



United States Department of the Interior



BUREAU OF RECLAMATION
Pacific Northwest Region
1150 North Curtis Road, Suite 100
Boise, Idaho 83706-1234

IN REPLY REFER TO:

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RES-1 10

SEP 19 2006

DEPARTMENT OF ECOLOGY
SEP 21 2006
WATER QUALITY PROGRAM

Ms Cheryl Niemi
Washington Department of Ecology
Water Quality Program
P O. Box 47600
Olympia, WA 98504-7600

Subject: Comments on *Guidance for Evaluating the Feasibility of Controls to Meet Water Quality Standards for Dams in Washington*

Dear Ms. Niemi:

The Bureau of Reclamation appreciates the opportunity to provide comments on the subject document. Enclosed are our comments on the draft guidance for dam operators regarding economic feasibility analysis for compliance with water quality standards, and when such analysis would be required.

Please contact Mr. Bryan Horsburgh at 208-378-5035 if you have any questions regarding our comments.

Sincerely,

for Monte McClendon
Program Manager
Ecosystems Analysis

Enclosure

cc: Mr. Dave Ponganis
U.S. Corps of Engineers
P O. Box 2870
Portland, OR 97209
(w/ enclosure)

Review Comments on: Guidance for Evaluating the Feasibility of Controls to Meet Water Quality Standards for Dams in Washington

The Bureau of Reclamation's (Reclamation) review of the above titled document primarily concentrated on **Chapter Six. Financial Analysis: Federal Entities**. The comments being submitted are mostly general in nature, but there are some specific comments which are identified by page number, section heading, and paragraph. These comments are based Reclamation's conformance with the **Economic and Environmental Principles and Guidelines for Water Related Land Resources Implementation Studies (P&G)**, Reclamation policies and standards.

General Comments

1. In the beginning of Chapter 6, the underlying assumption is that the federal entity is the owner and or operator of a publicly owned dam that would have constructed a water quality measures (WQM) to meet state water quality standards (WQS). It further states that federal entities do not have to demonstrate that their agency can afford to pay for such measures because Congress must authorize and commit funds for implementation. While this statement is true, Reclamation is required to conduct financial analysis to determine the project beneficiaries and allocate the costs based on the benefits of the project. For example, a Reclamation dam may provide water for municipal and industrial uses, agriculture, flood control, power generation and recreation. Given this description, the costs of water quality measures to meet WQS would need to be allocated to those water users benefiting from the improved water supply. From the above example, the most direct beneficiaries would be municipal and industrial uses and agriculture. For some of the project water users, payment capacity and ability to pay analyses is required for current Reclamation policy and guidance. The other users would also need to share in the costs of the water quality measures, but indirectly. That leads to the question of how to equitably allocate the costs of the WQM to the project beneficiaries, which is not clearly presented in this chapter.
2. In Chapter 7, there is a discussion on potential benefits from water quality improvements. This is an important issue on the socioeconomic impact level. In Reclamation's Lower Colorado Region, quantitative benefits (avoided costs) from the improvement in water quality (reduced salinity levels in this case) can be estimated and used in benefit–cost analysis. The question of how households and businesses benefit from meeting the water quality standards arises. Is it based on issues such as better health (lower health costs) or reduced household and business costs? Some expansion on this issue may be helpful.
3. There is a concern that the guidance from this document may be in conflict with the Federal agency's policy and guidance in conducting economic analysis

of project feasibility. Is it expected that the State of Washington guidance be the standard that federal agencies must meet for federal project feasibility for water quality projects in the state of Washington? That is the impression from P. 6-1, last sentence of second full paragraph.

Specific Comments

- Chapter 6, Section 6.1 Estimating Annual Costs, Determine the Capital Costs to be Financed. It should be noted that for Federal projects where federal funds will be expended over a one year period, interest during construction (IDC) will need to be calculated. This can be a substantial part of the capital cost which will need to be financed.

- Chapter 6, Section 6.1 Estimating Annual Costs, Determine the Capital Costs to be Financed. There is a need to further clarify the project participants and how the cost will be repaid. At most of Reclamation's projects, there are a number of project participants, i.e. water use districts, power utilities, etc. Basically, the feasibility level process identifies the cost and the benefits of the project and then allocates the project costs among the participants (including the Federal Government).

- Chapter 6, Section 6.1 Estimating Annual Costs, Determine the Interest Rate and Time Period. Reclamation uses interest rates that are determined by the Department of Treasury. For feasibility level analysis, Reclamation's planning interest rate at the time of the analysis is used. The actual repayment interest rate will be different depending on the purpose of the cost. For example, if the project beneficiary is municipal and industrial water supply, the repayment interest rate would be different than the planning interest rate at the time of feasibility analysis. This is true for other water purposes in Reclamation projects.

- Chapter 6, Section 6.3 Evaluating impacts on Businesses. The information required by business to provide to the federal agency may be impossible to obtain. Federal agencies are directed by Congress not to impose undue burden on individuals and businesses that deal with the Federal agencies. This type of information falls under survey type information and Federal agencies must get approval from OMB to collect the information. This is a long and difficult process. How would this type of information be collected if it is not voluntarily provided by the businesses?