



CVP Power Initiative

Related to Section II of the Implementation Plan: Cost Stability - Transparency

Applying Miscellaneous Water Revenues Toward Aid to Irrigation

Question

Whether miscellaneous Municipal and Industrial (M&I) revenues received by Reclamation could be applied to the aid to irrigation obligation for Central Valley Project (CVP) power as is done for Reclamation's Colorado River Storage Project (CRSP).

Evaluation

The CVP final cost allocation defines the obligation for recovery of costs to project purposes. When aid to irrigation applies, the obligation for repayment remains with the irrigators but the payment for the aid to irrigation is shifted to power. Therefore, when miscellaneous revenues are generally applied to the obligations of project beneficiaries, they would reduce the obligation to the purpose, and in this case, irrigators, and power on their allocated obligation. The costs transferred to power to provide the aid to irrigation would not be impacted by a change in obligation or application of miscellaneous revenues. If specific legislation existed that would change the application of revenues from project beneficiaries to specifically apply to aid to irrigation, then power's obligation for aid to irrigation would be impacted.

The CRSP Act of April 11, 1956 was enacted "To construct, operate, and maintain the following initial units of the Colorado River storage project consisting of dams, reservoirs, powerplants, transmission facilities and appurtenant works: Curecanti, Flaming Gorge, Navajo, and Glen Canyon..." and for other purposes. The Act of June 13, 1962, and the Act of September 2, 1964, amended CRSP to, among other things, add additional participating CRSP projects.

A main component of the CRSP was the establishment of the Upper Colorado River Basin Fund. Section 5(a) states "There is hereby authorized a separate fund in the Treasury of the United States to be known as the Upper Colorado River Basin Fund...which shall remain available until expended...for carrying out provisions of this Act other than section 8." Section 5(c) of CRSP directs the crediting of

revenues collected under CRSP and requires "All revenues collected in connection with the operation of the Colorado River storage project and participating projects shall be credited to the Basin Fund, and shall be available, without further appropriation, for (1) defraying the cost of operation, maintenance, and replacements of, and emergency expenditures for, all facilities of the Colorado River storage project and participating projects,....(2) payment as required by subsection (d)...."

Subsection (d) requires that revenues in the Basin Fund in excess of operating needs shall be applied in the following order:

- (1) Power allocation;
- (2) M&I allocation;
- (3) Interest on the unamortized balance of the investment; and
- (4) Irrigation allocation.

Specifically, revenues are applied:

- (1) As a tail-end credit to the power allocation of the project. To the extent revenues exceed the remaining balance or there is no power allocation then;
- (2) As a tail-end credit to the M&I allocation of the project. To the extent revenues exceed the remaining balance or there is no M&I allocation then;
- (3) As a tail-end credit to the irrigation allocation of the project; and
- (4) If, in the event aid-to-irrigation is the only remaining irrigation obligation, revenues will be credited to aid-to-irrigation.

Conclusion

The above-mentioned crediting requirements apply only to participating CRSP projects. Revenues generated in non-CRSP projects, such as the CVP, are credited in accordance with Reclamation Manual Directive and Standard *Crediting of Incidental Revenues*, PEC 03-01.