REDDING ELECTRIC UTILITY
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Redding Electric Utility

November 26, 2019

Dear Trinity Management Council (TMC) Members:

At the June 20, 2019 TMC Quarterly Meeting, Redding Electric Utility (REU) and Trinity Public Utilities District (TPUD) made a Joint Statement during the Public Comment period requesting power stakeholders to be added as a voting member to the TMC. In addition to oral comments, we provided a supplemental fact sheet (Attachment A) for the TMC's review. Following our request, TMC members asked clarifying questions and agreed to place the discussion of adding power representation to the TMC on the September Quarterly Meeting agenda. This correspondence is to provide the additional information requested by the TMC, and to thank the TMC for their consideration.

Due to Tribal government and other Trinity River Restoration Program (TRRP) stakeholder concerns over serious TRRP shortcomings, the U.S. Bureau of Reclamation recently contracted with Headwaters Corporation for the purpose of identifying TRRP refinements that would better serve goals and mandates of the Trinity River Flow Evaluation Study and Record of Decision. This current evaluation follows a similar effort conducted in 2009 which attempted to address the same issues. TMC members all have agreed that the current process is not working and changes are needed.

Key Findings and TRRP Refinement Process

The TMC is currently addressing Headwaters' recommendations for refining the TRRP and, as part of the process, members are considering revisions to TMC Bylaws. A key finding noted by Headwaters on page 12 of their November 29, 2018 TRRP Refinements Report is that decision-making is not shared. Both the current and the 2009 evaluation resulted in the recommendation to enlarge the number of voting members on the TMC to better represent stakeholder interests. Additionally and importantly, Headwaters found no common understanding of TRRP's goal among TMC members and other stakeholders, a lack of transparency on how funding decisions are made, and that public perception of the TRRP is poor.

TMC Bylaws examines Member Agencies and Tribes, and Section 300 states that as future circumstances warrant, additional entities may be added to the TMC. Entities are to have either as a primary mission or key responsibility the restoration and or subsequent management of the fishery, wildlife, and other natural resources of the Trinity River and the Trinity River Basin. Having the responsibility to repay the costs to operate and maintain the Central Valley Project (CVP) generating facilities and contribute to the Central Valley Project Improvement Act (CVPIA) Restoration Fund for the purpose of facilitating environmental restoration, makes CVP power purchasers eligible. Circumstances which have changed that now warrant the addition of power interest are the economic feasibility of CVP power as compared to solar and wind energy.

Price of Power Considerations

Both REU and TPUD have the State mandate of providing safe and reliable power service in a cost-effective and environmentally responsible manner. As our utilities enter into long-term power contracts, we are mandated to consider the associated costs that are to be borne by our customers. Power costs are also of utmost importance to our customers and Governing Boards due to the low-income communities that our utilities serve. Presently, CVP power customers are evaluating new long-term, 30-year CVP contracts and, therefore, continue to measure the environmental and economic attributes of the CVP resource.

As demonstrated in Attachment B, power customers are contributing nearly $100 million per year into the operations, maintenance and mitigation for the CVP hydropower generation marketed by the Western Area Power Administration, Sierra Nevada Region. These costs are paid regardless of the power generated. Approximately one-third of the contribution is toward environmental restoration projects including those in the Trinity River System.

As reported in *California's Fourth Climate Change Assessment: Sacramento Valley Region Report* published in August of 2018, our region is expected to experience reduced or disrupted hydropower generation due to increased evaporative loss and decreased snowpack, as well as more variable and less predictable precipitation patterns. These impacts may significantly decrease the availability of hydropower and its value.

Former Governor Brown issued Executive Order B-55-18 in 2018 which established a statewide goal for California to achieve carbon neutrality by 2045. As California moves to 100 percent carbon-free generation resources, CVP hydropower may be an important part of our communities' power supply. These power resources are vital to the integration of renewable, sustainable wind and solar energy projects. At the same time, the influx of renewables has depressed market prices thus making hydroelectric energy resource purchases less economical. Attachment C shows the drastic drop in price that has occurred with renewable energy since 2009.

Responsibility to Our Communities

As documented in the Headwaters Report, while there is strong public support in the success of the Trinity River Restoration Program, the program lacks transparency and public perception is poor. As our utilities consider what power to procure for our communities, we must have a thorough understanding and alignment with the value it brings. Adding power representation to the TMC would allow for additional transparency, increased understanding, and support for the program.

Summary

As CVP preference power customers, CVP and/or CVPIA contributions are important components of our power rate and, as a result, our customers substantially contribute to the repayment of the CVP and environmental and restoration activities through our utilities. We request to be added as a voting member of the TMC so that we are able to contribute to the discussion. Appropriate representation and true collaboration are needed to facilitate the protection, restoration, and enhancement of fish and wildlife within the CVP while ensuring the viability of greenhouse gas emission-free hydroelectric power.

Thank you, and please do not hesitate to contact us with any questions.

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Attachment A

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.

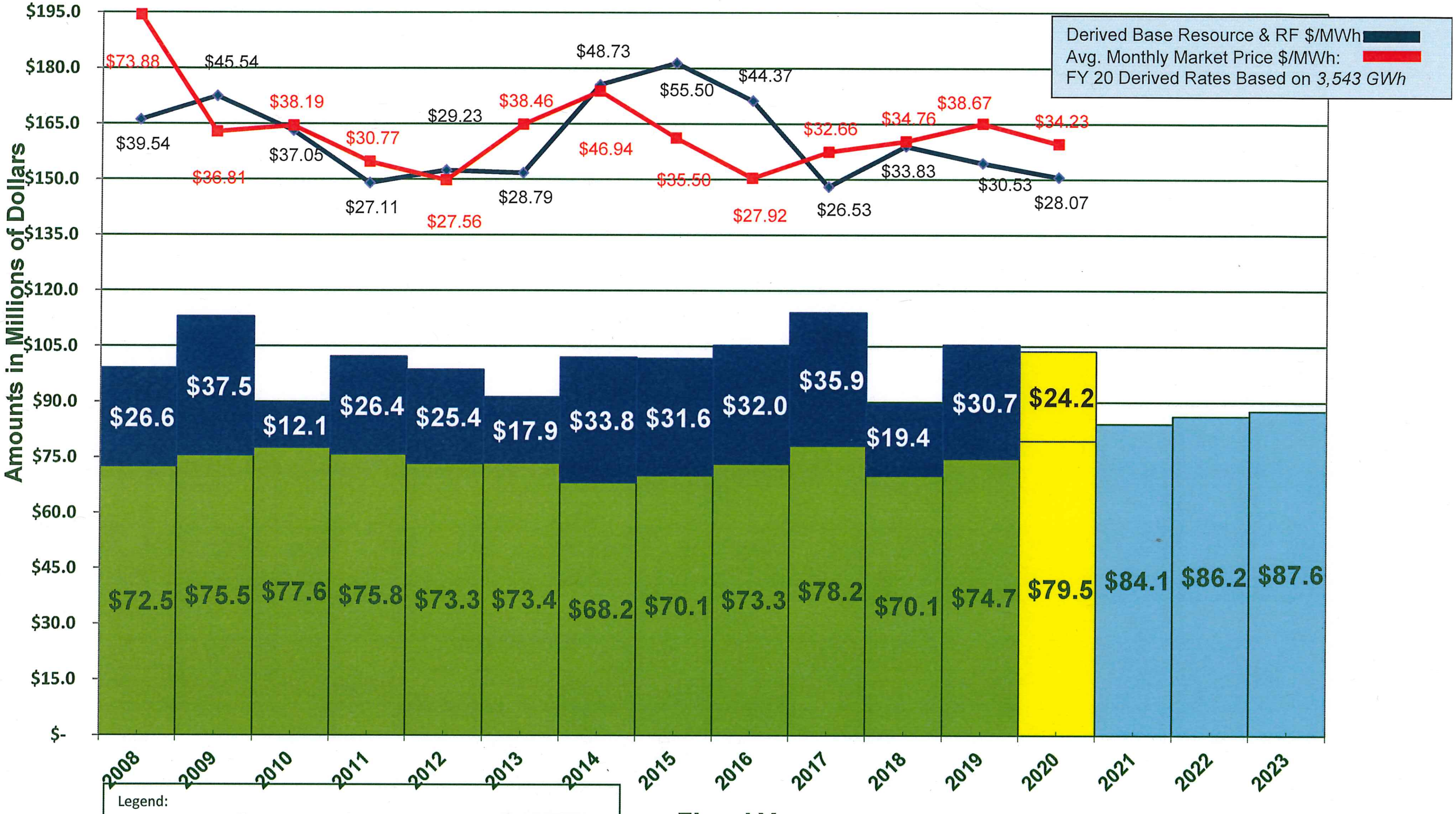
As the State of California moves to 100 percent carbon-free generation resources by 2045, CVP hydropower may be an important part of our communities power supply. At the same time, the influx of renewables has depressed market prices. Today CVP power customers are being asked to sign new long-term, 30-year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

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.

Attachment B

SNR Power Revenue Requirement & Restoration Fund (Actual & Forecasted)



Legend:
Restoration Fund*:
Power Revenue Requirement:
Restoration Fund & PRR (Current):
Power Revenue Requirement (Forecast):

*Restoration Fund amounts are based on Reclamation's mid-year letter.

Note: FY 2020 through FY 2023 Power Revenue Requirements do not currently reflect a reduction for Croffsets credits subject to determination by BOR.

As of: Oct 17, 2019

Attachment C