

RECLAMATION

Managing Water in the West

Financial Considerations Folsom SOD Project

**Prepared for the:
Central Valley Project
Water Association**

October 18, 2007



U.S. Department of the Interior
Bureau of Reclamation

Agenda

- SOD Act review
- Reimbursability of costs
- Interest
- Plant in service transfers
- Repayment via ratesetting policies

Additional resources

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SOD Acts

Public Law 95-578 (1978)

- SOD costs from age and normal deterioration are reimbursable
- SOD costs resulting in new hydrologic or seismic data or changes in state-of-the art criteria are non-reimbursable

Public Law 98-404 (1984)

- 85% of all SOD costs non-reimbursable
- Costs to be repaid within 50 years

Reimbursement of SOD Costs

Amended by P.L. 98-404

Commissioner letter of December 17, 1996

- Costs are to be allocated only to authorized reimbursable project purposes.

PEC 02-01, Paragraph 7

- “15 percent of the total SOD modification costs will be allocated among the reimbursable purposes...”

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Interest

- Interest applies to all costs allocated to reimbursable functions, except irrigation
- Costs incurred are subject to interest commencing with the beginning of the year that the construction is initiated.
- Letter of May 14, 1997, Interest Rate Determinations for Safety of Dams Program Repayment Contracts
- IDC rate is based on Treasury rate for average market yields on Treasury securities identified for the specific repayment period. Rates located at:
http://www.treasurydirect.gov/govt/rates/tcir/tcir_opdirannual.htm

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Plant In Service

Criteria for Transferring Costs from Construction in Progress to Plant in Service

- Accomplishment of risk reduction
- Substantial completion
- Declaration of Substantial Completion signed by Area Office Manager, Regional Director, and Chief of Dam Safety

Advantages of Transferring to Plant as Components are Completed

Discussion

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Disadvantages of Transferring to Plant as Components are Completed

- Would require sooner repayment by irrigation contractors whom are not assessed interest.
- A new cost allocation must be completed prior to transferring SOD costs to plant in service as noted in request for waiver of repayment contracts
- Numerous IOI rates as each component transferred to plant in service, resulting in substantial accounting workload and need for additional staff and a corresponding increase in administrative costs

Repayment via Ratesetting Policies CVP SOD Projects

- MP requested approval to include repay the Folsom SOD project via the CVP water rate process
- Pending approval in Washington
- Approval likely subject to completion of an interim cost allocation of CVP

Additional Resources

- **Directive and Standard PEC P03 - Application of Incidental Revenue Credits to Reimbursable Safety of Dams (SOD) Construction Obligation**
- **Directive and Standard FAC 06-01 – Reclamation Dam Safety Program**

Questions

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Points of Contact

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Others?

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