

Reclamation Manual

Directives and Standards

TEMPORARY RELEASE

(Expires 08/26/2021)

Subject:	Irrigation Ability-to-Pay Analyses with Water Infrastructure Improvements for the Nation Act Actions
Purpose:	To provide a framework for how irrigation contractor participation in the Water Infrastructure Improvements for the Nation Act (WIIN) interfaces with ability-to-pay (ATP) analyses and aid-to-irrigation.
Authority:	Reclamation Act of June 17, 1902 (ch. 1093, 32 Stat. 388, 43 U.S.C. 372, <i>et seq.</i>), and acts amendatory thereof and supplementary thereto, especially the Fact Finders' Act of December 5, 1924 (ch. 4, 43 Stat. 672); Omnibus Adjustment Act of May 25, 1926 (44 Stat. 636); Reclamation Project Act of August 4, 1939 (ch. 418, 53 Stat. 1187; 43 U.S.C. 485, <i>et seq.</i>); Water Conservation and Utilization Act (WCUA) of August 11, 1939 (ch. 717, 53 Stat. 1418; 16 U.S.C. 590y, <i>et seq.</i>); section 8 of the Flood Control Act of December 22, 1944 (ch. 665, 58 Stat. 887; 43 U.S.C. 390); Central Valley Project Improvement Act of October 30, 1992 (Title XXXIV of Pub. L. 102-575; 106 Stat. 4706); Rehabilitation and Betterment Act of October 7, 1949 (ch. 650, 63 Stat. 724; 43 U.S.C. 504); Reclamation Reform Act of October 12, 1982 (Title II of Pub. L. 97-293; 96 Stat. 1263; 43 U.S.C. 390aa); Reclamation Safety of Dams Act of 1978 (92 Stat. 2471; 43 U.S.C. 506, <i>et seq.</i>), and acts amendatory thereof and supplementary thereto; and Water Infrastructure Improvements for the Nation Act (Pub. L. 114-322, Sections 4007 and 4011; 130 Stat. 1628)
Approving Official:	Director, Policy and Programs
Contact:	Reclamation Law and Administration Division (84-55000)

- 1. Introduction.** Reclamation conducts ATP analyses to assess irrigation contractors' ATP and adjust their annual payments accordingly;¹ and to determine financial feasibility in planning studies. This temporary release provides clarity for Reclamation irrigation customers by identifying how WIIN actions will be addressed in ATP analyses or eligibility for aid-to-irrigation.

¹ Reclamation project construction costs allocated to irrigation are eligible for adjustment based on the irrigation contractors' ATP. The ATP concept does not generally apply to operation, maintenance and replacement (OM&R) costs payable by irrigation contractors. In the cases that ATP does apply to operation, maintenance, and replacement (OM&R) costs, it is due to project-specific legislation making such costs eligible to receive irrigation assistance.

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2. **Applicability.** This D&S applies to all Reclamation employees involved in preparing, reviewing, or approving irrigation ATP analyses conducted for Reclamation for irrigation contractors participating in WIIN actions. See Paragraph 8 for definitions of terms.
3. **Eligibility for WIIN Participants.** WIIN participants remain eligible to apply for aid-to-irrigation, for eligible obligations. Participation by irrigation contractors in WIIN sections 4007 and 4011 cannot be the cause for aid-to-irrigation.
 - A. **Funding for WIIN (4011) Participants.** Funding for prepayment of construction costs will be considered as excess reserve in irrigation ATP calculations from the point of prepayment forward. The ATP analysis will assume no construction prepayment and that funds acquired for prepayment will be treated as excess reserves. Any subsequent ATP analyses will be built off these assumptions until the construction repayment obligation is completed.
 - B. **ATP Analyses Following Irrigation Contractor Investment in WIIN Storage Projects (4007).** ATP analyses for irrigation contractors that have made an investment in storage projects will consider:
 - (1) The irrigation contractor's current status with additional investment in the storage project and the benefits to the irrigation contractor. An irrigation contractor shown to be able to pay their eligible obligations with the WIIN investment will not receive any aid-to-irrigation.
 - (2) If the irrigation contractor does not have the ability to pay as modeled with the additional WIIN investment, then the analyst will model the operation without the WIIN investment or the benefits from that investment. Any irrigation contractor without ATP following analysis without the WIIN investment would be eligible for aid-to-irrigation, as the investment did not impact their criteria for aid-to-irrigation.
 - (3) Subsequent requests for ATP analyses will be based on a similar approach.
4. **Excess Reserves.** Excess reserves will be included in irrigation contractor revenues for the purpose of computing ATP, whether reserve funds are in excess of contractual or board policy requirement or result from fund acquisition for the WIIN.
5. **Negative Farm-Level Payment Capacity.** For whole farm budgets, if the estimated farm-level payment capacity aggregated to the contractor is negative, the value carried forward for calculating ATP will be set to zero. Likewise, if the estimated aggregated farm-level payment capacity using an enterprise budget to represent a farm type for a single crop is negative, the value carried forward for calculating ATP will be set to zero. The

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aggregated farm-level payment capacity will include an estimated negative payment capacity in cases where multiple enterprise budgets are used to represent a farm type for dependent or rotational crops; however, if the aggregate estimated farm-level payment capacity is negative, the value carried forward for calculating ATP will be set to zero.

6. **Appeals.** An irrigation contractor can appeal the results of ATP analysis to the regional director (RD) in accordance with Reclamation Manual (RM) Policy, *Voluntary Process for Appealing Decisions Made in the Administration of Water-Related Contracts and in the Crediting of Incidental Revenues* (PEC P15).
7. **ATP Analysis Approval Process.** The RD will manage cost-sharing agreements and budgets for ATP analyses, and ensure that ATP analyses and review efforts are scheduled and coordinated for timely completion. The RD will submit the draft ATP analysis, including supporting documentation to Policy and Programs, ensuring that ATP analyses and supporting documentation are technically adequate, conform to Federal law, and comply with all applicable RM and Departmental Manual requirements. Policy and Programs will review and verify that the assumptions and methodologies used in the analysis comply with Reclamation policy and are technically adequate and appropriate to determine the extent to which the irrigation contractor can pay its assigned share of project construction costs allocated to irrigation. A qualified Reclamation economist must be involved in the review process to verify that the payment capacity and ATP analyses follow generally accepted economic practices. Policy and Programs will document the results of the review and provide them to the originating office to resolve any areas of concern and revise the analysis accordingly. Policy and Programs will approve the ATP analysis and its findings once the originating office addresses all outstanding technical and policy concerns. Upon approval, the originating office will implement the results of the ATP analysis by incorporating the findings of the ATP analysis into the planning study or provide them to the irrigation contractor.
8. **Definitions.**
 - A. **Ability to Pay or 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.
 - B. **Aid-to-Irrigation.** Repayment assistance to irrigation from preference hydropower and/or municipal and industrial users.

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- C. **Eligible Obligations.** Obligations where aid-to-irrigation is available per Reclamation law and policy. With regard to the Central Valley Project (CVP), this would be CVP construction with repayment not due by 2030 (Safety of Dams, Intertie, and limited other) and Central Valley Project Improvement Act obligations authorized for aid-to-irrigation.
- D. **Enterprise Budget.** Estimates of annual revenues and expenses (both cash and non-cash) for a single crop; excluding Reclamation water costs.
- E. **Farm-Level Payment Capacity.** The estimated residual net farm income of irrigators generated from the production and sales of commercial crops that is available to pay for Reclamation project costs allocated to irrigation, after deducting on-farm production and investment expenses, as well as appropriate allowances for management, equity, and labor.
- F. **Farm Operations.** The land and on-farm buildings, equipment, and practices which contribute to the production, preparation, and marketing of crops. Farm operations may consist of one or more parcels of owned or rented land that may be contiguous or non-contiguous to each other.
- G. **Farm Type.** The representation of a farm according to its operations, enterprises, and size.
- H. **Irrigation Contractor.** An entity that has entered into a contract or intends to enter into a contract with Reclamation to receive irrigation water and/or other associated project benefits including project use power and in exchange pay for allocated project costs. Examples of such entities include, but are not limited to irrigation districts, mutual water companies, drainage districts, conservancy districts, tribes, and Federal and non-Federal governmental agencies.
- I. **Whole Farm Budget.** Estimates of the annual expected revenues and expenses (both cash and non-cash), excluding Reclamation water costs, for the modeled farm producing multiple crops.

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____