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

SEP 23 1999

Mr. Lester A. Snow
Executive Director
CALFED Bay-Delta Program
1416 Ninth Street, Suite 1155
Sacramento, CA 95814

Dear Mr. Snow:

This letter serves as the Western Area Power Administration's (Western) comments on the June 1999 Draft Programmatic Environmental Impacts Statement/Environmental Impact Report (Draft EIS/EIR). As a CALFED Bay-Delta Program (CALFED Program) member agency, Western agrees with the CALFED Program's Mission Statement, Primary Objectives, and Solution Principles as described on Page 1-5. Western also supports the efforts of the collaborative decision-making process and the CALFED Program team to finding solutions to the complex water issues of the Bay-Delta.

To fully understand the impacts from CALFED Program actions on Central Valley Project (CVP) hydropower, it is important for the CALFED member agencies and stakeholders to understand Western's role as the entity responsible for marketing and transmitting CVP power. Western's preference power rates repay transmission and generation costs of the CVP project debt assigned to power (with interest) and a substantial portion of the Central Valley Project Improvement Act (CVPIA) Environmental Restoration Fund (Restoration Fund). The amount of power for sale is dependent on hydrology, climatology, project use water, generation conditions such as head pressure and stream flows, peaking capability and the overall amount of reservoir storage. Proposed CALFED Program actions will likely alter CVP power production, resulting in a negative cumulative impact to CVP power production. As power available for sale to preference customers decreases and preference energy rates approach market rates, the preference customers will buy from the open market rather than from Western and CVP power will not be able to be sold. This could unravel the financial underpinnings of the CVP. In addition, repayment obligations to project use water users would increase as reimbursement from power sales decrease.

The Draft EIS/EIR indicates CALFED Program actions would cause the following potentially adverse impacts to marketable CVP hydropower resources:

- loss of <u>one-third</u> to <u>one-half</u> of energy available for marketing,

- major rate impacts to CVP preference power customers,
- pressure to move CVP power prices up to market rates and above,
- difficulty in selling CVP power if it exceeds market rates,
- loss of generating capacity to meet peak loads requiring construction of additional power plants with attendant land use impacts, and shifts to other forms of replacement generation, primarily combustion turbines, with resulting air quality impacts.

Western disagrees with the conclusion in the Draft EIS/EIR that "No potentially significant unavoidable impacts on power production and energy are associated with the preferred Program Alternative" because the CALFED Program has not committed to an avoidance strategy. Without proactive efforts to avoid or reduce the adverse impacts listed in the Draft EIS/EIR, there could be substantial re-directed impacts, both financial and physical, resulting from CALFED Program actions.

There are impacts on hydropower resources that still remain to be addressed by the CALFED Program. The following impacts should be further analyzed and discussed in the Final EIS/EIR, as these issues are important to making informed decisions on CALFED Program actions:

- Repayment of the capital debt if CVP hydropower prices increase and CVP power cannot be marketed or must be sold below the cost-recovery rate.

- Shifts in costs from one group of stakeholders to another as a result of CALFED Program actions (e.g. shifting costs for CVP capital debt and Restoration Fund from preference power customers to water users.) Additional clarification of "beneficiaries pay" concept should be addressed. The Draft EIS/EIR states (Page 7.9-17) that if the beneficiaries of the increases in project use pay the added costs, power rate effects to the historic users of this power could be reduced to less-than-significant levels. It must be clearly understood that the "added costs" under this scenario will not be solely due to cost for pumping, but additional costs for repayment of the capital debt and increased Restoration Fund costs. The suggested mitigation, requiring beneficiaries to pay, will only happen if there is proactive intervention on the part of CALFED to avoid re-directed impacts to CVP power users.

- Quantification of the "potentially significant" cumulative effects on CVP hydropower resources from CALFED Program actions related to the CVP. Quantification would be helpful in resource optimization for the CALFED Program.

- The most recent CVP power impact analysis available should be utilized in the power impact analyses. New data that is now available includes recent Project Simulation Model 99 modeling results showing dryer in-flow conditions.

- Modeling for more realistic division of impacts between CVP and State Water Project (SWP) uses. Current analysis assumes either all impacts to CVP or all impacts to SWP. Additional analysis should be performed assuming the energy needed to support CALFED Program actions is purchased from the market. It is inappropriate to assume CVP project use power will be used for non-CVP purposes.

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- Impacts to the CALFED Program from the U.S. Department of the Interior's new proposal for CVP water dedication for environmental purposes under CVPIA Section 3406(b)(2).

- Impacts to project use power that may be greater than shown in current analyses if the "joint point of diversion" causes more CVP water to be pumped during on-peak times than would be the case without "joint point" flexibility.

- Mitigation by constructing clean generating sources to offset energy losses and meet increases in project use loads should be fully explored and committed to as part of CALFED Program policy. This would help federal agencies meet their commitments to Executive Order 13123 to reach air pollution and energy use reduction targets and reduces air quality impacts from CALFED Program actions.

It is extremely important to avoid adverse impacts to the marketable power resources generated by the CVP. As the CALFED Program moves forward to a Final EIS/EIR and Record of Decision, it is timely to determine which mitigation measures will be implemented to avoid impacts to power resources in accordance with the Solution Principles. This would be an impact avoidance plan for CVP hydropower that reduces conflicts, is equitable, is affordable, is durable, is implementable, and avoids significant redirected impacts. Western will work with CALFED Program staff and agencies to develop and implement such a plan.

In its endeavor to maximize the long-term value of CVP hydropower resources, Western would like to assist the CALFED Program to find mutually beneficial solutions to the complex challenges facing the Bay-Delta. Western intends to continue to assist in balancing the needs of the ecosystem, power users, water users, and flood control, to avoid impacts and find solutions that maximize benefits to all types of stakeholders without unfairly targeting one group. To this end, Western requests full decision making participation in the long-term governance structure that is put in place for the CALFED Program, to enable Western to participate in CALFED Program decisions related to river operations, power generation, revenue sources, budgeting and expenditures, and allocation of CALFED Program costs.

Western looks forward to continuing to work with the CALFED Program to fulfill the CALFED Mission by developing and implementing equitable solutions that avoid re-directed impacts. Thank you for this opportunity to comment on the Draft EIS/EIR.

Sincerely,

Edmond Chang

for Jerry W. Toenyes.
Regional Manager