

CECW-PD

9 October 1991

CECW-PD COMMENTS: SECTION 116(k) OF WRDA '90
LAKE PONTCHARTRAIN, LOUISIANA - REPORT OF BENEFITS STUDY

1. On preliminary evaluation and without detailed review, the report appears generally well done and informative given the time restriction and constraints under which it was prepared. It is not as clear and direct in drawing conclusions from presented data and analysis as it might be however. We do have two concerns related to the analysis. The first is updating of benefits by price level indexes, which is apparently the way current benefits were estimated from results of previous studies. The second is exclusive use of a three and one-eighth percent (3 1/8 %) interest rate.

a. With respect to current estimates of benefits, the method used is contrary to guidance and would not be acceptable for a feasibility type study. For this study, given its intent and constraints, we can probably live with the approach used, as long as we recognize the method's limitations and the report is not subject to too much scrutiny or criticism.

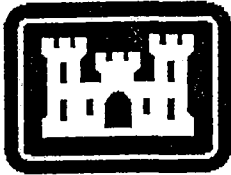
b. With respect to the interest rate we should consider asking the DC to estimate benefits at the current water resources discount rate, eight and three-quarters percent (8 3/4 %). The issue here is one of benefits, and some benefits as estimated in reports prior to the 1984 reevaluation were due to future growth. These benefits will be influenced by the choice of discount rate, while benefits for existing conditions will not be so influenced.

2. The main conclusions of the report appear reasonable and supportable. In particular the report concludes that a high percentage of the original claimed benefits had been realized as of the conditions that actually existed in 1984. It is granted that the enhancement benefits have not been and may never be realized. Offsetting this is greater than expected inundation reduction benefits.

a. In addition it is pointed out that failure to achieve enhancement benefits is due to a complex system of effects, only one of which is wetlands development limitations per se. These include general FEMA restrictions on floodplain development and St. Barnard Parish's own coastal protection and zoning actions.

b. It should also be emphasized, and this is not stressed in the report, that with the level of development existing in 1984, but at 1981 price levels, the benefits of the project far exceeded the local cost share, even when that cost share is expressed at 1990 price levels.

3. We should consider requesting the DC to quantitatively break out cost increases due to project size increases included at local urging from other sources of cost increases.



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of Engineers**

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REMARKS:

Per discussion. Please respond by 24 Oct 91.