Supplement to Oral Comments Provided to TMC on June 20, 2019
by Redding Electric Utility and Trinity Public Utilities District

Central Valley Project Power

Historically, the federal multipurpose Central Valley Project has been an economic source of power supply for preference power customers and their member communities. However, a variety of factors have changed, causing CVP power to be less desirable than market alternatives.

Background:

- CVP hydropower generation is sold to preference power customers after meeting project pumping and conveyance needs (to deliver water for irrigators, cities, and refuges), operational requirements, and first preference customers load, which consumes approximately 30-35 percent of the CVP hydropower resource.
- CVP preference power customers repay annual costs and capital costs with interest, as well as the Central Valley Project Improvement Act (CVPIA) costs regardless of the amount of hydropower delivered.
- The amount of CVP power generation produced varies year-to-year based on hydrology, operational and environmental requirements.
- Since 1944, CVP preference power customers have repaid $2.258 billion in annual costs and more than $1 billion in capital costs and interest expense
- Since 1993, CVP preference power customers paid more than $430 million in CVPIA restoration and mitigation costs.

As the State of California moves to 100 percent carbon-free generation resources by 2045, CVP hydropower may be an important part of our communities power supply. At the same time, the influx of renewables has depressed market prices. Today CVP power customers are being asked to sign new long-term, 30-year CVP contracts. In order to do that, CVP power needs to be economic and its cost more predictable.

Unfortunately, multiple factors threaten the competitiveness of the CVP power, including increasing or unjust cost and resource and flexibility constraints. For example, power customers share of annual CVPIA costs should match the share of CVP capital costs assigned to power (roughly 26%). Over the past decade, power customers have been assessed almost 37% of the CVPIA Restoration Fund charges—and in FY 2015 and 2016, power's share of Restoration Fund climbed to 85% and 71% respectively. This year, the power customer's share again is nearly 50%. Operational uncertainty, due to the revised biological opinions, unimpaired flow requirements, delta conveyance proposals, and costly infrastructure projects, continues to threaten power production or expose preference power customers to increased cost.

CVP power customers have been working with the U.S. Bureau of Reclamation and Western Area Power Administration to improve the value of the CVP resource, but work still needs to be done. Revenue from CVP power sales is a lynchpin of the entire CVP program:

- Power revenues support the repayment upkeep of the CVP network of dams;
- CVP project power is used to pump water throughout the system;
- CVP irrigation projects are supported with "irrigation assistance" from power customers;
- CVPIA Restoration Fund programs, even if properly reformed, will remain dependent on power revenues; and
- Vital flood control operations need power revenues to support joint project costs.