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UNITED STATES GENERAL ACCOUNTING OFFICE

REGIONAL OFFICE

SUITE 300-D, 2420 W. 26TH AVENUE

DENVER, COLORADO 80211

MAY 28 1980

Mr. Joe D. Hall, Regional Director  
Lower Missouri Region  
Water and Power Resources Service  
Denver Federal Center, Building 20  
Denver, Colorado 80225

Dear Mr. Hall:

During our recent review of Water and Power Resources Service water marketing policies, we identified two problems which warrant your attention. We found that

--some irrigation revenues collected to reimburse project operations and maintenance expenses from short-term contracts were actually credited to capital repayment and

--none of the revenues derived from some short-term municipal and industrial water service contracts were used to reimburse operations and maintenance costs.

We believe that the Congress intended project beneficiaries to pay a fair share of project operating costs and that both of the above actions caused an increased share of project operations and maintenance costs to be shifted from project beneficiaries to United States taxpayers.

The Water and Power Resources Service collected short-term contract revenues from irrigators on Bonny and Maconda Reservoirs to pay for operations and maintenance expenses. However, despite notification to the Commissioner stating that part of the price included an operations and maintenance charge, all revenues from the irrigation contracts were credited to capital repayment. As a result of crediting all short term revenues to capital repayment, the taxpayers were forced to pay for virtually all project operations and maintenance costs. We do not believe that the Congress intended the taxpayers to pay for irrigators' operations and maintenance expenses.

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The second issue is the regional procedure of crediting all short-term revenues from temporary municipal and industrial contracts to capital repayment, without crediting any revenues to reimburse operations and maintenance costs. For example, although Bonny and Glendo Reservoirs originally had reimbursable operations and maintenance allocations, none of the revenues from short-term (and renewed) municipal and industrial contracts were used to reimburse operations and maintenance costs.

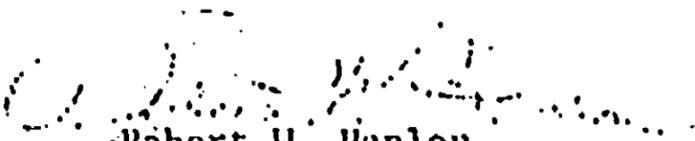
Instead, all revenues from short-term municipal and industrial contracts were credited to capital repayment, and all of the operations and maintenance costs were apparently reassigned to flood control (a non-reimbursable expense). Again, the taxpayer had to pay for some operations and maintenance costs, while some project beneficiaries paid none of them.

We believe that the Congress expected project beneficiaries to pay a fair share of the costs of operating Resources Service projects. We do not believe that the regional policy of reallocating reimbursable costs to non-reimbursable uses was intended. That policy has forced taxpayers to pay for project operations and has released some project beneficiaries from the responsibility of paying for operations and maintenance expenses. We would hope that appropriate reimbursable operations and maintenance costs can be reallocated to reimbursable project functions for all projects in the region.

As you know, my staff is completing a large and comprehensive national water marketing job. However, we do not believe that the above two issues have resulted from national policies. Rather, they are local decisions to reassign legitimate operating costs from project beneficiaries to the taxpayers. We recommend that the Resources Service reassign legitimate operating costs to reimbursable project functions on all projects in the region.

We would appreciate notification of any actions taken by you or your staff to correct these deficiencies. If you have any questions, please contact Jim Meissner or Art Trapp of my staff at 837-4621.

Sincerely yours,



Robert W. Hanlon  
Regional Manager

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