



Central Valley Project Power Challenges

Historically, the federal multipurpose water projects of the Central Valley Project (CVP) have been an economic source of power supply for Northern California Power Agency (NCPA) member communities and districts. Public entities that are power customers of the CVP pay the full cost for the construction and maintenance of the power generation facilities of this project. Current CVP power contracts extend to 2054, but customers have the option to terminate every five years, which is very important given the rapidly escalating cost of this power resource over time, and the lack of predictability with regard to the availability of the resource due in part to the effects of climate change. To ensure the economic value of the resource and comply with recent Court decisions, nonreimbursable federal appropriations may be necessary to provide funding for Central Valley Project Improvement Act Restoration Fund activities as well as program objectives that exceed the statutory responsibility of CVP power customers.

Central Valley Project Power

CVP hydropower is an important zero-carbon resource in California that is capable of advancing renewable resource integration, responding quickly to generation changes from intermittent resources, and supporting system reliability. NCPA and its members have long recognized the value of the CVP resource which, as a federal project, is available solely to public and non-profit entities. Earlier this year, NCPA members gained approval from their governing boards to sign new 30-year contracts, beginning in 2025.

With the contract extension, CVP affordability and resource availability remain key concerns to NCPA as climate-induced droughts reduce supply and infrastructure expenditures related to wildfires, cyber security, physical security, and aging facilities expand.

Drought Challenges

This year's drought reduced CVP hydropower output by more than one-third from average. Because the cost of CVP power is fixed, reduced generation increases the per-unit cost which has escalated to \$50 MWh, roughly \$20 MWh more than the average since 2006. In addition, NCPA members face significant additional costs to replace the lost CVP generation when it is unavailable.

At the same time, environmental actions during the drought to ensure cold water availability to improve river temperature conditions for endangered fish species have caused CVP operators to bypass generators, further reducing output at a cost to power customers of more than \$5 million in 2021 alone.

As was done when water was diverted into the Trinity River in 2016, power customers should be compensated or credited for the value of lost generation—and the costs for this broader

societal/environmental objective should not be borne exclusively by one set of customers of this project. Rather, it should be addressed through federal funding as is the case for other benefits of this project that do not accrue to a specific customer group.

CVPIA Funding Plans Must Meet Environmental Objectives and Court-Ordered Funding Limitations

NCPA has long supported the environmental objectives of the CVPIA and remains committed to furthering the important goals of the Act. However, for many years, the Bureau of Reclamation has overcharged power customers—and our public power communities and ratepayers—a disproportionate share of the costs of the CVPIA.

A recent court decision affirmed the CVPIA statute requires that payments into this fund must be aligned with users' overall cost responsibility for the CVP which is assessed based on benefits received. As a result, if the CVPIA is to be funded at prior levels, additional federal funding must be made available to support the program's current funding plans.

NCPA encourages the Bureau of Reclamation to request and Congress to provide sufficient nonreimbursable appropriations to meet CVPIA financial needs in excess of contributions from CVP water and power customers.