

Testimony of Gawain Snow

General Manager

Uintah Water Conservancy District

Before the

House Natural Resources Subcommittee on Water and Power

In Support of H.R. 818- To direct the Secretary of the Interior to allow for prepayment of repayment contracts between the United States and the Uintah Water Conservancy District.

May 12, 2011

Washington, D.C.

Chairman McClintock, Congresswoman Napolitano and members of the Subcommittee, I am grateful to be able to appear here today and testify in support of **H.R. 818**. I want to also thank Rep. Jim Matheson for introducing this bill on behalf of the Uintah Water Conservancy District (District). The District was formed in 1956 for the purpose of “conserving, developing and stabilizing supplies of water for domestic, irrigation, power, manufacturing, municipal and other beneficial uses, and for the purpose of constructing drainage works.” The District operates and maintains the Vernal and Jensen Units of the Central Utah Project, which was authorized by Congress as part of the Colorado River Storage Project Act of 1956. The District encompasses almost all of Uintah County, Utah in eastern Utah adjacent to the border of Colorado.

At the time of its construction (1984-1987), the Jensen Unit was to provide 18,000 Acre Feet (AF) of municipal and industrial (M&I) water to the residents of Uintah County. This amount of water was based on an anticipated accelerated population growth within the

District's service area predicated on Project Independence, a 1974 Federal initiative to aid the United States in becoming independent of foreign nations in the production of energy, particularly the production of oil and gas, including oil shale development. Project Independence failed to materialize, however, resulting in the curtailment of energy development and a corresponding decrease in population, rather than the anticipated population growth. Of the total 18,000 AF of M&I water to be developed, 6,000 AF were to be developed with the construction of Red Fleet dam (which was built) and another 12,000 AF were to be developed at a later date with the construction of the Burns Bench Pump station on the Green River in Jensen, Utah. Due to the economic bust described above, the demand for water that had been foreseen was no longer there. As a result, an amendatory contract was signed in 1989 with the Bureau of Reclamation (Reclamation) reducing the amount of water subscribed to by water providers to 2,000 AF and reserving to the United States the remaining 4,000 AF of developed M&I water and the 12,000 AF of undeveloped M&I water for marketing by the United States, provided among other things, that the water would not be marketed within the District's boundary and that the District would have the right of first refusal to acquire such M&I water. The amendatory contract also provided for the delay in construction of the Burns Bench Pump station until such time as the demand develops for the additional 12,000 AF of water.

Reclamation desires to do a final cost allocation on the Jensen Unit. Such action would be premature without developing the remaining 12,000 AF on the Green River, because the cost per acre-foot would be approximately 2.5 times as much as if the 12,000 AF were developed. Also, at this time, not all of the remaining 4,000 AF of water in Red Fleet Reservoir has been subscribed. Reclamation took 700 AF of the 4,000 AF to increase the

conservation pool in the reservoir leaving 3,300 AF of available water in Red Fleet Reservoir. The Burns Bench pump station will not be constructed until all of the M&I water available in Red Fleet is subscribed. In the past year, the District has received several inquiries for the remaining M&I water in Red Fleet but no contracts have been signed. The price of the water is set by the amendatory contract. The amount per acre-foot is based on the cost of the Jensen Unit (including an estimated cost of the pump station) divided by 18,000 AF. The resulting cost is \$5,555.21 per acre-foot and is payable by dividing that amount by the number of years remaining until 2037 with the last payment being made in 2037. Based on this formula, water purchased in 2006 would be paid for at a rate of \$179.07 per acre-foot per year for 31 years. The District approached Reclamation about the possibility of discounting those payments at the rate set by the Office of Management and Budget for such prepayments. However, according to Reclamation, the amendatory contract does not allow for prepayment. The District then determined that it would seek legislation similar to a bill that was used by the Central Utah Water Conservancy District, which allowed for prepayment of the repayment contracts for the Bonneville Unit. Prepayment of our contract with Reclamation , as proposed in H.R. 818, would substantially reduce the cost of water to the District and result in a substantial payment to the federal treasury, estimated to be between \$4-5 million.

H.R. 818 directs the Secretary of the Interior to allow for prepayment of the specified repayment contracts between the United States and the Uintah Water Conservancy District under terms and conditions similar to those used in implementing provisions of the Central Utah Project Completion Act. It also provides that the prepayment: (1) may be provided in several installments to reflect substantial completion of the delivery facilities being

prepaid; (2) shall be adjusted to conform to a final cost allocation; and (3) may not be adjusted on the basis of the type of prepayment financing utilized by the District.

Finally, we ask the Subcommittee to entertain a technical amendment to the bill which expands the references to our contracts with Reclamation to include all subsequent amendments made under Section 9(c) of the Reclamation Act of 1939. This is needed to cover a letter agreement signed by the District and Reclamation in 2005 and a Board Resolution which affected the terms of the previous agreements and provide flexibility for further contract amendments. Again I want to thank you for the opportunity to testify today and will be happy to respond to any questions.

