

Attachment B

Details of the CVP O&M Funding Program and Agreement

Under the multi-party CVP O&M Funding Program, the CVP Customers, Reclamation, and Western drafted an O&M funding agreement whereby contributions from the CVP Customers are used to finance certain O&M activities or Capital Improvement Projects (CIP) for the CVP power facilities. This program was needed because of the decreasing amount of congressional appropriations for funding O&M on federal projects. The Customers' contributions are credited back on subsequent power bills. The Agreement provides for a Governance Board made up of Agency and Customer representatives, who decide on the level of supplemental funding and the priority of various O&M items. The Agreement is a binding arrangement that guarantees a steady stream of funds to Reclamation and/or Western to cover annual O&M activities and/or selected CIP.

It was decided that a subset of funding Customers, called "Contributors", and the participating Agencies should be represented on a Governance Board established under the Agreement. It was further agreed that, to be eligible for nomination and election to the Governance Board, Customers would have to meet minimum requirements on their level of contributions several years into the future, as the Governance Board would be making decisions on annual Customer O&M Funding Plans up to four years in advance, to meet the budgetary cycles of the agencies.

For purposes of making sure that there would be reasonable representation for different Western customer classes, the Agreement requires that at least two Small Customers be members of the Governance Board; and furthermore, that no one Customer have more than one seat on the Governance Board.

The Governance Board is comprised of 12 members. The overall composition of the Governance Board consists of ten customer representatives, and one representative each from Reclamation and Western.

To ensure equitable and diverse participation of the Customers, Customer membership on the Governance Board is designated as follows:

- (a) Municipal/Public Utility Districts/Rural Electric Cooperatives
(6 Governance Board members)
- (b) Federal/State/Other (2 Governance Board members)
- (c) Water and/or Irrigation Districts (1 Governance Board member)
- (d) First Preference Customers (1 Governance Board member)

Elections are held every three years to select the Governance Board members. The Agreement provides that an election to fill any Customer Governance Board member vacancy shall be held prior to or at the next scheduled Governance Board meeting.