Agenda

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

Additional resources
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

• 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…”
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.


• 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
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
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
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
Points of Contact

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Others?