



March 24, 2006
Meeting Summary of the
Financial Affairs Committee

Participants

Larry Bauman – Bureau of Reclamation
David Bird – Tehama Colusa Canal Authority
Brice Bledsoe – Contra Costa WD
Charlotte Dahl – Westlands WD (telephone)
Lee Emrick – Colusa County WD
Melinda Grow – Western Area Power Administration
Mike Hagman – Friant Water Authority
Garth Hall – EBMUD
Anthea Hansen – Del Puerto WD
Larry Hobbs – Bureau of Reclamation
Barry Mortimeyer – Bureau of Reclamation
Paul Olmstead – SMUD
John Pelley – Bureau of Reclamation
Jesus Reynoso – Bureau of Reclamation
Ed Roman – SMUD
July Tapia – Bureau of Reclamation (telephone)
Donna Tegelman – Bureau of Reclamation
Katherine Thompson – Bureau of Reclamation

1. Opening Business

This March 24th meeting was held during the morning at the Mid-Pacific Regional Office in Sacramento. The only person who requested an adjustment to the February 24th FAC meeting notes was Larry Hobbs of Reclamation's Safety of Dams staff, who said that he would provide written adjustments to Russ Harrington. These adjustments are included in the final section of this document. The statement was made that a definition of the phrase "Safety of Dams" is needed, and that Contractors and Reclamation need to come to a consensus on its specific meaning. Larry Hobbs added that there is a cost authority for tracking the ongoing expenditures through the Safety of Dams program, but that reimbursability of these costs is still to be determined.

Del Puerto WD offered to host a FAC meeting in the future, and suggested that the June 16th FAC meeting may be an idea date to host this meeting. Russ Harrington will follow-up with Anthea Hansen regarding the possibility of a FAC meeting at Del Puerto WD.

2. 2006 FAC Issues Matrix

A. PUE Issues. At this time, Reclamation and Western have entered into a confidentiality agreement with PG&E. This limits the topics on which Reclamation and Western staff can provide information as it pertains to the Pseudo-Tie of New Melones.

Regarding the Pseudo-Tie, Reclamation stated that in essence, it moves a facility to the edge of a Control Area Bubble and thus there would be no ISO costs related to that facility. Reclamation mentioned the possibility that the San Luis Unit loads might be moved as a “pseudo-tie” to the edge of Western’s Sub-control Area as well. It has been estimated that PG&E has been maintaining the San Luis Unit loads at a cost of approximately \$500 thousand per year under the pre-existing 2207A agreement. If the San Luis Unit loads were linked to Western’s Sub-Control Area through a Pseudo-Tie, this would remove the San Luis Unit from CAISO charges until 2016 (when contract 2207A expires).

San Luis Water District has been trying to have Pumping Plant 17 on the San Luis Canal recognized as a PUE pump load. Although the Project contract clearly states that this pump is PUE-eligible, PG&E has dragged their feet on this issue for two years.

Western has already received 1400 gigawatt hours in Base Resource. Reclamation stated that this year is looking to become one of the best in the top five years of history of the CVP in terms of hydrology and runoff. Maintenance on several hydropower facilities is being delayed to take advantage of this extra generation opportunity.

Russ Harrington will review whether a meeting is necessary to review the post 2948A O&M cost suballocation with Preference Contractors, Western, and Reclamation. Western indicated that the initial power O&M cost data for FY 2005 won’t be available until June at the earliest. Part of the reason for the delay is that the first three months in FY 2005 precede the expiration of 2948A while the cost allocation for the last nine months will need to include the provisions of the suballocation agreement; this increases the complexity of the cost allocation calculations. Melinda suggested that we table this topic until May, when preliminary cost data for FY 2005 will be available.

B. Security Cost Reimbursability. Reclamation stated that data have been distributed to SMUD and the CVPWA that contain the FY 2006 security guards and patrol costs allocated to Irrigation, M&I, and Commercial Power. This information has been forwarded to the FAC for review. Reclamation staff indicated that they cannot provide any other specific data beyond what has already been provided.

SMUD requested more detailed information regarding the segregation of costs to the dam, powerplant, and switchyard for facility complexes, and asked that Reclamation staff reconsider their decision not to provide supplemental cost information. SMUD also expressed an interest in seeing the cost allocation through the multi-purpose facilities.

Another issue with the data that was raised by SMUD pertained to the calculation of the cost allocation for FY 2006. Per FY 2006 House legislation, Reclamation capped the recoverable security costs at \$10 million by multiplying the \$18.9 in security costs for guards and patrols by the ratio of 10 to 18.9. The question of whether the appropriate ratio should have been 10 to 20.9 was raised, because the total cost allocation per Reclamation's March 2006 security report was \$20.9 million. Reclamation's response was that \$20.9 million represented the total O&M expense for guards and patrols, but only \$18.9 million of that total was determined to be reimbursable.

Reclamation staff indicated that the capital hardening and anti-terrorism expenditures will remain non-reimbursable. However, the O&M requirements for the capital hardening costs will be treated as reimbursable expenditures. These O&M requirements could represent significant expenditures in future years.

Reclamation staff stated that the format used in the allocation of security costs was specifically requested by the Denver Office. The Folsom Complex, Shasta Complex, Keswick D&R, B.F. Sisk Dam (San Luis Reservoir), and Tracy Switchyard were the five facilities that were each allocated FY 2006 security guards and patrol costs. The total costs attributed to each facility are derived through a weighted average based on the security cost requirement for each facility and the allocation among project purposes (both reimbursable and non-reimbursable) for each facility.

Reclamation's Denver point of contact pertaining to the FY 2006 security guards and patrol costs is Gary Anderson, who may be contacted at (303) 445-2891.

C. Budget Workshops – Refining Customer Participation. Russ Harrington stated that he has scheduled a meeting with Regional Budget Manager Craig Muehlberg on March 31st to take a detailed look at the budgeting data that Reclamation staff currently has available. Reclamation indicated that a subsequent meeting wouldn't be scheduled until after this March 31st meeting. However, it is expected that there will be another follow-up meeting within a few weeks of March 31st. This meeting would include FAC representatives and Reclamation staff, and might include Assistant Regional Director Susan Ramos.

D. BOR-WORKS Water Accounting Program Development. A problem has been identified with a number of water transfers from September 2003, which were included in the FY 2004 Accountings instead of the FY 2003 Accountings. These transfers should have been included in the FY 2003 Accountings, but were not processed in BOR-WORKS ahead of Reclamation's September 30th year-end close. Because O&M costs in FY 2004 were higher than the O&M costs in FY 2003, those Contractors who engaged in these September 2003 transfers were allocated more cost than they would have if the transfers would have been recorded in the appropriate year. Del Puerto WD had a large transfer in September 2003, and has requested that

Reclamation fix this discrepancy. Del Puerto estimated that they were charged an additional \$11,000 in cost for this transfer because it was recorded in FY 2004 instead of FY 2003.

Reclamation stated that if they were to fix the Del Puerto WD transfer, then they would need to fix the other September 2003 transfers as well. Reclamation staff stated that they would want to target an adjustment in the FY 2005 Accountings, but that they may not have enough time left to do this. Reclamation acknowledged the year-end issue with processing September transfers before the fiscal year end, and system limitation at that time within BOR-WORKS, which have since been corrected. With respect to adjustments of the September 2003 transfers to reflect FY 2003 delivery, Reclamation noted that the adjustments are a zero-sum game, and all Contractors will be at least slightly affected.

Contractors asked that Reclamation consider the cost/benefit of any retroactive adjustments. It is not in Contractors' best interest to spend substantial money to fix an immaterial problem. However, a similar problem with Contra Costa's PUE allocation due to inappropriate meter readings was also sufficiently material to require an adjustment. Reclamation noted that the normal procedure for correcting prior cost misallocations from prior years is to roll a correcting adjustment into the current year's accountings. Sometimes these adjustments are based on discrepancies found by Contractors, and sometimes the adjustments are based on discrepancies found by Reclamation.

Another BOR-WORKS issue pertains to discrepancies between the monthly and annual BOR-WORKS reports of a number of Contractors related to the FY 2005 final accountings for these Contractors. Westlands WD indicated that they have received a report with some adjustments to correct prior errors, and the Fresno Area Office responded that this would probably not cover all of the issues that need to be corrected. Contractors stressed that the Fresno Area Office and Mid-Pacific Regional Office need to communicate more effectively, and suggested that BOR-WORKS issues should be brought by Contractors to the Regional Office instead of the Area Offices.

Reclamation stated that the Regional Office is working with the Area Offices to resolve all discrepancies between the monthly and annual BOR-WORKS statements. The Regional Office's Ratesetting Services has indicated that it is trying to make this issue a priority. Reclamation's point of contact for this issue is Larry Bauman. Judy Tapia from the Fresno Area Office asked that she be notified as well when Contractors contact the Regional Office regarding BOR-WORKS discrepancies in the Fresno Area Office region.

Contractors also asked about the notification by Reclamation that the BOR-WORKS reports would not be available for February. Contractors asked when these February monthly reports would be available. The Fresno Area Office indicated that February data should be provided by early April. Typically, the monthly BOR-WORKS system records are closed during the last week of each month.

E. Water Transfer Rate Policy Development. Contractors requested a status update on the Revenue Crediting Notification letter that Reclamation has stated is required for a change in the crediting status. Reclamation indicated that this letter is still in progress, and that it is not

expected to be completed until the Transfer Rate Implementation Guide has been finished. Contractors noted that the FY 2005 final accountings will be completed in the near future, and requested that the mutually agreed-upon revenue crediting mechanism be incorporated into the FY 2005 accountings. Contractors asked that the letter be finalized and distributed in time to allow for the crediting of revenues against the obligations for the facilities that were paid, and to include this methodology in FY 2005.

Regarding the Flowcharts and Process Descriptions that were distributed by Reclamation staff in March, Reclamation acknowledged the written feedback regarding these documents that were submitted by Contractors through the CVPWA. Reclamation didn't see any problems with incorporating adjustments based on the feedback, but that he still has additional work to do on these documents. Reclamation verified that the Flowcharts and Process Descriptions are intended as supplements to the Implementation Guide and not as a replacement to the Contractors' draft. Reclamation confirmed that corrections have been made to the Flowchart and Process Descriptions pertaining to the Ability to Pay limitations based on comments that were provided by Colusa County WD.

Reclamation's edited Implementation Guide still doesn't have an estimated date for release to Contractors. The next internal Reclamation meeting to review this document is scheduled for April 14th. Reclamation indicated that the brief guidelines that have already been distributed by Reclamation should be utilized until the final Implementation Guide has been distributed by Reclamation.

Reclamation was asked about the process for correcting inappropriately calculated transfer rates. Contractors are concerned that transfer rates are already being calculated for Water Year 2006 transfers, and that there are probably some transfers that have been processed with incorrect transfer rates. Contractors mentioned that for a given transfer, different Area Offices have sometimes provided different transfer rates. Reclamation stated that any transfer rate calculation issues need to be directed to the Regional Office, and that John Pelley would be the contact person.

There are still outstanding issues with determining transfer rates under the "higher of two rates" methodology; one specific issue pertains to the appropriate rate that should be used under this methodology for Contractors who have multiple rates. Reclamation stated that article 7(I), which replaces the "higher of two rates" methodology with the "cost of services rate plus additional facilities" methodology, only applies to Long Term Renewal Contracts, and specifically does not apply to Interim Renewal Contractors.

Contractors reiterated their request that Reclamation prepare and distribute the Revenue Crediting Notification letter concurrently with their continued review of the Implementation Guide. Contractors would like to have the revenue crediting issue resolved and implemented prior to the completion of the FY 2005 final accountings. Because the next meeting on the Implementation Guide is not scheduled until mid-April, Contractors are concerned that this will not occur if Reclamation waits to complete the Implementation Guide before commencing on the Revenue Crediting Notification letter.

Reclamation noted that two new schedules will be added to the Special Ratebooks. The last section will include transfer rates to cover additional facility use rates when water is transferred to M&I from a Long-Term Renewal Contractor.

F. **Folsom Dam Costs.** Reclamation indicated that the PASS II report will be completed and distributed to the public in the near future. The purpose of this report is to evaluate several alternatives for addressing the Folsom Dam Modifications issues. As a side bar, Reclamation noted that the definitions of terms and phrases such as “Dam Raise” and “Safety of Dams” are slightly different with Reclamation than with the Corps of Engineers. Reclamation staff stated that it is important that these differences be reconciled. After this report has been released, Reclamation and the Corps of Engineers will give a presentation to the Technical proxy team (three Contractor representatives). No date for this presentation has yet been established.

Last September, Reclamation and the Corps of Engineers initiated the first PASS study, and identified six alternatives to meet the Reclamation Safety of Dams and Corps of Engineers Flood Control requirements. The Corps of Engineers and Reclamation have been running projects in parallel. Efforts have been undertaken to provide an “apples to apples” comparison for these projects. Reclamation noted that the original PASS study has been completed, and that the purpose of the PASS II study is to take one of the alternatives identified in the original PASS study and take this alternative to the appraisal level. However, Reclamation added that each of the plausible alternatives will be pursued to the level of a feasibility study. The PASS II study was implemented by MWH, which is a private consulting firm. Reclamation noted that the PASS evaluation didn’t include the Folsom Bridge.

Reclamation noted that the overall Raise project has a Safety of Dams allocation which could be treated as reimbursable. However, Reclamation stated that they do not believe that they have either the authority or capability to recover any costs pertaining to the Folsom Bridge. Contractors said that they still may be interested in assurances of non-reimbursability for the Bridge, and that these assurances would be related to the Easement issue. The two primary issues regarding the Folsom Bridge were defined as (1) involvement of local Congressmen and (2) the Corps commitments to ensure that the Folsom Bridge is non-reimbursable.

Reclamation stated that the November 2002 Chief’s Report that fixed a 52% Flood Control / 48% Safety of Dams component is subject to change based on revised calculations. This means that the Corps’ corrected 58% Flood Control / 42% Safety of Dams allocation is now the current standard. Reclamation added that the Corps of Engineers needs to explain its methodology in a manner that is readily understood; the Corps has not provided any rationale to Reclamation for the original cost allocation that was provided. The Corps of Engineers also needs to explain the benefits of this project to the CVP Contractors. Contractors asked whether the cost exposure that was limited to a Safety of Dams allocation for \$36 million. Reclamation responded that the Corps is currently developing its PADD document, which outlines the decision-making criteria used by the Corps in selecting a preferred solution from several alternatives. The Corps needs to go through this internal process.

Contractors were concerned about whether to approve the required easement for the Folsom Bridge. It was suggested that an approval letter include language regarding the non-

reimbursability assumption, and possibly a written indication from Contractors that approval is contingent upon non-reimbursable status.

Contractors expressed concern over the Fuseplug design alternative that may be under consideration as part of the Folsom Dam Modifications. The possibility of substantial water bypass and the issue that a fuseplug solution may take the Folsom Dam out of service for an extended period are extremely significant issues. Contractors suggested that a gated alternative would be much preferred to a fuseplug design. Reclamation stated that the fuseplug is a design concept that is exclusively related to Safety of Dams. The advantage of the fuseplug design is that it is inexpensive to build relative to other alternatives. Reclamation noted that the Safety of Dams program can't improve benefits for any project purposes, and that the only purpose of the Safety of Dams program is public safety. Reclamation added that the fuseplug is one of several concepts that was considered, and that other concepts included a 17 foot dam raise, a 9½ foot dam raise, a tunnel, and different auxiliary spillway alternatives.

Another issue pertaining to the Folsom Bridge is that the preferred location for this bridge is where SMUD has a planned switchyard connection. The impending bridge construction has pushed the switchyard connection schedule ahead. Reclamation and the Corps have suggested that SMUD incorporate a switchyard connection to the south side of the bridge, but this would be expensive relative to other alternatives. SMUD prefers a solution to the north of the bridge site. Last week, SMUD received a letter from Congressmen Doolittle and Lungren asking whether SMUD was impeding the progress towards completion of the bridge. SMUD indicated that it may absorb the additional costs required by moving the switchyard connection from the original site (where the Bridge will be built) to an alternative location. SMUD stated that it can't disconnect this line without completely cutting the power to the City of Folsom. SMUD noted that the switchyard connection benefits the entire power grid, which includes the CVP Contractors (both water and power).

G. Direct Billings. Regarding the Direct Billings for Safety of Dams, Reclamation stated that these costs might not be Direct Billed. However, the Regional Office is still working through this issue with the Denver Office, and a final determination still needs to be reached.

Reclamation also continues to explore options other than direct billings for the PUE costs. Reclamation stated that a potential solution had been reached through a joint meeting with Contractor representatives and Reclamation staff. The next step is for Reclamation to follow-up to determine whether or not this identified potential solution is viable.

The Trinity PUD costs are now the only costs that Reclamation still plans to collect through a Direct Billing. Reclamation stated that the Solicitor has determined that the authorizing language for the Trinity PUD does require that costs be collected directly from the Contractors for remittance to the Trinity PUD. Reclamation wants to complete a single Direct Billing to cover the FY 2006 and FY 2007 costs, which will give Reclamation enough time to determine a methodology for rolling the Trinity PUD payment into the water rates. This is the final decision that was reached by the Regional Director. Reclamation noted that the requirement is to collect this payment in advance, which is one of the reasons that both the FY 2006 and FY 2007 payments will be collected simultaneously. The other reason for collecting both years in a single

billing is the ability bill to more Contractors who will now exceed the \$50 cost of billing those Contractors. Reclamation confirmed that Contractors who are billed won't be subsidizing the payment responsibility of those Contractors whose bill is under the \$50 minimum threshold (note that Contractors whose bill is less than the minimum threshold won't be billed, but will have their share of the cost included in their final accountings. Although Reclamation has already made the FY 2005 Trinity PUD payment, Reclamation has not made the required FY 2006 Trinity PUD payment. Contractors requested that any Direct Billing for Trinity PUD include the statements that this will be a one-time billing and that subsequent Trinity PUD costs will be collected through the ratesetting process.

3. 2006 Water Rates

Reclamation distributed the responses to all of the questions and comments from Contractors regarding the draft 2006 water rates. Specific responses were sent to the CVP Water Association, Westlands WD, East Bay MUD, and Del Puerto WD. [The responses to each of these four entities have since been distributed by e-mail to the FAC.] Mike Hagman asked about getting a response to the Friant letter regarding the capital rate methodology, and was informed that this response would be sent separately.

Contractors asked about the purpose of including a 75% cap on the Acre-Foot base used in calculating the O&M rates. Contractors stated that they understood the purpose of the 5-year rolling average for O&M calculation purposes, but that the 75% cap didn't have a readily understood purpose. Reclamation responded that this cap is used for the Corning and Tehama Colusa Canal Contractors, and that the basis for the other Contractors who have the 75% cap is provided by Reclamation's Central Valley Operations Office. Reclamation agreed to look into this matter, and was asked to answer two questions:

- (1) What is the reason for the 75% cap?
- (2) Is this cap being applied consistently?

4. SWRCB Fees

Russ Harrington noted that the State Auditor has released a report pertaining to the SWRCB Fees. This report was very critical of the SWRCB Fee calculations. Russ indicated that he would be distributing an Internet link to this report by e-mail (which was done during the afternoon immediately following this FAC meeting). Russ announced that Senator Dean Flores would be holding a hearing to discuss the details and ramifications of this report.

Requested Adjustment to February FAC Meeting Notes by Larry Hobbs

In the notes below, Larry Hobbs' comments are listed in parenthesis, and the text on which his comments are based are underlined.

E. **Folsom Dam Costs.** Reclamation Safety of Dams (SOD) staff provided two handouts, which are attached. The first handout, which is titled "CVP Communication 2/24/06", discusses Reclamation's SOD work on Mormon Island...

CC 1 - The work identified in the provided handout is not solely Mormon Island Auxiliary Dam (MIAD), but refers to all Safety of Dams activities at the entire Folsom facility.

...and alludes to a partnership with the Corps of Engineers regarding other SOD projects. However, this document does not provide details regarding any Corps of Engineers efforts.

CC 2 - The document was not intended to provide details on Corps of Engineers efforts. The “Dam Raise” and Outlet Modifications” are USACE specific projects and the USACE should be consulted as to USACE “dam safety” components as opposed to the term “SOD” which herein is assumed to be specifically referencing Reclamations Dam Safety, Studies, Projects and/or Programs at Folsom.

The second document, which is titled “Folsom Dam – Safety of Dams – Corrective Action Study”, provides a cost summary covering the time period from inception through 2005 as well as cost projections for 2006. Note that this document also is limited to the Mormon Island issue.

CC 4 - The work identified in the provided handout is not limited solely to MIAD, but refers to all Safety of Dams activities at the entire Folsom facility since the late 1980’s.

In general terms, Reclamation has spent approximately \$32 million in SOD work at Folsom. The vast majority of this expenditure has been to address the Mormon Island liquefaction issue. Reclamation SOD staff reiterated that a comprehensive review was conducted on the Folsom facility in 2000, which determined that corrective action was needed. This led to a scoping study that was completed at the end of 2005. This process has extended into a joint process to look at alternatives for SOD requirements as well as Flood Control improvements. The current BOR-WORKScope has resulted in expenditures to date of approximately \$4 million, and Reclamation SOD staff expects that an initial \$9 million to \$15 million will be spent to complete the feasibility study.

CC 5 - Reclamation SOD staff has estimated the cost of feasibility study efforts to be \$9-15 million dollars

In September 2005, Reclamation SOD staff engaged in a review of SOD alternative actions called the PASS study. Subsequently, a PASS II study was utilized to select an alternative for implementation. Reclamation is now reviewing this draft for critical flaws and is in the process of preparing a report that will be due in early April.

CC 6 - Reclamation SOD staff, with staff from the USACE, SAFCA and California DWR participated in a PASS study to identify possible technical alternatives which had the possibility of meeting Reclamations Dam Safety objectives and USACE objective of providing improved flood protection. A subsequent study PASSII evaluated one alternative in further detail for feasibility plan formulation efforts. At this time no alternative has been selected for implementation.

Reclamation SOD staff were requested to provide information regarding the current status of the Corps of Engineers (COE) projects on Folsom .

CC 7 - Reclamation SOD staff, will arrange on behalf of the CVP, a status report to the CVP, of current USACE technical activities. Budgetary, cost sharing, allocation, reimbursement etc...information shall be provided when appropriately developed.

The Folsom Bridge is included as a portion of the COE authorization of \$250 million to cover the Folsom Bridge, LL Anderson, and the Dam Raise. There is a separate cost authority for the COE costs, and the current thinking of Reclamation staff is that these costs will be non-reimbursable.

CC 8 - Reclamation SOD staff, is tracking these cost separately through the use of the separate cost authority. No statement to the reimburse ability of these costs was made or implied by Reclamation at the meeting. A statement was made that Reclamation does not currently believe costs related to the new Folsom Bridge and LL Anderson would be attributable to Reclamations Dam Safety Project or Program although no formal determination of such has been made.

Reclamation SOD staff also stated that the COE and Reclamation will be engaging in a “joint effort” to complete the projects that were originally assigned as SOD to the COE. Reclamation SOD staff stated that the Dam Raise has a SOD component, but didn’t specify how that cost would be allocated. However, the Outlet Modifications project authorization, which has evolved into an Auxiliary Spillway review, does not have a SOD component. Because the Outlet Modifications is exclusively allocated to Flood Control, there will not be any cost from this project allocated to Contractors.

Reclamation is currently reviewing the SOD component of the Folsom Dam Raise, and is tracking these costs in a separate cost authority. The COE is developing a “Top of Dam” study to determine the optimum height of the raise and the corresponding BOR-WORKS scope to implement the raise to the optimum height. Reclamation SOD staff indicated that the Dam Raise allocation will be limited to the portion of the raise attributed to SOD.

CC 9 – The term “Dam Raise” has multiple meanings and for clarification purposes, the “Dam Raise” and Outlet Modifications” projects are USACE specific projects and the USACE should be consulted as to USACE “dam safety” elements/components/allocations etc...

The term “SOD” which herein is assumed to be specifically referencing Reclamations Dam Safety Studies, Projects and/or Programs at Folsom. Reclamation has identified the need for modifications to reduce hydrologic risk. Reclamation has identified possible modification alternatives which include a “raise” element. A “raise” element in Reclamations Safety of Dams vernacular would be a physical raise of the dam to contribute to or provide reduction of the defined hydrological risk to within public protection guidelines.

If a joint integrated federal alternative is determined to be in the best interests of the public and United States, an identification of design elements meeting Reclamations Dam Safety objectives and design elements meeting flood control objectives will be determined and communicated to

the CVP contractors. Budgetary, cost sharing, allocation, reimbursement etc...information shall be provided when appropriately developed.

Reclamation SOD staff indicated that they have little information regarding the current status of the LL Anderson project. They said that it was still attached to the Dam Raise authorization, but that it apparently wasn't included in the most recent funding plans. Indications are that PCWA has taken the preliminary designs for the LL Anderson facility and are progressing independently of Reclamation or the COE.

CC 10 – The USACE should be consulted with regarding details of their authorized projects.

Contractors requested a flow chart detailing the potential cost shares of the various Folsom Dam Modifications that have been attributed a SOD cost component. Reclamation SOD staff said that the dialogue to develop this flow chart is ongoing. All SOD costs for the current programs are still carried in the Construction In Progress account. Reclamation is starting to develop teams that will work through the cost allocation process. Contractors have been told that cost allocation data will be shared with Contractors only after the conceptual review has been completed. The review with Contractors may be through the three member workteam (determined to be Mike Hagman, Jerry Toenyas, and Russ Harrington) that was established at Reclamation's request to serve as a conduit for the SOD financial issues.

CC 11 - Budgetary, cost sharing, allocation, reimbursement etc...for a joint federal alternative has not been fully developed, discussions of these elements are underway between Reclamation, the USACE and its partners and information shall be provided when appropriately developed.

Sacramento MUD (SMUD) is working with the City of Folsom to find an alternative location for the relocation of an existing SMUD transmission line that will be required because of the preferred location for the Folsom Bridge Project. SMUD has proposed an alternative that will accommodate a planned switchyard connection between SMUD and the Western Area Power Administration (WAPA). Paul Olmstead is the SMUD representative who is working directly with Reclamation, the Corps of Engineers (COE), and WAPA on this matter. SMUD has been attempting to get the COE to address this issue during the planning for and preparation of the environmental documentation for the Folsom Bridge. SMUD has stated that it doesn't want to delay the Folsom Bridge in search of a solution to the switchyard connection issue, but that the ability to tie to the WAPA grid is becoming critical to WAPA and SMUD. The City of Folsom as a state lead for the Folsom Bridge project will cover cost for the relocation of the transmission line. Additional costs may be borne by SMUD. These costs should not be allocated to the water and power contractors. SMUD has provided several documents containing information regarding this matter, which are attached