

COMMENT SHEET
PUBLIC WORKSHOP FOR THE DELTA MENDOTA/CALIFORNIA AQUEDUCT
INTERTIE PROJECT

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The Bureau of Reclamation hosted a public workshop on February 11, 2014 to discuss the draft cost allocation and repayment options for the Delta-Mendota Canal/California Aqueduct Intertie (Intertie). A Repayment Analysis report was made available for the meeting presenting three options for the allocation and repayment of Intertie costs and Reclamation invited comments on the report.

Section 3 of the Intertie Cost Allocation Information Report published in December 2013 clearly shows that CalSim II modeling studies identify agricultural water service contractors as the sole beneficiary of the project. Reclamation Policy PEC 01-02, referenced in the Repayment Analysis report, states the purpose of a cost allocation is to relate the costs to the benefits derived from the project. The policy further states that a systematic and impartial allocation is required to determine and assign project costs that are clearly identifiable with the particular purposes they serve. Since agricultural water service contractors are the only beneficiaries of the Intertie, they must be solely responsible for repayment of project costs as defined in Reclamation's Policy PEC 01-02. Thus, options 1 and 3 do not comply with Reclamation policy.

In addition Reclamation is currently undertaking a cost reallocation for the entire CVP using the Separable Cost – Remaining Benefit (SCRB) cost allocation procedure. As delineated by Reclamation on numerous occasions during the current CVP cost allocation process, the first step in allocating costs is to determine the specific or separable costs that serve only one function. Since the Intertie serves only one project purpose, options 1 and 3 do not comply with the SCRБ allocation procedure being used for the CVP cost reallocation. Costs need to be allocated to the beneficiaries of the project to comply with the SCRБ procedures.

The Fiscal Effects section of the Repayment Analysis for options 1 and 3 reveals costs would be allocated to commercial power customers even though they do not receive *any benefit from the project*. Reclamation must follow its cost allocation policies and allocate costs to the identified beneficiaries. Thus, options 1 and 3 cannot be considered in the final allocation of Intertie costs.