



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT  
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Bureau of Reclamation  
Attn: Alisha Sterud  
MP-400  
2800 Cottage Way  
Sacramento, California 95825

**Re:** Draft Municipal and Industrial (M&I) Water Shortage Policy,  
Central Valley Project (CVP), California

Dear Ms. Sterud:

The Sacramento Municipal Utility District ("SMUD") is pleased to provide comments on the *Draft Municipal and Industrial (M&I) Water Shortage Policy, Central Valley Project (CVP), California* ("Policy") noticed in the Federal Register on October 30, 2001 (Pg. 54780, Vol. 66, No. 210). SMUD believes that the Policy presents a thoughtful solution to the difficult problem of allocating a limited resource, and that the Policy should be finalized, with a few small changes as noted below.

SMUD is a municipal utility district formed under the laws of the State of California to provide electric power service to the residents within its service area. SMUD's service area is primarily within Sacramento County, and SMUD currently serves electric power to over one million residents. SMUD is the second largest community-owned municipal power provider in the State of California and the sixth largest in the nation.

SMUD is a purchaser of both electric power and M&I water from the CVP. SMUD purchases electric power from the CVP as a preference power customer. In addition, SMUD holds a long-term water service contract for the delivery of up to 60,000 acre-feet of CVP water. SMUD has historically used its CVP water deliveries to operate and, more recently, decommission its nuclear power plant located at Rancho Seco. SMUD will continue to use its CVP water for decommissioning activities and also plans to use the water in its new Cosumnes Power Project, a gas fired power plant currently under review by the California Energy Commission.

SMUD has taken an active role in the development of the Policy, including participating in workshops sponsored by the Bureau of Reclamation ("Reclamation"), and commenting on working drafts of the Policy provided by Reclamation. SMUD believes that the Policy's proposed methodology for allocating shortage based on an adjusted historic use is a logical and defensible method of allocation. The methodology

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provides an equitable allocation of water in a water-short year, while assuring that municipal and industrial demand, which tends to be the least elastic type of demand, can still be met. In addition, the Policy's baseline of "health and safety," which applies to historic M&I use and to water transitioned from an irrigation use, will assure needed emergency deliveries to sustain human life in a critically dry water year. This is particularly true for a customer like SMUD which will need a reliable source of water to generate electric power in those critically dry years in which hydroelectric power generation will already be reduced as a result of less favorable water conditions. .

As an end-user of CVP industrial water that will complete a new electric power plant in 2005, SMUD has been keenly interested in the way in which the Policy has been developed to handle growth of M&I demand, and particularly the growth of industrial demand. In its current form, we understand that the Policy recognizes that industrial water demand may increase in a relatively short period of time and that these increases need to be, and will be, recognized in the recalculation of a contractor's adjusted historical use. This aspect of the Policy will provide certainty for a dependable water supply, and the ability to rely on the CVP in a water-short year.

As noted above, although SMUD recommends that Reclamation finalize the Policy, SMUD does have some suggested changes that it believes will make aspects of the Policy clearer. To that end, attached to this letter is a "redline" of the proposed changes. SMUD believes that each of these changes will help Reclamation, and water users relying on the Policy, to better understand the manner in which the Policy should be implemented.

Thank you for the opportunity to comment on the Policy. If you have any questions regarding the content of this letter, or the suggested changes noted on the attached redline, please contact Paul Olmstead at (916) 732-5716.

Sincerely,



James Shetler  
Assistant General Manager, Energy Supply

cc: Jan Schori, General Manager