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July 1, 2005

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Vacant

To: CVP Water Association Members and Friends
From: Robert Stackhouse, Executive Director, CVP Water Association
Subject: CVP Water Association Happenings – July 2005

After five plus years with the CVP Water Association, **George Senn**, our Finance Director, decided that he wanted to devote more time to golf, bowling, and the household projects he has been putting off for a number of years (forever, according to his wife Barbara). Yesterday was his final day with the CVP Water Association and we celebrated his new career with – what else – a bowling party. Congratulations on your retirement George. We will miss you!

Russell Harrington, formerly with Westlands Water District, is our new Finance Director. Russ joined us in early June and George spent the last month teaching him all of our idiosyncrasies. We gladly welcome Russ to the CVP Water Association family and look forward to a long relationship with him. Russ can be reached at russ@cvpwater.org. (Please revise your contacts to substitute Russ for George as the Finance Director of the CVP Water Association).

Reclamation Site Security Costs – Unlike the House of Representatives Appropriation Bill for Reclamation, the Senate's version prohibits Reclamation from making some site security costs (primarily guards) reimbursable. The Committee Report language follows:

Security Costs and Allocations. – Following the attacks on September 11, 2001, the Bureau of Reclamation strengthened security at Federal dams and similar facilities and has undertaken but not completed extensive risk assessments for over 400 units throughout the West. Many of these are multi-purpose facilities providing flood control, water storage for contract irrigators, municipal and industrial water supplies, power generation, recreation and environmental mitigation benefits. The Committee understands that beginning in fiscal year 2006, Reclamation will no longer make a distinction between pre-September 11, 2001, security costs and post-September 11, 2001, security costs. The Committee recognizes that the security posture of Reclamation will likely not approach pre-September 11, 2001, levels for many years, if ever. The Committee recognizes that project beneficiaries benefit from this enhanced security. However, the Committee remains concerned about the reimbursability

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of increased security costs for Reclamation projects. The Committee wants to ensure that all project beneficiaries that benefit from the enhanced security posture pay a fair share of the costs. Therefore, Reclamation shall provide a report to the Committee, no later than, May 1, 2007, with a breakout of planned reimbursable and non-reimbursable security costs by project pro rated by project purposes. The Committee directs the Commissioner not to begin the reimbursement process until the Congress provides direct instruction to do so.

The differences between the House and Senate Appropriation Bills for Reclamation will be reconciled in Conference Committee. We are hopeful that the Senate version will be sustained by the Conference Committee.

Senate Appropriations Committee Approved \$73 Million for CALFED-Related Projects – Projects expected to be funded in the next year include:

- \$2,500,000 for the Upper San Joaquin Storage Study
- \$300,000 for the Sites Reservoir Storage Study
- \$4,000,000 for the Shasta Enlargement Study
- \$3,200,000 for the Los Vaqueros Reservoir Expansion Study
- \$10,000,000 for the Environmental Water Account
- \$4,743,000 for Ecosystem Restoration
- \$600,000 for the San Luis Reservoir Low Point Study
- \$900,000 for the CVP/State Water Project Intertie Study
- \$13,000,000 for the Hamilton Airfield Wetlands Restoration
- \$2,383,000 for the Tracy Facilities Mitigation
- \$650,000 for Long Beach Recycling
- \$3,500,000 for the San Diego Area Water Reclamation and Reuse Program
- \$500,000 for the San Gabriel Basin Project

Upcoming Events

July	1	ACWA State Legislative Committee Meeting in Sacramento
	5	CVP Water Association Board of Directors Conference Call
	7	BD-PAC Working Landscapes Subcommittee Meeting in Sacramento BD-PAC Water Use Efficiency Subcommittee Meeting in Sacramento
	11	San Luis Drainage Feature Re-Evaluation Draft EIS Meeting in Sacramento
	13	BD-PAC Water Supply Subcommittee Meeting in Sacramento BD-PAC Ecosystem Restoration Subcommittee Meeting in Sacramento
	14	California Bay-Delta Authority Workshop in Sacramento
	21	State Water Contractors Board Meeting in Sacramento
	22	ACWA State Legislative Committee Meeting in Sacramento
	29	CVP Water Association Financial Affairs Committee Meeting in Sacramento
Aug	9	CVP Water Association Board of Directors Meeting in Sacramento
	10	BD-PAC Committee Meeting in Sacramento
	11	California Bay-Delta Authority Meeting in Sacramento

Environmental Report - July 2005
CVP Water Association
Serge Birk - Environmental Director

Trinity River Adaptive Management Work Group (TAMWG)

The June 20 TAMWG meeting in Weaverville focused on the proposed fiscal year 2006 budget, budget priorities and the budget process. The president's budget for the Trinity River Restoration Program (TRRP) was approximately \$10.6 million dollars. It was noted that river restoration actions, floodway preparation, and channel rehabilitation activities are anticipated to be on schedule for 2006. However, some of the work anticipated would have to be funded with fiscal year 2007 funding. Consequently, shortfalls in funding for implementing actions in 2008 are likely.

The Trinity Management Council (TMC) approved this approach and budget during their meeting on June 22, 2005.

The TRRP is aggressively moving the program forward so that the channel can accommodate instream flow releases of 11,500 cfs coupled with 10-year flood events in the tributaries. The long term strategy is to accommodate instream flows of 11,500 cfs coupled with 100 year tributary inflows. In order to facilitate this strategy a considerable amount of floodway preparation is required, most importantly relocation of residential pumps, additional homes and construction of barriers to increase floodway capacity.

Red Bluff Diversion Dam Fish Passage - Technical Advisory Group

On June 14, the Technical Advisory Group (TAG) met at the Tehama-Colusa Canal Authority (TCCA) offices. The purpose of the meeting was to discuss the status of the Red Bluff Fish Passage Improvement Project (FPIP), with a specific emphasis on possible changes due to the pending Endangered Species Act listing of Green Sturgeon.

The meeting began with a recap of the development of the FPIP alternatives, particularly the decision to concentrate on current Red Bluff Diversion Dam (RBDD) gate operations (four months gates-in) and less frequent gate operations (two months gates-in and zero months gates-in). An alternative was refined of a spreadsheet model to include an alternative with two-months gates-in, but no fish ladders. A bypass alternative was also added after public input from the City of Red Bluff. The initial analysis included consideration of a wide range of fish species, including Green Sturgeon.

State and federal lead agencies are not in agreement on a preferred alternative. The Fishery Agencies have identified the zero month gates-in alternatives as preferable, but Reclamation has stated that the level of potential benefit does not match the projected cost. It was pointed out that the majority of funding for the FPIP which would be borne by Reclamation and water contractors outside of the TCCA area.

The focus of the meeting dealt with concern relative to the proposed rule to federally list Green Sturgeon as threatened or endangered and whether the listing will change the status of RBDD operations. I pointed out that a decision on choice of preferred alternative needs to be made and a Record of Decision promulgated.

The recent Operations Criteria and Plan (OCAP) for the Central Valley Project Biological Opinion outlines desired operations at RBDD, but does not address Green Sturgeon concerns. The OCAP terms and conditions for RBDD operations request that operations improve conditions during the following time periods:

- May 15 through June, and;
- September 1 through September 15

This would leave the core period of July through August intact, consistent with the two month gates-in operations considered previously.

Currently, there is a concern that improvements upstream of RBDD, particularly at Battle Creek would be hampered by continued four month gates-in operation at RBDD. There is also interest in extending the TCCA canal to north-Delta customers in order to improve repayment capacity for RBDD. Sites reservoir and storage is also on the horizon.

The TAG needs to revisit conclusions previously drawn on Green Sturgeon. It is known that downstream-migrating juveniles are caught in screw traps, meaning spawning does occur upstream. About 35 percent of the Green Sturgeon run is blocked by the RBDD -- not necessarily 35 percent of the entire run, just 35 percent of the upstream-headed migration. The subsequent effect on population is unknown.

There is a need to have Green Sturgeon experts assist with a review of the uncertainties of previous assumptions. Water users are concerned that decisions that limits on water use are likely based on insufficient knowledge. The TCCA has stated a desire to “get out of the fish management business.” The following actions resulted from the meeting.

- Data review on Green Sturgeon
- Circulate results to group
- Report updates to appropriate policy-level representatives.

The date for the next meeting is July 27 in the TCCA board room.

CBDA Ecosystem Restoration Program (ERP)

At the ERP Subcommittee meeting on June 16 in Sacramento, CBDA staff presented the draft Multi-Year Program Plan was presented to the Ecosystem Restoration Subcommittee for discussion. The document outlined major activities proposed for budget years 06, 07 and 08. The staff noted that changes to the CALFED Science Program are probable and that the Interagency Environmental Program will be funded to investigate the decline of pelagic fishes in the Bay-Delta system. A strategic plan for the delta has been recommended as well.

CALFED Science Predation Workshop

The CALFED Science Program presented this workshop June 22 and 23 at the Romberg Tiburon Center. The workshop focused on a review of the fish salvage process at the state and federal facilities, discussion of the inter-annual variation of fish salvage, the technical basis for calculating losses to predators, and the use of bio-energetic models.

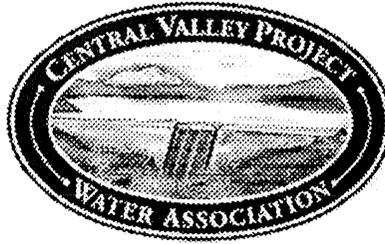
Chuck Hansen reported on preliminary result of pilot studies to evaluate potential losses of juvenile steelhead to predators in Clifton Court Forebay, which involved radio tagging fish. This project was recommended by NOAA-Fisheries.

During the second day, researchers made presentations on influence of flow fields, predation at CVP intakes, predation studies on the middle reach of Columbia River System, and proposed changes in Delta facilities and operations including structural and operational suggestions to reduce predator impacts. These potential changes are being evaluated as part of the CALFED South Delta Fish Facility.

Findings of the workshops are being summarized and will be distributed in the near future.

Future meetings

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| July 5 | CVP Water Association Board of Directors Conference Call |
| 12 | CVPWA Environmental Affairs Committee Meeting in Sacramento |
| 13 | Ecosystem Restoration Subcommittee Meeting in Sacramento |
| 20-22 | Water Education Foundation Water Law & Policy Briefing in San Diego |
| 27 | Red Bluff Diversion Dam Technical Advisory Group Meeting in Willows |
| 28 | Ecosystem Restoration Program Science Board Meeting in Sacramento |
| Aug 4 | CALFED Science Modeling Workshop in Sacramento |
| 9 | CVP Water Association Board of Directors Meeting in Sacramento |



June 24, 2005
Meeting Summary of the
Financial Affairs Committee

1. Participants

- | | |
|---|------------------------------|
| --Brice Bledsoe, Contra Costa WD (call-in) | --Russell Harrington, CVPWA |
| --Robert Stackhouse, CVPWA | --Mike Hagman, FWA |
| --Lee Emrick, Colusa County WD | --Dave Coxey, Bella Vista WD |
| --Eric Limas, Lower Tule River ID (call-in) | --Mark Oosterman, SMUD |
| --Alan Thompson, EBMUD | --Jesus Reynoso, Reclamation |
| --Judy Tapia, Reclamation (call-in) | |

2. Opening Business

The June 24 meeting was held at Mid-Pacific Regional Office of the Bureau of Reclamation in Sacramento. The meeting notes from the May 20 FAC meeting were approved without change. Two additional items were added to the agenda: 2004 Accountings and PUE transmission costs. The next FAC meeting will begin at 9:30 on July 29 at the Mid-Pacific Regional Office, 2800 Cottage Way, Sacramento.

The possibility of holding future meetings outside Sacramento in conjunction with facility tours was raised, as was the possibility of conducting a virtual facility tour at a future FAC meeting via a slide-show or alternative medium. No action was been taken on this proposal.

3. 2005 FAC Issues Matrix

A. Budget Workshops – Refining Customer Participation. Jesus Reynoso, Reclamation, noted that there is nothing new to report regarding the Budget Workshops.

B. BOR-WORKS Water Accounting Program Development. Jesus Reynoso, Reclamation, reported that there was nothing new to report.

C. Water Transfer Rate Policy Development. Jesus Reynoso, Reclamation, was asked about the status of a “how to” manual, which is intended to detail the mechanics of water transfer calculations and other procedural issues relating to transfers. Jesus suggested that interested Contractors need to get together with Reclamation staff from both the Contracts and Ratesetting groups. Jesus was asked to provide information regarding the Revenue Crediting letter. He replied that Contractors need to speak with Donna Tegelman.

- **Action Item:** Russ Harrington, CVPWA to follow-up with Ara Azhderian, SLDMWA, regarding “how to” water transfer manual development, and also contact Donna Tegelman regarding the revenue crediting issue.

D. **Historical Advance Payment Reconciliations.** Fildres Quirante, Reclamation, has created a one-page summary outlining Reclamation’s progress toward completion of the Historical Advance Payment Accountings. This summary is attached.

E. **Security Cost Reimbursability.** Jesus Reynoso, Reclamation, said that Reclamation staff won’t take action to insert any post-9/11 security costs into the rates without direction from Congress. However, Jesus said that this may be the direction that Congress takes for the 2006 Rate Year. Russ Harrington, CVPWA, mentioned that he’d seen a news segment stating that language in the Senate called for a study on security costs to be completed by May 2007, and that costs would not be reimbursable prior to completion of the study. Jesus said that he was not familiar with this, and that he is still preparing for the possibility of inserting the costs into the 2006 Water Rates. He added that depending on when Congress directs these costs to be reimbursable, there is a chance that the Final Accountings for 2005 could include these security costs as reimbursable O&M expenses. This is despite the fact that these security costs were never built into the 2005 water rates.

4. **CVPIA/AFRP Status Update.** Serge Birk, CVPWA, is planning to be at the July 29th FAC meeting to provide another update regarding progress towards completion of the CVPIA/AFRP programs.

5. **Technical Service Center Costs.** Mike Hagman, FWA, mentioned that on a Reclamation-wide basis, Contractors in the states of California and Idaho have had relatively positive interactions with the Denver Service Center. However, Contractors from the states of Colorado, Arizona and New Mexico have had more problematic encounters. Mike added that the Family Farm Alliance is preparing a report that will be sent to Reclamation’s DC office. He concluded that this report will provide an external perspective to the level of service provided by Reclamation’s Denver Service Center.

6. **Folsom Dam Costs.** The cost of the flood control improvements are rising significantly for the Folsom Dam and related facilities. There are two items in particular which may be of concern to Contractors: the upstream LL Anderson facility work and the downstream Folsom Bridge. Regarding the LL Anderson facility, it was reported that El Dorado ID will be covering the reimbursable share of these costs. Regarding the Folsom Bridge, the Sacramento Area Flood Control Agency (SAFCA) may be participating in the cost share.

- **Action Item:** Russ Harrington, CVPWA, to follow up on the reimbursability of the Folsom Bridge project and participation level of SAFCA.

7. **Capital/Deficit Rate Development.** Jesus Reynoso, Reclamation, provided new capital rate projections that were based on OCAP delivery projections, as opposed to the PEIS data that had been previously utilized. These projections are attached, and are based on the following AF delivery projections:

North of Delta Irrigation	68%
North of Delta M&I	87%
South of Delta Irrigation	59%
South of Delta M&I	86%
Friant / Madera Class 1	100%
Friant / Madera Class 2	30%

- Mike Hagman, FWA, commented that the CVPIA impacts on Class 2 water are minimal, and that Class 2 water deliveries projections should incorporate an averaging methodology as opposed to OCAP data. Jesus said that he will consult with hydrology modeling staff within Reclamation regarding appropriate delivery projections for the Friant Unit water users.
- Concerns were raised that the North of Delta Irrigation projection may be too low; however, Lee Emrick, Colusa County WD, stated that there are environmental restrictions associated with the Red Bluff Diversion Dam that restrict the ability of these Contractors to take their full entitlement.
- Mark Oosterman, SMUD, stated that SMUD is more interested in its capital allocation than its final water rate, because of the capital interest issue. It was suggested that SMUD's projected deliveries should be treated as an anomaly, and the possibility was raised that SMUD's projected deliveries should be based on a build-out schedule. Mark said that he would check to see if SMUD had an internal delivery projection schedule that could be shared outside SMUD.
- Jesus said that rates can't be developed for certain Contractors because these Contractors haven't been taking water for a substantial period of time and have no historical average deliveries (a key component of the proposed rate methodology). Reclamation is considering removing these Contractors from the permanent contractor water rates and charging them temporary water rates when and if they take water. Issues to be discussed with this approach will include how to credit the revenues collected under the temporary water rates, which presumably would include a capital component. Under current practice, these revenues are credited entirely against Water Marketing O&M. If these revenues increase significantly, crediting them only to Water Marketing may not be equitable to all contractors. Additionally, the concept of a Standby Charge will need to be considered as these contractors hold Permanent Contractor status, which means the facilities are maintained annually to accommodate the on demand usage of the contractor.
- Jesus added that there was a problem with Sacramento River Contractors because 75% of their entitlement is based on take or pay, and that as a result these Contractors may be assigned rates based on a short time frame – possibly even a one-year average in the first year.
- Alan Thompson, EBMUD, said that he was concerned with the fact that the A-12 shows deliveries for EBMUD although EBMUD hasn't taken any water. The reason was

determined to be that the 2005 (current year) projections include an allocation of 55,000 AF for EBMUD. Mark agreed to release a SMUD letter regarding capital ratesetting to Alan, which stated that CVPIA restricts delivery projections to actual AF usage projections.

Jesus stated that rates would need to be finalized by September 15th so that preliminary rates could be finished by the end of September. To facilitate this, a decision on a capital rate methodology might be decided prior to the next FAC meeting at the end of July.

8. 2004 Accountings. Jesus Reynoso, Reclamation, was asked to confirm that Individual Contractor accountings would be sent by Reclamation to each Contractor during the week of July 8th. Jesus said that he will check with Larry Bauman, Reclamation. Lee Emrick, Colusa County WD, said that his district has problems with the appropriate entry of transfer data by Reclamation staff, as well as the possibility that transfer rates may have been misquoted by Reclamation. He said that there is a potential \$35,000 underpayment issue.

9. PUE Transmission Costs. PG&E is attempting to cancel transmission contract 2207A, which provides for transmission services to most of the San Luis Unit facilities. Western is fighting PG&E on this issue. Western staff and Reclamation Power staff will be requested to provide a brief of this issue at the next FAC meeting.

