

Sponsors: Northern California Power Agency; Southwestern Power Resources Association; Trinity Public Utilities District; Sacramento Municipal Utility District; Colorado River Energy Distributors Association; Irrigation & Electrical Districts Association of Arizona

In Support of Proper Allocation of Central Valley Project Improvement Act Restoration Fund Costs to Federal Power Customers

1 Approximately 1,200 consumer-owned utilities in 33 states receive power from one of the four federal
2 Power Marketing Administrations (PMAs). These PMA customers repay the full cost, with interest, of
3 this federal investment. In turn, these customers receive emissions-free renewable, domestic power
4 supply. Historically, PMA power has been an affordable component of these utilities' power supply.
5 However, improper allocation of environmental costs tied to the Central Valley Project (CVP) in
6 California is driving the cost of federal power above market, threatening both the economic vitality of the
7 communities that depend on this resource and the multipurpose federal projects that are historically
8 sustained through revenues derived from federal power sales.

9
10 Under the Central Valley Project Improvement Act (CVPIA), the environmental impacts of project
11 construction and operations are to be mitigated through 34 delineated projects financed through multiple
12 funding sources. The statute stipulates that CVP power customers' contributions into the CVPIA
13 Restoration Fund are to be proportionate to the percentage of CVP costs allocated for repayment to power
14 customers.

15
16 The Bureau of Reclamation has consistently ignored this directive. As a result, CVP power customers are
17 paying two—and sometimes three—times their allocable share. While the Western drought has certainly
18 been a contributing factor in the increase in CVP power rates, the disproportionate allocation of CVPIA
19 costs has been a significant driver in pushing CVP rates significantly above market. In fact, the per MWh
20 cost of CVPIA payments by power customers is approaching the cost of market purchases. CVP power
21 customers must also pay the underlying costs of the CVP—as well as replacement power purchases given
22 the impact of the drought on hydropower production.

23
24 Revenue from power sales is essential to the economics of federal multipurpose projects. Federal power
25 customers not only pay the full cost of the federal investment in the turbines and transmission lines
26 needed to generate and deliver the electricity, their repayment of a share of these multipurpose dams is
27 what enabled construction of these projects that provide flood control, water supply, irrigation, and
28 recreation for millions of Americans. If mismanagement and misallocation of costs continue to
29 improperly drive federal power costs above market, federal power customers will be forced to consider

30 more economic and predictable power supply options. Without continued power revenues, the economic
31 sustainability of many of these programs that depend on federal power receipts will be jeopardized.

32
33 **NOW, THEREFORE, BE IT RESOLVED:** That the American Public Power Association (APPA)
34 calls on the Department of Interior, and specifically, the Bureau of Reclamation, to comply with the law
35 and assess Central Valley Project Improvement Act (CVPIA) Restoration Fund charges in proportion to
36 Central Valley Project (CVP) cost allocations; and

37
38 **BE IT FURTHER RESOLVED:** That APPA calls on Congress to investigate the transparency of
39 current expenditures and the disproportionate assignment of CVPIA costs; and

40
41 **BE IT FURTHER RESOLVED:** That APPA urges Congress to take appropriate steps to ensure the
42 proper allocation of costs to federal power customers.

**As adopted June 14, 2016, by the membership of the American Public Power Association at its
annual meeting in Phoenix, Arizona.**