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September 17, 1999

Mr. Rick Breitenbach
CALFED Bay - Delta Program
1416 Ninth Street, Suite 1155
Sacramento, CA 95814

SUBJECT: Draft Programmatic EIS/EIR - June 1999

Dear Mr. Breitenbach:

NCPA and its members are the Central Valley Project (CVP) power customers that obtain about 50 percent of their energy supply from the Project. We do appreciate this opportunity to comment on the subject document.

NCPA recognizes that this is a programmatic EIS/EIR. Due to the complexity of the issues and the various interests you are required to balance, it is neither possible nor advisable in our opinion to come up with specific actions. We do support your staged implementation and decision-making approach. Therefore, in response to the programmatic approach you have outlined, our comments are also general in nature. However, we do recommend that you prepare more specific environmental and decisional documents for anticipated future specific actions and seek our additional comments.

During our brief review of the PEIS in preparing our comments below, we placed a great deal of emphasis on the CALFED solution principles that include: "the solutions must reduce conflicts, be equitable, affordable, durable, implementable, and pose no significant redirected impacts."

1. CVP power customers have been paying more than their equitable share of ecosystem restoration costs under the CVP Improvement Act (CVPIA) since 1992. Alternatives presented in the Draft PEIS (including the preferred alternative) show a high likelihood to create a net additional negative impact on the CVP power system. Under certain circumstances, CVP energy production might increase slightly. However, when other considerations are factored in, including timing of water deliveries, additional pumping requirements, etc., the net results might cause additional financial and power-related impacts to CVP.

   You also need to clarify what criteria you are using to calculate the value of electric power for the purpose of determining economic (peak vs. off-peak, seasonal fluctuations in value,

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etc.,) impacts on the CVP. In doing so, please keep in mind the recently restructured California electric market and related issues, such as wholesale competitive price pressures in the market.

2. Another important consideration for CVP power customers and NCPA members is their long-term ability to repay the federal debt on the CVP facilities. If the CVP power rates increase above market rates as a result of the CALFED actions, our customers would instead elect to purchase power from the open market. In this case, the federal government could not recoup the public debt incurred to build CVP facilities. Please address this important consideration in supporting your future actions.

3. CALFED actions should not create re-directed impacts. For example, by increasing water supplies to meet fisheries obligations, there could be an impact on the time and duration of power output. However, if needed, replacement power were generated utilizing combustion turbines to substitute for the lost (hydro) power, this would result in additional air pollution creating re-directed impacts. Replacement power could be generated utilizing environmentally clean sources. However, the higher cost of production should be borne by the beneficiaries of CALFED actions and not by CVP power customers.

4. One way to allocate cost of CALFED actions would be to define "additional" benefits, seek recognition of the benefits from the parties who would receive the benefits, assign values to the benefits received, and seek consensus from the affected groups before implementing the solution. CVP power customers are concerned that the above mentioned steps will not be taken, and they (customers) would be asked to pay for the facilities or programs from which they might not realize additional benefits. Our concern is how the cost of implementing solutions should be allocated if the proposed actions result in overall benefit to the environment and the public, but not to a given stakeholder group. To allocate costs to stakeholders, like NCPA members who receive no benefit, violates the CALFED "beneficiary pays" principle.

5. The CVPIA Restoration Fund is but one source of funding available to implement many of the CALFED solutions. However, CVPIA is a separate program with specific objectives and selected parties are obligated for payments. While we do endorse a close coordination between the CVPIA and CALFED programs to create administrative efficiency and to realize savings to NCPA members and CVP power customers, as well as others, we are concerned that CVPIA funds might be used for non-CVPIA related programs including studies and research. CVP power customers are more sensitive because currently they are required to pay more than their fair and equitable share into the CVPIA Restoration Fund. As you select specific actions, please address, in detail, the sources of funds you expect. Also, identify your fall-back options if the other sources of funds (besides the CVPIA) do not materialize.

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6. While you may consider compensating CVP power customers for the power related impacts resulting from some of the future actions, from other sources such as combustion turbines, please keep in mind that power purchased or generated from fossil fuel may create additional environmental impacts. In addition, your actions and proposed solution might create overall rate increases throughout the state. We hope that you will take into consideration the overall impact of the proposed actions.

7. We appreciate that the Western Area Power Administration (Western) is on the Policy Group, and thus participates on program governance. We encourage you to utilize their experience and expertise on all issues including cost allocation, efficient operation of CVP facilities, the concept of joint operation between the state and federal water conveyance, and the various river operations. Please continue to include Western in the future decision-making process.

We will continue to participate in the development of the specific programs and actions and hope to be of assistance as you progress through this extremely complex task. Please feel free to call upon us anytime for assistance.

Sincerely,

GEORGE FRASER
General Manager

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