

Intertie Cost Recovery - Comments from February 11, 2014 Workshop

Agency	POC	Paraphrased Comments
Santa Clara Valley Water District	Dana Jacobson	<p>Mr. Jacobson asked what methodology Reclamation uses for determining the beneficiaries of a facility. Michelle Denning responded that the CalSim II model was used. Mr. Jacobson further asked how future O&M benefits "as a whole" are measured. He stated that if everyone shares future O&M costs it lowers O&M for everyone. Mr. Jacobson made the suggestion that Reclamation could consider treating the Intertie according to the Jones Pumping Plant, or add the Intertie to Jones Pumping Plant as an addition. Mr. Jacobson also requested that Reclamation review the comments he provided via email regarding the Intertie cost allocation.</p>
Westlands Water District	Tom Birmingham	<p>Mr. Birmingham stated that Reclamation's ability to supply water to Friant/Madera exchange contractors and refuges is improved due to the Intertie; therefore, there are more beneficiaries than the SOD contractors identified through the CalSim II modeling performed. He suggested that Reclamation ask contractors if the CalSim modeling is consistent with their actual operations. Mr. Birmingham also provided additional background from the contractors perspective, and explained that it was mutually agreed upon (between Reclamation and the contractors) that the capacity of the DMC needed to be restored because of the subsidence that has occurred over the years due to dry conditions and groundwater pumping. Canal capacity could have been restored if there was major rehabilitation of the DMC instead of the Intertie being constructed to benefit just a small group of contractors. Mr. Birmingham made a point of saying that, had a major rehabilitation to the DMC occurred, the cost of the rehabilitation would have been added to the conveyance cost component and the repayment would have been shared by all who are included. The Intertie was constructed for the purpose of meeting the need for restoring canal capacity; therefore, Mr. Birmingham believes that it should be treated as a conveyance action and included in the conveyance cost component for recovery through the water rates. Mr. Birmingham further stated that the entire CVP benefits from the Intertie, that it was not designed for a single group of contractors. The CVP is a financially and operationally integrated project.</p>

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Friant Water Authority	Ron Jacobsma	<p>Mr. Jacobsma expressed concern about setting a president with the Intertie repayment, and the impact it will have on other new construction that may occur in the future that will be much larger. He also mentioned that when new construction primarily benefits a certain group of contractors, the costs should follow the beneficiaries. Allocating cost to all contractors for features that provide primary benefit to a specific group of contractors, and incidental benefits to others, is not appropriate. The energy costs and the fee for the use of the Aqueduct to move water to O'Neill should be paid by the beneficiaries. This facility [Intertie] will have on-going O&M costs. The footprint isn't as expensive as the O&M costs. Mr. Jacobsma also mentioned that he was intrigued by option 3. Costs shift, so over time the benefits have changed. This option captures the cost shifting. Storage issues will dwarf this. These proposals [in the options paper] are president setting. Mr. Jacobsma stated that the Exchange contractors prefer option 2. Mr. Jacobsma also requested that Reclamation review the position papers that were previously submitted by the Friant Water Authority regarding the treatment of the Intertie for cost recovery.</p>
East Bay Municipal Utility District	Garth Hall	<p>Mr. Hall mentioned that the repayment of the Intertie could be treated in a similar manner as the Freeport project back in 2003/2004. He also commented that he liked the idea of segregating the conveyance cost component based on the specific canals used, and that this is something that could be considered when public meetings are held regarding finalizing the M&I Ratesetting policy. He stated that option 3 has some appeal to M&I contractors but there is some concern about the shift of the costs. This can't be done quickly but should be considered for 2015.</p>
Lower Tule Irrigation District	Eric Limas	<p>Mr. Limas commented that Cross Valley Canal contractors do not benefit from the Intertie; and therefore, should not be responsible for repaying the construction costs. Ms. Denning agreed that there is no benefit to the Cross Valley contractors, that this was a mistake in the draft Intertie Cost Allocation paper. Mr. Limas stated that he prefers option 2.</p>
Western Area Power Administration	Regina Rieger	<p>Ms. Rieger mentioned that the Intertie will increase project use pumping. She committed to providing official comments from Western in writing.</p>