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In 1935, Congress created the nation's largest federal reclamation water project, the Central Valley Project (CVP), to supply water to California farms and communities for agricultural, municipal, and industrial uses. In 1992, Congress passed the Central Valley Project Improvement Act (CVPIA) to offset the environmental impacts from the Central Valley Project by the creation of a restoration fund to provide money to restore fish and wildlife habitats. Reclamation is to collect payments from water and hydropower customers to provide the money to fund this program subject to five limitations, including Section 3407(d), which requires Reclamation to consider proportionality in its assessments:

The amount of the mitigation and restoration payment made by Central Valley Project water and power users, taking into account all funds collected under this title, shall, to the greatest degree practicable, be assessed in the same proportion, measured over a ten-year rolling average, as water and power users' respective allocations for repayment of the Central Valley Project. (emphasis in original)

Plaintiffs, Northern California Power Agency and the cities of Redding, Roseville, and Santa Clara, sued in the U.S. Court of Federal Claims arguing that the Reclamation had illegally exacted and assessed \$120 million in payments under Section 3407(d) of the CVPIA. The Government, however, argued that the case should be dismissed under Rule 12(b)(1) and 12(b)(6), arguing that Reclamation acted well within its statutory authority to assess the disproportionate payments from the Northern Plaintiffs.

The Court denied the Government's motion, first stating that to maintain an illegal exaction claim under the Tucker Act, the plaintiff must have "paid money over to the Government, directly or in effect, and seeks return of all or part of that sum that was improperly paid, exacted, or taken from the claimant in contravention of the Constitution, a statute, or a regulation." The Court also rejected the Government's argument that the lack of express money-mandating language in Section 3407(d) defeats Northern's illegal exaction claim. The Court explained that overpayment claims are "one of the quintessential illegal exaction claims."

Finally, the Court also held that Northern properly stated a claim for an illegal exaction that survives a motion to dismiss under Rule 12(b)(6). The Court explained that while the proportionality provision in Section 3407(d) gives some flexibility to Reclamation in accessing payment allocations, it does not allow the Government to ignore proportionality completely. Here, the Court concluded that the facts alleged plausibly demonstrate that Reclamation violated Section 2407(d) by imposing a revenue-maximizing scheme on Plaintiffs, while ignoring proportionality altogether.

Read full decision [here](#).