



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

NOV 22 2016



Ms. Jeanine Townsend
Clerk of the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100



Subject: Comments to Bay-Delta Plan Substitute Environmental Document

Dear Board Members:

Western Area Power Administration (WAPA) appreciates the opportunity to review the Substitute Environmental Document (SED) the California State Water Resources Control Board (SWRCB) has prepared in support of its proposed decision to impose new unimpaired flows for the San Joaquin River. WAPA is a federal Power Marketing Administration under the Department of Energy and has the statutory requirement for:

- (1) meeting the project-use energy pumping requirements for the Bureau of Reclamation's (Reclamation) Central Valley Project (CVP);
- (2) marketing any hydropower energy in excess of the CVP's project-use energy pumping requirements to statutorily defined preference power customers; and
- (3) ensuring the safe and reliable operation and maintenance of the federal transmission system constructed to serve CVP project-use energy pumping requirements and CVP preference power customers

WAPA's comments on the SED are as follows:

The October 16, 2016 version of SWRCB's SED does not adequately identify or address the impacts that the proposed unimpaired flows would have on the CVP power function. The CVP is a multi-purpose, multi-reservoir, and geographically dispersed project with facilities, features, and authorized beneficiaries throughout northern and central California.

Preparing separate SEDs for the Sacramento and San Joaquin River systems dilutes the real impact of such decisions and results in potential segmentation of the analyses required under both the National Environmental Policy and the California Environmental Quality Act.

Since the CVP is operated as a single, integrated project, WAPA notes that instead of bifurcating the environmental analyses for the Sacramento and San Joaquin River systems, both analyses need to be combined and incorporated with an impact analysis of the Delta. A consolidated analysis is necessary in order to accurately capture the magnitude of proposed unimpaired flows to project beneficiaries. This is true for not only the CVP, but other upstream hydropower facility asset owners who may be similarly situated.

When the SWRCB first initiated its effort to consider the establishment of potential new unimpaired flow standards, after the passage of the Delta Reform Act shortly after 2009, WAPA, along with a number of similarly situated stakeholders, commissioned a study by HCR consultants to evaluate the potential impacts on the regional hydropower system associated with alternative unimpaired flow standards. At that time, preliminary studies indicated if a 40 percent impaired upstream flow standards were imposed upon the CVP for both the Sacramento and San Joaquin River systems, the total hydropower generation production output of the project would be reduced by approximately 30 percent.

A hydropower generation reduction in this magnitude would have a major impact on WAPA and the CVP operations. As a policy matter, the state of California has committed to achieving environmentally friendly objectives in the areas related to water and air. Accordingly, continued viability of the CVP is essential to realizing those statewide environmental objectives. However, such an impact as it relates to the CVP is not listed or identified anywhere in the report. The proposed unimpaired flow standards would require increased releases from reservoirs during the spring runoff months, which translates to less hydropower generation during the peak summer months. The consequences of less hydropower generation during peak demand include (1) loss of financial value, (2) inability to generate clean power during peak demand thus increasing California's reliance on out-of-state power and potentially less environmentally friendly alternatives, and (3) potential spring over-supply conditions causing negative pricing and power price volatility.

Finally, as Reclamation's statutory project-use energy provider, WAPA is concerned that in addition to reduced overall hydropower generation, the proposal may also create a need to purchase power on the market for certain hours of the day during the peak summer months, resulting in not only additional costs, but the specter of no surplus hydropower generation available to be marketed to WAPA preference power customers.

The SED also comes to broad conclusions of less than significant impacts without providing sufficient facts to back up the conclusions. In particular, the document states in Impact EG-2 "Additional groundwater pumping would not result in inefficient, wasteful, and unnecessary consumption of energy to the extent groundwater pumping is used to meet water supply irrigation demand". However no evaluation of the power rates required for this compensation are provided or compared to the current rates.

WAPA recovers all costs associated with the construction and operation of the CVP power function on a cost-of-service basis.

However, that cost-of-service basis is often times, during many hours of the day, above the hourly day-ahead price that is established by the California Independent System Operator. Should additional regulatory and environmental costs be imposed upon WAPA's operations, the CVP may no longer be financially viable.

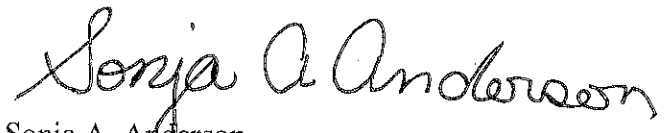
The financial impact of hydropower also extends to water contractors. A recent Department of Interior Inspector General's audit (Report No. WR-EV-BOR-0003-2012 released March 2013) indicated that the irrigation function for the CVP is currently not on track to fully recover all of the allocated capital investment costs by the year 2030. The Inspector General found that if Reclamation was unable to undertake the necessary corrective actions to the rates in a timely manner the cost "increases to water contractors could create the potential for rates to exceed irrigation contractors' ability to pay and shift the repayment requirement to the power users." If timely corrective action is not undertaken, the Inspector General estimated that based on current trends, the projected shortfall could range from a low of \$330 million to a high of \$390 million. This is another example of an enterprise wide risk that is independent of the proposed project being evaluated, and could affect the overall economic and financial viability of the CVP. In short, should the cost of power become prohibitively expensive for the project's preference power customers, the only customers left to repay for the CVP will be the project's water customers, and some of those customers (i.e., irrigators), may be constrained by an "ability to repay". The net result would be deleterious to California's agricultural economy.

While the SWRCB is on its own, independent track to potentially require additional releases from upstream reservoirs, WAPA notes that there are a number of other water resource initiatives underway with both the Reclamation and the California Department of Water Resources. Each of these initiatives would add additional costs to the CVP. These include, but are not necessarily limited to, billions of dollars in proposed projects: (1) North of Delta Off-Stream Storage project, (i.e., Sites Reservoir); (2) Enlarged Shasta Dam Project; (3) Upper San Joaquin River Storage Project (Temperance Flat); (4) San Luis Reservoir Low Point Project and (4) the proposed \$16 billion Delta Twin Tunnels Project (California Water Fix); in addition to the existing requirements under the Central Valley Project Improvement Act and the San Joaquin River Settlement Act. Individually, each proposal reduces project vendible accomplishments while increasing costs. Collectively the costs to WAPA are not sustainable. WAPA believes that all of these actions need to be not only acknowledged, but analyzed within the context of the proposed SWRCB decision to understand the context and the totality of what could potentially occur, including the environmental impact if the CVP is no longer financially viable.

WAPA understands the desire of the SWRCB to find a solution to improve the biology of the San Francisco-Bay Delta estuary. However, in order to fully understand the implications of the proposed actions, stakeholders need to be aware of the related and cumulative impacts which when viewed in their entirety, may generate a different perspective of the baseline and recommendations.

Thank you in advance for your attention and consideration. Should you wish to discuss these matters further, I would be pleased to discuss them at your earliest convenience. I can be reached at (916) 353-4421.

Sincerely,



Sonja A. Anderson
Vice-President of Power Marketing for
Sierra Nevada Region

cc:

Mr. Randy Howard
General Manager
Northern California Power Agency
651 Commerce Drive
Roseville, CA 95678

Mr. Arlen Orchard
General Manager and CEO
Sacramento Municipal Utilities District
6201 S Street
Sacramento, CA 95817-1899

Ms. Felicia Marcus
Chair
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Ms. Frances Spivy-Weber
Vice Chair
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Ms. Dorene D'Adamo
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Mr. Steven Moore
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Ms. Tam Doduc
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814-0100

Mr. Michael McElhany
Senior Vice President and Assistant Administrator
Washington Liaison Office
Western Area Power Administration
1000 Independence Ave. SW, RM 8G-027
Washington DC 20585-002