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**Business Practice Guidelines  
for  
Central Valley Project Improvement Act (CVPIA)  
Receipts, Program Accounting, Cost Allocation and Cost Recovery**

**PURPOSE:** This document establishes guidelines and methodologies that will apply to Program accounting of receipts and credit/offset and cost recovery of CVPIA expenditures. It also documents the Region's treatment of CVPIA receipts and the basis for cost allocation and determining reimbursable expenditures for water contractors and commercial power including accounting requirements and internal controls.

The Business Practice Guidelines (Guidelines) will be applied to historical CVPIA expenditures and prospectively to additional expenditures for reconciling accumulated balances, performing true ups, and identify cost recovery of CVPIA expenditures for the water supply function and commercial power.

**SCOPE:** Revenue and expense management process, including the identification of sub-processes and sub-process elements:

- 1) CVPIA Receipts and Collections
- 2) Use of funds
- 3) CVPIA Expenditure, Credit and Offset Report
- 4) Programmatic true-up – expenditure (cost) allocation and credit/obligation

**REFERENCES:** Central Valley Project Improvement Act (P.L. 102-575, Title 34), dated October 30, 1992; OMB Circular A-11; Contributed Funds Act of 1923; Mid-Pacific Region Business Practices Guidelines for Determining Reimbursability of Program Activities, dated February 14, 2002; The Sharing of Cost Agreement Mitigation, Projects, and Improvements (SCAMPI), dated July 6, 1994, as amended and any future cost-share agreements; CVP Irrigation Ratesetting Policy, 1988; Interim CVP Municipal and Industrial (M&I) Ratesetting Policy, December 1993. Any revisions to any of the cited legislation or policy are also incorporated into this document by reference.

**Process Owners:** California-Great Basin Region – Deputy Regional Director, Business Services  
California-Great Basin Region – Financial Manager



**A. Background**

The Guidelines memorialize the roles, responsibilities, and standard procedures associated with accounting and cost recovery of expenditures for CVPIA Program activities in compliance with applicable laws, regulations, policies, and standards, and consistent with the fundamental interests of Program stakeholders. In 1993 Interim Guidelines were established to provide guidance on assessments and collections into the Restoration Fund. In 2003, the Interim Guidelines were incorporated into updated Guidelines for the CVPIA Program Accounting and Cost Recovery. These 2020 Guidelines, including appendices A through C, incorporate previous guidance, as appropriate and supersede the 2003 Guidelines. The appendices of these guidelines document the formal process for accounting for CVPIA restoration receipts procedures (Appendix A), CVPIA expenditures, cost allocation and cost share obligations (Appendix B), and CVPIA expenditure cost recovery (Appendix C).

On an annual basis, Reclamation develops out-year budget requests to support the Program plan. In addition to Restoration Fund appropriations, Reclamation also uses other appropriations to support CVPIA Program activities. Through outreach with stakeholders, prioritization of activities are developed and cost share obligations identified. Reclamation uses other appropriations for CVPIA authorized activities as prescribed in the authorizing legislation; as well as any legislation that amend or supplements the statute.



## Glossary

For purposes of the Guidelines, these terms have the following meanings:

**Ability to Pay (ATP):** ATP represents the contractor's financial capability to pay for Reclamation project construction costs or other costs that may be eligible pursuant to project-specific authorities. It is the farm-level payment capacity aggregated to the contractor, plus other steady income available to the contractor, minus contractor expenses, OM&R costs, reserve fund requirements, and other contractual obligations such as distribution system repayment requirements, excluding Reclamation project construction costs.

**Activity.** A separable or unique task, or group of related tasks, identifiable to a project or program.

**Activity (Program activity).** An activity that is region-wide in scope but does not fall under the purview of Policy and Administration; an activity on a project that does not have project-specific funding (i.e., the water conservation on the Santa Maria Project); or an activity that, as a matter of policy, is included in a Bureau-wide program (i.e., administration of the Reclamation Reform Act under the Reclamation Law Administration Program).

**Aid to Irrigation.** Repayment assistance to irrigation from preference hydropower and/or M&I users.

**Allocation.** The assignment of costs among authorized project purposes to determine repayment responsibilities. The project purposes may be either reimbursable or nonreimbursable.

**Consistency.** Consistency with applicable laws, regulations, policies, contracts, agreements, and past practices.

**Construction costs.** In general, construction costs consist of all costs, including labor, construction equipment, land and land rights, investigations, engineering, and related services that contribute to the original value of the physical works constructed.

**Cost share.** Requirement imposed by law, policy, regulation, contract or agreement that obligates benefiting parties—normally Federal and non-Federal parties—to split the costs of a project, program, or facility.

**Non-reimbursable costs.** Costs associated with (1) a non-project specific activity as determined by law or policy or (2) a nonreimbursable project



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purpose (i.e., the Federal portion of recreation, flood control, navigation, and fish and wildlife enhancement), or (3) a reimbursable project purpose but subsequently authorized by law or policy as nonreimbursable.

**O&M Costs.** In general, O&M costs are costs incurred with activities that ensure the reliability and operational readiness of dams, power plants, water distribution systems, recreational facilities, and related structures.

**Payment.** Cash receipt from a contractor pursuant to an obligation to the U.S. Treasury.

**Project.** Federal water resource project authorized by Reclamation law.

**Power contractor.** An entity that has an agreement with Western Area Power Administration for long-term firm power.

**Reimbursable costs.** Costs associated with those project purposes required by law to be repaid by project beneficiaries and therefore recovered through water and power rates (i.e., municipal and industrial water, power, and irrigation) or through repayment contracts with water users.

**Restoration Fund (The).** Fund established in the U.S. Treasury under authority of P.L. 102-575 for deposit of funds collected from CVP water and power contractors to carry out the provisions of the Act.

**Trust Fund.** Account established by Reclamation for cash received for State cost-share or other contributions from non-Federal entities.



## APPENDIX A

### **CVPIA Restoration Fund Collection Procedures and Program Funding**

**PURPOSE:** To document the Bureau of Reclamation's process for identifying CVPIA collections and program funding procedures.

**SCOPE:** Collection and fund management process relating to CVPIA Receipts.

All Reclamation accounting must conform with Federal Accounting Standards Advisory Board (FASAB) standards and generally accepted accounting principles (GAAP).

#### **A. Restoration Fund Receipts:**

Receipts are recorded in the federal accounting system and annually tracked.

##### **1. Type of Receipts.**

Reclamation must comply with collection requirements prescribed by statute as follows:

- a. CVPIA Section 3404(c)(3): Pre-renewal penalty
- b. CVPIA Section 3405(a)(1)(C): Tiered water rates
- c. CVPIA Section 3405(f): Water transfer rates
- d. CVPIA Section 3406(c)(1): Friant surcharges
- e. CVPIA Section 3407(d)(2)(A): Mitigation and Restoration payments
- f. CVPIA Section 3407(d)(2)(A): M&I Surcharge

##### **2. Reporting of Receipts**

- a. Monthly cash receipts reports are generated using cost posting reports and trial balances from the federal accounting system by the CVPIA Accountant.
- b. Additionally, receipts are logged into spreadsheets that track the dollar amount and type of water by contractor.
- c. Receipts are reconciled to the trial balance on an annual basis.
  - i. An annual accounting analysis is performed by the Ratesetting Branch to validate that, based upon deliveries, water contractors have contributed the appropriate payments into the Restoration Fund.
  - ii. On an annual basis, based upon a risk-based process and workload considerations, the Ratesetting Branch conducts a historic reconciliation of deliveries to payments for specific, identified contractors to validate that historic payments into the Restoration Fund are reconciled against deliveries
- d. In accordance with CVPIA Section 3407(f) a detailed financial report is sent to Congress describing all receipts to and uses made of monies within the Restoration Fund.



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3. **Assessments & Collections:** These Guidelines and True-up process does not change or impact the process for assessing and collecting receipts into the fund pursuant to section 3407.

### **B. Funding for Restoration Program**

1. Use of Restoration Fund appropriations. Reclamation is authorized to obligate and expend Restoration Fund appropriations for carrying out programs, projects, plans, and habitat restoration, improvements, and acquisition provisions of this title.
2. Use of Appropriations. Pursuant to Section 3410, Reclamation is authorized to obligate and expend Water and Related Resources, CALFED, and other appropriation sources to fund program activities under CVPIA.
3. State of California Cost-Share. CVPIA requires the State to share in the cost of certain Projects and Facilities. The basic framework for joint Federal/State cost sharing is memorialized in Sharing of Costs Agreement for Mitigation Projects and Improvement (SCAMPI) dated July 6, 1994, as amended, SCAMPI II, dated December 23, 2014, and any future versions. All cost-share obligations are managed and tracked under the procedures established by the SCAMPI agreement, including expenditure of State Trust funds received from the State. Expenditure of State Trust funds or other State contributions (e.g. in-kind services) does not create a reimbursable obligation to Federal water and power contractors.
4. Donations. Cash donations received are recorded in a Trust Fund. Amounts are expended in accordance with the purpose donated. There is no credit or cost-share obligation created as a result of any donations into the Restoration Fund.



## APPENDIX B

### **CVPIA Expenditures, Reimbursability Determinations, and Cost Allocation Procedures**

**PURPOSE:** To document the Bureau of Reclamation's process for identifying CVPIA expenditures, cost share determinations, and cost allocation procedures. This document summarizes the high-level procedures and more detail is outlined in internal standard operating procedures.

**SCOPE:** Expense management, cost allocation and cost share determination process, including the identification of sub-processes and sub-process elements

All Reclamation accounting for expenditures must conform with Federal Accounting Standards Advisory Board (FASAB) standards and generally accepted accounting principles (GAAP). In particular, FASAB standards, GAAP, and related Federal regulations require that all costs incurred by the United States be either capitalized or expensed according to specific accounting criteria. Expenditures for CVPIA authorized activities are recorded in and obtained from the federal accounting system. The reports are run annually, by activity and funds and tracked on the Expenditures, Credits, and Offsets Report (ECO Report) by the CVPIA Accountant.

#### Expenditures

CVPIA expenditures are summarized in the ECO report. This report will be updated by the end of each fiscal year to include the preceding years expenditures and identify cost share obligations. In preparing the allocation of costs, CVPIA expenditures are broken out by program activity.

#### **A. Types of Expenditures**

Construction expenditures: Section 3407(a) requires funds be authorized to carry out activities in applicable section 3406(b) provisions. These activities are consistent with those identified as construction activities in Reclamation Directives & Standards FAC 03-02, Construction Activities. The below activities have been identified as construction and certain activities are eligible to be recovered over a 40-year repayment term.

- Tracy Pumping Plant Construction Activities (b)(4)
- Contra Costa Canal Pumping (b)(5)
- Shasta Temperature Control Device (b)(6)
- Red Bluff Fish Passage (b)(10)
- Coleman Fish Hatchery (b)(11)
- Keswick Fish Trap (b)(11)
- Fish Screens (b)(21) [formally (b)(19)]
- Trinity River – Construction Activities (b)(1)(other)/(b)(23)
- Refuge facility Construction (d)(5)





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All remaining activities are consistent with those identified as O&M in Reclamation Directives & Standards FAC 01-05 Completion of Construction Activity.

### **B. Reimbursability**

Reclamation Law requires reimbursable costs assigned to project beneficiaries (i.e., water and commercial power contractors) to be recovered.

1. **No specific cost share:** In general, where the legislation does not identify a specific reimbursable or non-reimbursable percentage cost share requirement, the expenditures are allocated across all project purposes consistent with existing statutory and regulatory procedures. See attachment for treatment by specific activity.
2. **Specific cost share:** Reclamation follows the specific percentage cost share requirements in the legislation if identified. For those specific percentages associated with reimbursability to water and power [e.g. 37.5% under 3406(b)(4)], all of those costs are attributable to water and power.
3. **Specific Treatment.** The following activities have specific treatment as it relates to determination of reimbursability:
  - a. Level 2 refuges (3406)(d): Consistent with the Final Cost Allocation Study, costs associated with Level 2 refuge water is 100% reimbursable by water and power contractors.
  - b. Water Quality Control Plan under D-1641: Activities that directly support water quality are non-reimbursable. These costs are identified separately on the ECO report.

### **C. Cost Distribution & Allocation**

The amount of costs to be allocated across reimbursable functions of the CVP (i.e., irrigation, M&I, and commercial power) and/or across all project purposes is based on the repayment obligations resulting from the Final CVP plant-in-service cost allocation.

For the purpose of the CVPIA true-up process, the Final Cost Allocation for the CVP will be used to allocate both historic construction and O&M expenditures under CVPIA. The Final Cost Allocation reflects the merge of the existing (Period 1) and prospective (Period 2) allocations as outlined in the Final Cost Allocation Study report (December 2019), including the sub-allocation of costs, thereby reflecting repayment obligations under the Final Cost Allocation as of fiscal year 2013 (with adjustments for estimated IDC). The allocation of aggregate CVPIA construction costs will be updated annually through 2030,





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by the CVP plant-in-service allocation, in order to reflect cumulative project accomplishments of the CVP over time. The allocation of CVPIA O&M costs will be fixed based on the allocation factors in place at the time such costs are allocated.

Where CVPIA costs are spread to all project purposes, the cost allocation reflects the distribution of repayment obligations associated with separable and joint costs assigned to irrigation and M&I (as part of the water supply purpose), commercial power (as part of the power purpose) and costs allocated to non-reimbursable project purposes. Where the legislation identifies specific reimbursable cost-share requirements, the reimbursable costs are allocated based on the distribution of repayment obligations associated with separable and joint costs assigned to irrigation, M&I, and commercial power only.

### **D. Consideration of Ability to Pay**

Section 3407(d)(2) set forth that the charge imposed on an agricultural water user shall be reduced based on the user's probable ability to pay mitigation and restoration contributions into the Restoration Fund. The CVPIA does not address ability to pay relief on reimbursable expenditures under the CVPIA program. Consistent with Reclamation Law, power customers' responsibility for covering ability-to-pay relief is limited to construction expenditures.



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**ATTACHMENT**

**CVPIA Cost Recovery Guide**

<u>Activity Title</u>	<u>CVPIA Section</u>	<u>WIIN Section</u>	<u>Reimbursability</u>
Water Transfer Program	3405(a)		Allocate to all project purposes.
Anadromous Fish Restoration	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts - HRP	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts - HRP (D-1641)	3406(b)(1)		100% non-reimbursable
Other CVP Impacts - SJ River Restoration	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts - Bay Delta Activity	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts - Shasta Activity	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts -Trinity River	3406(b)(1)		Allocate to all project purposes.
Other CVP Impacts - Fed. Sci. Task Force	3406(b)(1)		Allocate to all project purposes.
Dedicated Project Yield	3406(b)(2)		Allocate to all project purposes.
Dedicated Project Yield (WQCP)	3406(b)(2)		100% non-reimbursable
Water Acquisition - Instream Flow	3406(b)(3)		Allocate to all project purposes.
Water Acquisition - VAMP (after FY 2012)	3406(b)(3)		Allocate to all project purposes.



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Water Acquisition - Permanent	3406(b)(3)		Allocate to all project purposes.
Flow Fluctuation Study	3406(b)(9)		Allocate to all project purposes.
Reservoir Storage	3406(b)(19)	3406(b)(17)	Allocate to all project purposes.
Trinity River Restoration	3406(b)(23)	3406(b)(21)	Allocate to all project purposes.
San Joaquin Comprehensive Plan	3406(c)(1)		Allocate to all project purposes.
Amer Rvr Folsom-South Op Study	3406(c)(2)		Allocate to all project purposes.
Stanislaus Rvr Basin Water Needs	3406(c)(2)		Allocate to all project purposes.
Refuge Water Acq-Level 4	3406(d)(1)(2)(5)		25% state - 75% non-reimbursable
Refuge Water Convey-Fac Constr(L2)	3406(d)(1)(2)(5)		100% reimbursable by water and power
Refuge Water Convey-Fac Constr(IL4)	3406(d)(1)(2)(5)		25% state - 75% non-reimbursable
Refuge Water Convey-Ref Wheeling(L2)	3406(d)(1)(2)(5)		100% reimbursable by water and power
Refuge Water Convey-Ref Wheeling(IL4)	3406(d)(1)(2)(5)		25% state - 75% non-reimbursable
Refuge Water Convey-SJBAP(L2)	3406(d)(1)(2)(5)		100% reimbursable by water and power
Refuge Water Convey-SJBAP(IL4)	3406(d)(1)(2)(5)		25% state - 75% non-reimbursable
Refuge Water Convey-Volta (L2)	3406(d)(1)(2)(5)		100% reimbursable by water and power
Refuge Water Convey-Volta (IL4)	3406(d)(1)(2)(5)		25% state - 75% non-reimbursable



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Refuge Water Convey-Gray Lodge (L2)	3406(d)(1)(2)(5)	100% reimbursable by water and power
Refuge Water Convey-Gray Lodge (IL4)	3406(d)(1)(2)(5)	25% state - 75% non-reimbursable
Private Wetlands Investigation	3406(d)(6)	Allocate to all project purposes.
Supporting Investigations	3406(e)	Allocate to all project purposes.
Project Fisheries Impact Report	3406(f)	Allocate to all project purposes.
Eco/Water System Ops Model	3406(g)	25% state - 75% non-reimbursable
VAMP (FY 2012 and before)	3406(g)	25% state - 75% non-reimbursable
Land Retirement	3408(h)	Allocate to all project purposes.
Water Conservation	3408(i)	100% non-reimbursable
Water Augmentation FWS	3408(j)	Allocate to all project purposes.
San Joaquin River Restoration Program	P.L. 111-11	100% non-reimbursable
CVPIA Administrative Charges	3407	100% reimbursable by water and power
Tracy Pumping Plant	3406(b)(4)	37.5% water & power, 37.5% non-reimbursable, 25% state
Tracy Test Facility	3406(b)(4)	37.5% water & power, 37.5% non-reimbursable, 25% state
Contra Costa Canal Pump	3406(b)(5)	37.5% water & power, 37.5% non-reimbursable, 25% state



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Shasta Temp. Control Device	3406(b)(6)		37.5% water & power, 37.5% non-reimbursable, 25% state
Research Pumping Plant Eval.	3406(b)(10)		37.5% water & power, 37.5% non-reimbursable, 25% state
Fish Passage Program	3406(b)(10)		37.5% water & power, 37.5% non-reimbursable, 25% state
Coleman Fish Hatchery	3406(b)(11)		50% water & power, 50% state
Keswick Fish Trap Modification	3406(b)(11)		50% water & power, 50% state
Clear Creek Restoration	3406(b)(12)		50% state, 50% non-reimbursable
Spawning Gravel	3406(b)(13)		37.5% water & power, 37.5% non-reimbursable, 25% state
Riparian Habitat	3406(b)(13)		37.5% water & power, 37.5% non-reimbursable, 25% state
Delta Cross Channel	3406(b)(14)	deleted	37.5% water & power, 37.5% non-reimbursable, 25% state
South Delta Barrier	3406(b)(15)	3406(b)(14)	37.5% water & power, 37.5% non-reimbursable, 25% state
Comp. Asses. Monit. Program	3406(b)(16)	3406(b)(15)	37.5% water & power, 37.5% non-reimbursable, 25% state
Anderson-Cottonwood ID	3406(b)(17)	3406(b)(16)	50% state, 50% non-reimbursable
GCID - Hamilton City Pump Plant	3406(b)(20)	3406(b)(18)	25% state - 75% non-reimbursable



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Anadromous Fish Screen Program	3406(b)(21)	3406(b)(19)	Allocate to all project purposes.
Ag Waterfowl Incentive Program	3406(b)(22)	3406(b)(20)	Allocate to all project purposes.

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## APPENDIX C CVPIA Expenditure Cost Recovery Procedures

**PURPOSE:** This document describes the framework for recovery of any outstanding cost-share obligation for CVPIA authorized activities that are to be recovered as part of the reconciliation of the period 1994-2017, this process; as well as any obligation resulting from the annual reconciliation of CVPIA expenditures in subsequent years thereafter.

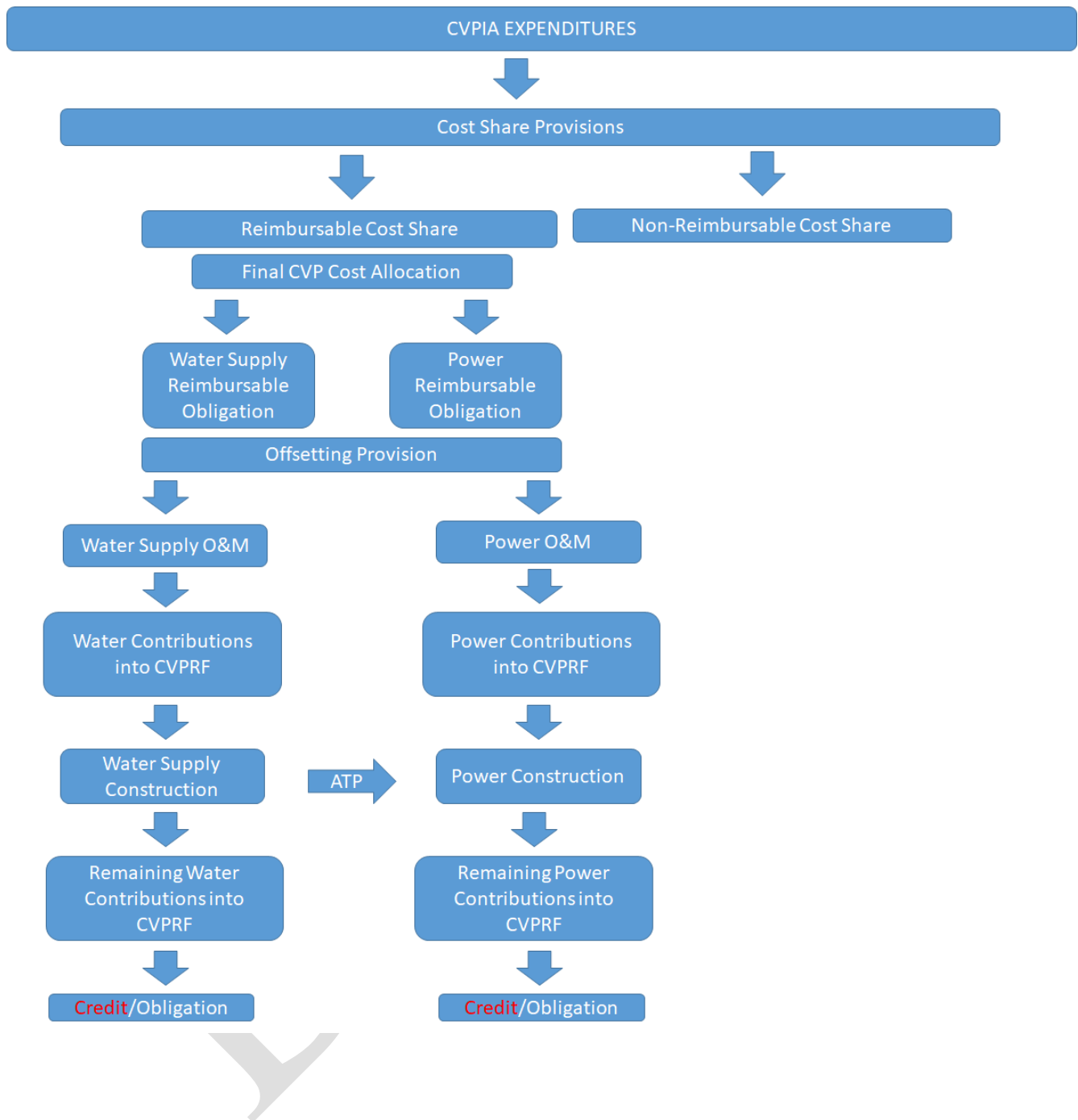
**SCOPE:** Sets forth procedures for conducting the True Up and recovery of outstanding CVPIA obligations and treatment of credits.

Reclamation will reconcile all Program accounts annually after the end of each fiscal year. Collections into the Restoration Fund are legislatively mandated under CVPIA. If reimbursable costs share obligations exceed water and power's respective contributions, any recovery of those costs shall offset their respective cost share obligation and be covered into the Reclamation Fund. The reconciliation process to be followed is as follows:





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### **Process for Identifying and Allocation of Costs and Recovery of Outstanding Obligation**

1. Out of total CVPIA expenditures, identify what percentage of costs are reimbursable by water and power and non-reimbursable (see Appendix B)
2. Based on reimbursable percentages, determine what cost share is allocated to water and power (see Appendix B)
3. Apply total receipts from water to the water's cost share obligations and apply total receipts from power to power's cost share obligation. The application of receipts is applied against operation and maintenance (O&M) costs first, then the remainder against construction costs consistent with the premise that O&M is paid in advance. Construction expenditures attributable to water contractors with ability to pay relief are assigned to power and added to power's allocation of construction expenditures.
4. If there is a significant, outstanding obligation by water: standard, per acre-foot rates will be established for agricultural water and M&I water sold and delivered, respectively, to recover the obligation over a set repayment period. Reclamation, as the Federal Agency responsible for implementation of the CVPIA, reserves the administrative discretion to determine what amount of projected obligations is significant enough to require recovery through the water rates.
  - a. The cost share obligation will be divided between irrigation and M&I using the deliveries over the historic time period. Since M&I is interest bearing for construction, annual interest will be included in the M&I rate for recovery. Rates will be developed to recover any remaining costs by irrigation and M&I in a water ratesetting schedule for CVPIA.
  - b. Based on the cost of service rate, which will include a component for CVPIA outstanding obligation, the amount of revenue associated with that obligation will be identified through the accounting process.
  - c. Water contractors eligible for aid to irrigation on CVPIA Restoration Fund contributions will be examined for eligibility on the additional CVPIA rate.
5. If there is an outstanding obligation by power, an annual amount will be established to recover the obligation over a set repayment period. The procedures for implementing recovery of the annual amount will be set forth in standard operating procedures developed by Reclamation and the Western Area Power Administration with input through a collaborative process with power customers. Since outstanding construction obligations are interest-bearing, annual interest will be included in the power amount for



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recovery.

6. If there is an outstanding credit for the water pool, the credit will be applied towards future CVPIA obligations attributable to the water pool.
7. If there is an outstanding credit for power, the credit will be applied towards future CVPIA obligations attributable to the power pool and/or the credit can be applied towards power customers' construction repayment obligations under the CVP. The procedures for implementing this credit will be set forth in standard operating procedures developed by Reclamation and the Western Area Power Administration with input through a collaborative process with power customers. Reclamation, as the Federal Agency responsible for implementation of the CVPIA, reserves the right to determine whether (and what amount) credits will be issued in any given year.