April 28, 2014

Westlands Water District
Comments on CVP CAS Findings and Recommendations

Table of Contents

General Comments

Westlands Comment 1:
Prospective vs. Retroactive Application of Cost Allocation Study Results..... Section 1

Westlands Comment 2:
Item Nos. 8 & 9 Period of Analysis and Initial 50-Years Analysis and Historic Benefits..... Section 2

Comments on Issue Papers

Westlands Comment 3: Item No. 5 Facilities Included Section 3

Westlands Comment 4: Item No. 17 Inclusion of New Melones Unit Section 4

Westlands Comment 5: Item No. 34 Power Benefits Methodology Section 5

Westlands Comment 6: Item No. 43 Recreation: Benefits-Methodology Section 6

Comments on Technical Memorandums

Westlands Comment 7: Item No. 21 Flood Control: Facility Sizing..... Section 7

Westlands Comment 8: Item No. 27 Irrigation Water Supply: Facility Sizing Section 8

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 1:

Prospective vs. Retroactive Application of Cost Allocation Study Results

References:

- Letter: CVPWA to Bureau of Reclamation dated 2/23/11 [CVPWA to Bureau of Reclamation 2-23-11 Cost Allocation Study.pdf](#)
- Letter: CVPWA to Bureau of Reclamation dated 12/8/11 <http://www.usbr.gov/mp/cvp/cvp-cas/docs/meetings/10-21-2012/CVPWA%20FAC%20Comments%20and%20Reclamation%20Responses%20May%202012.pdf>
- Letter: Bureau of Reclamation to CVPWA dated 5/2/12 <http://www.usbr.gov/mp/cvp/cvp-cas/docs/meetings/10-21-2012/CVPWA%20FAC%20Comments%20and%20Reclamation%20Responses%20May%202012.pdf>
- Letter: CVPWA to Bureau of Reclamation dated 6/25/12
- CVP Cost Allocation Study Draft Assumptions and Approach, 6/28/12 <http://www.usbr.gov/mp/cvp/cvp-cas/docs/meetings/6-29-12/Draft%20Assumptions%20and%20Approach%20June%2029%202012.pdf>
- PUBLIC LAW 99-546—OCT. 27, 1986 <http://uscode.house.gov/statutes/1986/1986-099-0546.pdf>

District Comments:

Despite Westlands Water District's (District) repeated attempts to understand the U.S. Bureau of Reclamation's (Reclamation) position on the issue of prospective versus retroactive application of the cost allocation study (CAS) results, the District's questions remain unanswered. By letters dated February 23, 2011 and December 8, 2011, the Central Valley Project Water Association (CVPWA), of which the District is a member, requested written confirmation of the CVPWA Financial Affairs Committee's (FAC) understanding that the results of the CAS would be applied prospectively, and not retroactively, with respect to the application of construction and O&M costs.

Reclamation responded to the CVPWA's February 23rd and December 8th letters by a letter dated May 2, 2012, from Katherine Thompson. In the letter, Ms. Thompson states, "The cost allocation study, whether final or interim, will reallocate total CVP construction costs to date and recalculate project cost repayment obligations based on the new allocation."

The CVPWA FAC requested confirmation of its interpretation of Ms. Thompson's May 2nd letter in a letter dated June 25, 2012, and made it clear that the CVPWA FAC would be highly focused on this issue. In this letter the CVPWA FAC also noted that it believed that any retroactive adjustments would have limited application. No response to this letter has been received.

At the subsequent Public Meeting #4, held on June 29, 2012, the District was informed by the Program Manager, Ms. Traci Michel that Reclamation was still looking at the issue of prospective versus retroactive application of the CAS. Ms. Michel noted that typically, the initial cost allocations are prospective and when updated many years after a project is completed it is very common to apply the allocation retroactively.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

During this meeting, the District was also told by Ms. Michel, that she believed that Reclamation had some discretion on this point. Page 1 of the CVP Cost Allocation Study Draft Assumptions and Approach, updated June 28, 2012 and distributed at the meeting, indicate that the application of the CAS is under review.

Water priorities have changed over time to meet changing environmental objectives. Recent, current, and future water operations are significantly different from historical operations because of this. The purpose of performing the CAS and to update cost allocations is to align CVP project costs with the purposes and benefits of the project that have evolved over time.

Reclamation's contradictory statements, both verbal and written, over the 4-year life of this study indicate that Reclamation has yet to decide this issue. It is important to Westlands that the decision on this issue reflect reality going forward otherwise the decision will be subject to challenge. The last full CAS was performed in 1970 with an update in 1975. Since that time several CAS's have been initiated, but never completed, most recently in 2001. The District is unable to take a position on the issue until we can analyze data from the output models that the Bureau intends to use in the CAS process against the historical and changing priorities of the project

Westlands Water District
Comments on CVP CAS Findings and Recommendations

Westlands Comment 2:
Item No. 8 Period of Analysis;
Item No. 9 Initial 50-Years Analysis and Historic Benefits

References

- CVP CAS Findings and Recommendations Table <http://www.usbr.gov/mp/cvp/cvp-cas/docs.html>

District Comments:

Item #8 in the CVP CAS Findings and Recommendations Table (CVP CAS Table) indicates the period of analysis is the lesser of the economic life of the project, or 100 years. The CVP life expectancy is greater than 100 years. Therefore, 100 years will be used for estimating costs and benefits and employed in the Separable Costs Remaining Benefits (SCRB) cost allocating method.

The simplified plan (Item #9) for economic purposes, noted in Public Meeting #2, held on October 21, 2011, is to initially calculate a 50 year future benefit stream and if this is greater than the Single Purpose Alternative (SPA) costs, the SPA cost will be used in SCRB cost allocating method (See Item 4 in the CVP CAS Table) If a 50-year future benefit stream is less than the SPA costs, 50 year historical benefits will be calculated and added to the benefit total. This total 100-year benefits stream will then be applied to the SCRB allocating method.

Ms. Thompson's letter dated May 2, 2012, and referenced in Westlands Comment 1 above, contradicts the 50 year historical benefits and states "As mentioned at the October 21, 2011, public meeting, Reclamation will compare 50 years of future benefits against SPA costs. In the event the value of 50 years of future benefits is less than the SPA costs, historic benefits will also be calculated, dating back to 1980 when the most recent CVP facility, New Melones, was placed in service."

As discussed in Westlands Comment 1 above, the purposes and benefits of the CVP have evolved, and will continue to evolve over time. Accordingly, the District is unable to take a position on this issue until we can analyze data from the output models that the Bureau intends to use in the CAS process against the significant reduction in the delivery capability of the CVP to water supply over the last 20 years.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 3: Item No. 5 Facilities Included

Issue Paper: Project Facilities

References:

- Issue Paper: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/cvp_cas_leadership_team_recommendation_reclamation_facilities.pdf
- Facility List: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/140130_Draft_CVP_Facility_List_REVISED.pdf
- CVP Financial Statement: 2012, Schedule 1 Plant, Property and Equipment, page 38 of 170.

District Comments:

- This issue paper states that the SCRB methodology will be used to determine and distribute of the cost of multi-purpose facilities across the seven authorized purposes:
 1. Flood Control
 2. Navigation
 3. Water Supply
 4. Power
 5. Fish and Wildlife
 6. Recreation
 7. Water Quality
- This statement is misleading regarding navigation, water quality, and recreation because it is wholly or partially contradicted in subsequent Issue/Topics, discussions, and references in the CVP CAS Table.
 1. **Navigation:** Item #22 in the CVP CAS Table includes a June 3, 2013 letter to USACE, which states that the CAS will not allocate any construction costs of the CVP to navigation. An unissued revision to this letter will modify this statement to indicate the CAS will not include an estimate of future navigation benefits generated by the CVP. However, costs allocated to navigation will be based on the present value of historic benefits.
 2. **Water Quality:** Item Nos. 40, 41 & 42 state in part: (1) Reclamation notes that Water Quality for the most part is reimbursed by the authorized water and power beneficiaries, (2) Costs of providing increased flows in the Stanislaus River are deemed non-reimbursable and assigned to the water quality purpose for the New Melones Unit, and (3) Reclamation is *researching* whether it was the intent of Congress in passing PL 99-546 that the added cost of complying with water quality standards higher than D-1485 (such as meeting D-1641) would be non-reimbursable.
 3. **Recreation:** Item Nos. 43, 44 & 45 state in part that is anticipated that no joint costs will be allocated to the recreation purpose for any multi-purpose CVP facilities with the possible exception of New Melones. The current allocation to New Melones for Recreation purposes is \$50M.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

However, recreation development did not occur as expected at this facility and Reclamation anticipates that the costs assigned to recreation at New Melones “will diminish significantly.” (See Item #17 and the Issue Paper referenced therein.)

- The District requests that reference be made within the Project Facilities Issue Paper to the modifying statements discussed above in order to elucidate the limited allocation available to these purposes.
- Divisions listed in the issue paper do not include “General” facilities identified as multi-purpose in the Facilities List.
- This issue paper and associated list are isolated to “facilities.” The reference to CVP Financial Statement Schedule No. 1 implies construction costs only. “Facilities and Facility O&M” would be clearer. Any multipurpose O&M costs not tied to listed CVP Facilities List should be listed, including:
 - Water and Land Management and Development
 - General Expense
 - Hazardous Materials Management
 - National Environmental Policy Act of 1969 (NEPA) compliance
- The 2nd page of the issue paper in the top most paragraph states, “the list also identifies the construction costs for the Reclamation facilities.” The Facility List does not include costs. However, the Facility List does show facilities by division, construction authority, purpose type, and allocation factor by authorized purpose and repayment requirements. The District requests that: (1) Reclamation add to this list the total and allocated costs associated with each allocation factor, (2) the updated list be made available to the public, and (3) after the current CAS is completed, a similarly formatted list be published.
- The Facility List has a “Reimburs.Y/N” column that is incomplete and it does not match the “Repayment* Non-Reimbursable” column, except for the American River Pumping Station. The District requests that this information be entered into the list.
- References listed in the Construction Authority column are not included in the notes, e.g. what does 1 in this column refer to? The District requests that this information be added.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 4: Item No. 17 Inclusion of New Melones Unit

Issue Paper: Recommendation on Allocation of New Melones Unit Costs

References:

- Issue Paper: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/cvp_cas_leadership_team_recommendation_inclusion_of_new_melones.pdf
- Comment Sheet: http://www.usbr.gov/mp/cvp/cvp-cas/docs/meetings/6-29-12/Stockton_East_Water_District_Comments_CVP_Cost_Allocation.pdf
- New Melones Unit Project History: http://www.usbr.gov/projects/Project.jsp?proj_Name=New_Melones_Unit_Project&pageType=ProjectHistoryPage
- CVP Water Quantities w/2014 Allocations: http://www.usbr.gov/mp/PA/water/docs/1_CVP_Water_Quantities_Allocation.pdf
- Draft Facilities List: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/140130_Draft_CVP_Facility_List_REVISED.pdf

District Comments:

The referenced issue paper suggests that the amount of costs assigned to recreation at the New Melones Unit, should Reclamation assume responsibility for determining the cost allocation factors, will diminish significantly because recreation development at this unit did not occur as expected in the initial and still current allocation determined by the US Army Corps of Engineers. The current amount allocated to recreation is \$50M.

The current New Melones multipurpose allocation from the Draft Existing CAS Facilities List is as follows: Water Supply 35%, Power 14%, Flood Control 16%, Fish & Wildlife 15%, Refuge 18%, Water Quality 1%.

The CVP Water Quantities w/2014 Allocation (posted on line and referenced above) notes that New Melones Dam and Reservoir in the East Side Division has a total contract allocation of 155,000 acre-feet and in Note 5 documents that only one group receives the water allocated from New Melones. The two contractors shown in the 2014 Contracts List are Stockton East Water District (Stockton East) (max. 75,000 AF) and Central San Joaquin Water Conservation District (80,000 AF). In 2014 these contractor(s) received 55% of their total allocation.

Although Reclamation is anticipating a diminished recreation allocation, Stockton East documented on its August 9, 2012 Comment Sheet its concern "that the cost allocations for the New Melones Project are made in an equitable manner." Stockton East's comment continues, "The cost allocation study should recognize and accommodate changed priorities and uses and the diminished ability of the project to meet its water supply function." The District echoes Stockton East's concern for an equitable cost allocation update.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Reclamation noted in the 1994 New Melones Project History (Project History), currently posted on Reclamation's website:

...that [Reclamation] found that the previous estimates of drought and demand were off by a significant amount (California experienced a severe drought beginning in 1987 and lasting through 1992, and demands for releases for water quality improvement were higher than anticipated). Further complicating the situation was passage of the Central Valley Improvement Act (CVPIA) in 1992. This legislation changed water usage priorities. Environmental, water, and wildlife enhancement priorities moved to a level equal to or ahead of other water use priorities. As a result, less water is available to meet the obligations to already existing water users. As a result of passage of the CVPIA and improved understanding of the water availability, it is believed that New Melones does not have a sustainable water supply sufficient to meet existing obligations for irrigation, wildlife enhancement, and water quality improvement.

The Project History also notes, "The primary function of New Melones Dam and Lake is flood control. Of the 2,400,000 ac/ft capacity, 450,000 ac/ft is reserved for flood control purposes. The remaining capacity is used for a number of purposes including the satisfaction of pre-existing water rights, fisheries enhancement, water quality improvement, and electrical generation."

The Project History concludes, "The New Melones Dam stands as a reminder of the conflicts surrounding growth, the environment, and water in the West. The Corps built it at the end of the era of large dam construction. Even without the environmental controversy that surrounds the project, the operational and water yield problems will certainly cause continued difficulties well into the future. With the enormity of the problems facing New Melones, it seems unlikely that the project will ever realize its full potential as a multi use unit. Indeed, New Melones may become a case study of all that can go wrong with a project."

New Melones was updated to "plant in service" status in 1981. Therefore, historical benefits, if required, should go back to this date, 1981 to 2010, with future benefits extending 70 years in the future, see Item Nos. 8 and 9 in the CVP CAS Table.

The CVP project purposes and benefits have evolved, and will continue to evolve over time. Accordingly, the District supports Reclamation assuming responsibility for determining the cost allocation factors and benefits calculation and anticipates that equitable distribution of multipurpose costs to the authorized purposes will result.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 5: Item No. 34 Power Benefits Methodology **Issue Paper: Streamlined Short-Cut Method for Computing Power Benefits**

References:

- Issue Paper: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/cvp_cas_leadership_team_recommendation_power_v2.pdf
- Plexos Model Overview: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/131119_cvp_cost_all_study_plexos.pdf

District Comments:

The District is encouraged that Reclamation is considering a non-traditional approach to cost estimating project power benefits that is both streamlined and supported by preference power customers.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 6: Item No. 43 Recreation: Benefits-Methodology Issue Paper: Allocation of Joint Costs to the Recreation Purpose

References:

- Issue Paper: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/cvp_cas_leadership_team_recommendation_recreation.pdf
- FWRPA: <http://www.epw.senate.gov/fwpra.pdf>
- May 2001 CVP CAS
http://www.usbr.gov/mp/cvp/docs/cost_alloc_study_fnl/cost_alloc_fnl_chapter2_05-2001.pdf
- O&M Factors: 2009 Operation and Maintenance Factors, Fiscal Year 2009, Table 5

District Comments:

The recommendation of this issue paper indicates that Reclamation policy does not support allocating joint costs of multi-purpose facilities to a particular purpose without specific legislation authorizing that particular purpose. The issue paper concludes that without this preauthorization no joint CVP costs will be allocated to recreation.

With this in mind the District inquires:

1. In the 1970 CAS there are costs shown to be associated with the purpose of Recreation. Are these costs associated with single purpose facility costs?
2. The 1970 study combined Fish and Wildlife and Recreation purposes because of "difficulties." (See page II-6 of the May 2001 Analysis.) These combined costs were then sub-allocated. Will this sub-allocation occur in the final CAS?
3. 2009 Operation and Maintenance Factors, Fiscal Year 2009, Table 5, shows 2.25% O&M general expenses are allocated to recreation in each of the CVP divisions, including the American River and Shasta Divisions. Will the allocation of O&M general expenses to Recreation continue?

The District's position is that the failure to include recreation benefits in the allocation is inconsistent with prior methodologies and unfairly burdens other project purposes.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 7: Item No. 21 Technical Memorandum: Methods Used to Calculate Flood Control Benefit of CVP Storage Facilities

References:

- Technical Memorandum: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/130814_tech_memo_flood_control_purpose_hydrology_methods_results.pdf
- CVP Cost Allocation Study Draft Assumptions and Approach, 6/28/12
<http://www.usbr.gov/mp/cvp/cvp-cas/docs/meetings/6-29-12/Draft%20Assumptions%20and%20Approach%20June%2029%202012.pdf>

District Comments:

This technical memorandum on the top of page 3 states:

“each of the CVP reservoirs with an authorized flood control purpose – Shasta, Folsom, New Melones, and Millerton.”

However, Attachment 1 to the CVP Cost Allocation Study Draft Assumptions and Approach, dated June 28, 2012, distributed at Public Meeting #4 and duplicated below, documents a total of nine (9) facilities with the authorized purpose of flood control. These facilities include Trinity, Clear Creek, Whiskeytown, Spring Creek, Nimbus, and Los Banos, and are not listed in the technical memorandum. The District would like to see this oversight corrected or an explanation provided as to why these facilities were not listed in the technical memorandum as being authorized for flood control purposes.

The District is also expecting the resulting flood control SPA sizing to be reviewed against the USACE flood reservation requirements for all facilities included in the allocation. This ensures that the final assumptions are consistent with current operation requirements for flood control facilities.

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Facilities to be Included in the CVP Cost Allocation Study

CVP Multipurpose Facilities To Be Evaluated*	CVP Authorized Purposes To Be Evaluated						
	Flood Control	Navigation	Water Supply	Power	Fish & Wildlife	Recreation	Water Quality
Shasta Dam & Reservoir	x	x	x	x			
Trinity Dam & Reservoir	x		x	x			
Clear Creek Tunnel	x		x	x			
Whiskeytown Dam & Lake	x		x	x	x		
Spring Creek Dam & Reservoir				x	x		
Folsom Dam & Reservoir	x		x	x			
Nimbus Dam & Lake Natoma	x		x	x			
Los Banos Creek Detention Dam & Reservoir	x		x			x	
Friant Dam & Reservoir	x		x				
New Melones Dam & Reservoir**	x		x	x	x	x	x
Tehama-Colusa Canal			x		x		

* CVP single-purpose facilities such as power pumping plants, water conveyance canals, and dedicated fish hatcheries, as well as facilities with fixed repayment allocations (San Felipe) are not subject to a cost allocation update.

** Pending

Westlands Water District

Comments on CVP CAS Findings and Recommendations

Westlands Comment 8: Item No. 27 Irrigation Water Supply: Facility Sizing Technical Memorandum: Analysis to Address the Water Supply Purpose

References:

- Technical Memorandum: http://www.usbr.gov/mp/cvp/cvp-cas/docs/Draft_Findings/130910_water_supply_analysis_hydrology_methodology.pdf

District Comments:

The technical memorandum discusses two models to be used in determining reservoir size if the sole purpose of the CVP was water supply. The two models are: (1) CalSim2, which will model the CVP delivery capability and (2) a new storage sizing model, which will determine reservoir storage needs to meet the deliveries determined by the CalSim2 modeling effort for the sole purpose of water supply.

The District requests Reclamation add a process to review the CalSim2 modeling data to determine if the model output is reasonable and accurately reflects current project operations. The District also requests the inclusion of a process for review of the storage sizing model to ensure that the model is effectively determining the reservoir storage required for the sole purpose of water supply.

The outputs of the CalSim2 model and the new model for storage sizing need to be disseminated to contractors and interested parties for review and analysis before any meaningful comments can be made on this technical memorandum.