



## Water Resources Development Act 117<sup>th</sup> Congress

### PROVIDE FLEXIBILITY TO NON-FEDERAL SPONSORS TO FINANCE REPAYMENT OF REPAIR, REHABILITATION, AND REPLACEMENT COSTS

*State and local entities need additional time to be able to finance their share of the Repair, Rehabilitation, and Replacement (RR&R) costs associated with the storage at U.S. Army Corps of Engineers (USACE) reservoirs set aside for water supply. Providing the ability to finance their share over a 25 year period following the completion of construction minimizes the impacts on water users and allows states and local entities to more efficiently plan and budget.*

*Under the Water Supply Act of 1958 (WSA 58), the non-federal sponsor of the water supply storage component of a USACE reservoir is responsible for 100 percent of the costs of construction, operations and maintenance (O&M), and repairs, rehabilitation and replacement (RR&R) associated with that storage. WSA 58 provided an option to pay for construction costs in installments, but did not specify a similar option for O&M or RR&R. Under WSA 58, all water supply storage contracts required the non-federal sponsor to make annual payment for associated O&M costs. Payment arrangements for RR&R, however, were occasionally negotiated on a case-by-case basis. While a majority of water supply storage contracts required RR&R payment during or at the completion of construction, many contracts allowed for payment of RR&R over a period of time, up to 25 years. The Water Resources Development Act of 1986 (WRDA 86) amended WSA 58, prescribing annual payment of O&M and payment of RR&R costs during the period of construction. Most, if not all, water supply storage contracts executed since 1986 incorporate the WRDA 86 provisions.*

#### **Current Policy Results in Significant Financial Impact to Water Supply Providers and Ratepayers**

- As USACE reservoirs age, the need for RR&R increases, as does the cost of such capital investment. Dam safety activities further raises these costs, as the non-federal sponsor of the water supply storage is responsible for its proportionate share of the costs of risk reduction measures.
- The non-federal sponsor is typically not involved in the decision making or timing of RR&R nor dam safety activities; the lack of adequate advance notice on implementation of these high-dollar activities can be devastating for a non-federal sponsor's budget.
- Unplanned financial impacts can force the non-federal sponsors to recommend bond propositions or significantly raise water rates.

#### **Allowing Flexibility to Pay for RR&R Minimizes Impacts**

- Allowing non-federal sponsors to repay their share of RR&R, including dam safety fixes, over a 25-year period minimizes the significant financial impacts to a non-federal sponsor and its ratepayers due to RR&R costs.
- USACE districts should be required to comply with a request by the non-federal sponsor to amend its water supply storage contract to allow for a 25-year repayment of RR&R.

#### **Draft Legislative Language**

Sec. \_\_\_\_ Payment of Repair, Rehabilitation, and Replacement by Non-Federal Interests

Section 301(b) of the Water Supply Act of 1958 (72 Stat. 319; 43 U.S.C. 390b(b)), is amended by striking the second sentence of the fourth proviso and inserting: "For Corps of Engineers projects all annual operation and maintenance costs for municipal and industrial water supply storage under the provisions of this section shall be reimbursed from State or local interests on an annual basis; and repair and replacement costs shall, at the

request of the State or local interests, be reimbursed on an annual basis or over a period of not more than twenty-five years from the date of completion.”