



Department of Energy
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, California 95630-4710

FEB 19 2014

Ms. Autumn Wolfe
Ratesetting Manager
Bureau of Reclamation
2800 Cottage Way
Sacramento, CA 95825-1898

Dear Ms. Wolfe:

Western Area Power Administration (Western) appreciates the opportunity to provide comments regarding the repayment options which were presented and discussed at the February 11, 2014, Public Workshop for the Delta-Mendota Canal/California Aqueduct Intertie (Intertie) Project. Western seeks an outcome which is: (1) equitable, (2) consistent with project authorization and existing and long-term repayment policy, (3) allocates costs to the intended beneficiaries, and (4) assures long-term sustainability of the Central Valley Project (CVP).

Western remains concerned that the CVP's accomplishments continue to steadily decline over time as a result of both environmental and other physical constraints, due to initiatives such as Central Valley Project Improvement Act Restoration Fund activities, Delta activities, and designation of new project use loads, and their impact on the price competitiveness of the hydropower function. While the Intertie project increases water supply by 28,000 acre feet, commercial power receives no benefit and in fact output is reduced because of increased conveyance pumping load and potentially for pumping not fully reimbursed related to non-project water conveyance. Furthermore, Reclamation and its water contractors have been designing and discussing this project for many years, and the representations and assumption when this project was approved by Congress was the costs for the project would be allocated to water users. In that regard, Western supports Option 2 which allocates the Intertie costs to the conveyance pumping cost component and recovers costs according to cost distribution specific to the water beneficiaries. Western recommends Option 2 because:

- (1) The proposed allocation supports and is consistent with a long-term and well-established repayment policy, thus, would be imprudent to deviate from that policy;
- (2) When Reclamation sought authorization for this project, it was contemplated the project would be an operation, maintenance, and replacement activity funded by the water beneficiaries (in fact, the water users had advanced funded over \$20 million to Reclamation prior to the Congressional appropriations under the American Recovery and Reinvestment Act).
- (3) The proposed allocation is consistent with the operational conveyance pumping scenarios previously defined in the Record of Decision (ROD);

- (4) As stated in the Cost Allocation Report, the purpose of the Intertie is to improve the Delta Mendota Canal conveyance conditions that restrict the Jones Pumping Plant. Additionally, the ROD states that the primary project component of the Intertie would be a pumping plant;
- (5) The Cost Allocation Report also states that the Intertie was conceived initially by the San Luis and Delta-Mendota Water Authority and member districts to improve the water supply reliability of the CVP deliveries south of the Delta;
- (6) The inequity resulting from a change to the initial cost assignment after project completion, as is the case with Options 1 and 3, inadvertently assigns costs to power and could result in potential increases in irrigator's ability to repay, which under Reclamation law are reassigned to the preference power users for repayment; and,
- (7) Lastly, revising a cost allocation after project completion, without the benefit of public comments before project development, allows project beneficiaries to potentially change the alignment of factors and criteria used to justify the project from those whom are ultimately responsible for repayment.

For the above reasons, it is inequitable and improper to change the cost allocation to assign project costs to CVP power users. Western believes that the criteria should be consistent through the project's life cycle in order to assure consistency, accuracy, and equity. You may contact Regina Rieger at (916) 353-4629 if you need clarification on Western's comments.

Sincerely,


Sonja A. Anderson
Power Marketing Manager