

**John F. Sullivan**  
**Associate General Manager**  
**Salt River Project**  
**Testimony before the House Subcommittee on Water and Power**  
**Committee on Natural Resources**  
**on**  
**H.R. 470,**  
**A Bill to Extend the Allocation of Hoover Dam Power to Existing Customers and to**  
**Establish Allocations to New Customers**

**May 12, 2011**

Chairman McClintock, Ranking Member Napolitano and Members of the Subcommittee, thank you for the opportunity to submit testimony in support of H.R. 470, a bill to allocate Hoover Dam power to existing customers and also to establish allocations to new customers. My name is John F. Sullivan. I am the Associate General Manager of the Water Group at the Salt River Project (“SRP”), a large multi-purpose federal reclamation project providing water and power service in the Phoenix, Arizona metropolitan area.

SRP fully supports H.R. 470, which will both allocate and expand the availability of hydroelectric power generated at Hoover Dam. Hydropower from Hoover Dam is an important, emission-free, renewable resource to SRP and to the State of Arizona, as well as the States of California and Nevada. H.R. 470 will ensure that this clean, affordable and reliable source of electricity will continue to be available to our region, and will set aside a portion of the available electricity to benefit Indian Tribes and other eligible entities which do not currently receive Hoover power.

Hoover power allocations were initially authorized for 50 years under the Boulder Canyon Project Act of 1928. The Hoover Power Plant Act of 1984 extended those allocations and authorized customer funding to upgrade the turbines at Hoover, creating an additional 500 MW of capacity. Hoover Dam power has been critical to the development of the region and continues to be a vital source of low-cost, renewable power for 29 million people in Arizona, California and Nevada, helping to keep our energy costs to consumers as low as possible. Substantial investments have been made by the Hoover contractors to improve and utilize the Hoover resource, including a commitment to fund a portion of the Lower Colorado River Multi-Species Conservation Program for 50 years.

Arizona currently receives 377 MW of Hoover power through a contract between the United States and the Arizona Power Authority (“APA”) as authorized by federal law. The APA has subsequently allocated Hoover power to 30 eligible entities, including SRP, within the State under provisions of Arizona law. Hoover power allocations help these cost-based entities, including municipal utilities, irrigation districts and electrical districts, supply power to their customers at rates that help support Arizona agriculture and local economies. Hoover power also plays a critical role in supplying Colorado River water to central and southern Arizona through an APA contract with the Central Arizona Water Conservation District, the operator of the Central Arizona Project.

Passage of H.R. 470 is necessary to secure power allocations for those entities that have invested in and rely on Hoover power, but is also important so that Indian Tribes, electric cooperatives and other eligible entities not currently benefiting from Hoover power can receive allocations. SRP looks forward to working with the APA and these new entrants in the State allocation process. In an effort to promote certainty, SRP has offered to sell a “backstop” product with the same operational and price characteristics as Hoover to certain entities within Arizona, in the event they do not receive an allocation through the State process.

H.R. 470 is supported by existing customers in all three states, who worked for two years to negotiate and come to agreement on the legislation. In the 111<sup>th</sup> Congress, an identical bill (H.R. 4349) passed the House of Representatives as well as the Senate Energy and Natural Resources Committee with strong bipartisan support and without opposition. The current contracts for Hoover power expire in 2017; and, given the need for certainty and the time required to develop alternate power supply plans if necessary, along with the time required to develop federal power contracts and administer the State allocation and contract process, early passage of this bill is essential.

The clean, renewable energy generated at Hoover Dam is vital to SRP and the other customers in the region and passage of H.R. 470 is necessary to secure continued access to the power and to provide the opportunity for access by new customers. We urge your support and prompt passage of this important bill.

Chairman McClintock and Members of the subcommittee, thank you again for the opportunity to testify before you today. I would be happy to answer any questions.

**John F. Sullivan**  
**Associate General Manager**  
**Salt River Project**  
**Testimony before the House Subcommittee on Water and Power**  
**Committee on Natural Resources**  
**on**  
**H.R. 489,**  
**A Bill to Clarify the Jurisdiction of the Secretary of the Interior with Respect to the**  
**C.C. Cragin Dam and Reservoir, and for Other Purposes.**

**April 12, 2011**

Chairman McClintock, Ranking Member Napolitano and Members of the Subcommittee, thank you for the opportunity to submit testimony in support of H.R. 489, a bill to Clarify the jurisdiction of the Secretary of the Interior with respect to the C.C. Cragin Dam and Reservoir. My name is John F. Sullivan. I am the Associate General Manager of the Water Group at the Salt River Project (“SRP”), a large multi-purpose federal reclamation project embracing the Phoenix, Arizona metropolitan area.

SRP fully supports H.R. 489, which will simply clarify that since the C. C. Cragin Project is now being operated as a component of the Salt River Federal Reclamation Project, the Bureau of Reclamation is responsible for approval of operation, maintenance and repair activities as is the case with all of the other federal reclamation projects located on lands within the boundaries of the National Forests in Arizona. This clarification does not relieve either the Bureau or SRP from full compliance with the National Environmental Policy Act (NEPA) or the Endangered Species Act (ESA), and has no cost to the federal government.

SRP is composed of the Salt River Valley Water Users’ Association (“Association”) and the Salt River Project Agricultural Improvement and Power District (“District”). Under contract with the federal government, the Association, a private corporation authorized under the laws of the Territory of Arizona, and the District, a political subdivision of the State of Arizona, provide water from the Salt and Verde Rivers to approximately 250,000 acres of land and the raw water that serves over 2 million residents in the greater Phoenix area. Over the past century, most of these lands have been converted from agricultural to urban uses and now comprise the core of metropolitan Phoenix.

The Association was organized in 1903 by landowners in the Salt River Valley to contract with the federal government for the building of Theodore Roosevelt Dam on the Salt River, located some 80 miles northeast of Phoenix, and other components of the Salt River Federal Reclamation Project. Today, SRP operates six dams and reservoirs on the Salt and Verde Rivers in the Gila River Basin, one dam and reservoir on East Clear Creek in the Little Colorado River Basin, and 1,300 miles of canals, laterals, ditches and

pipelines, groundwater wells, as well as numerous electrical generating, transmission and distribution facilities.

H.R. 489 concerns the C.C. Cragin Project, which is located within the Coconino and Tonto National Forests in northern Arizona. The C.C. Cragin Project consists of a number of facilities including a 147-foot high dam, 15,000 acre-foot reservoir, diversion tunnel and pump shaft, pumping plant, priming reservoir, a 10 mile long pipeline, electrical transmission line, and small generating plant which supplies power to the Project's pumping plant. Originally known as Blue Ridge Project, the dam, reservoir, and associated facilities were constructed by Phelps Dodge in the 1960's to supply water to Phelps Dodge's Morenci Mine Complex through a water exchange with SRP. Eventually, Phelps Dodge no longer needed the Blue Ridge Project for the exchange and consistent with the existing exchange agreement, Phelps Dodge transferred ownership of all of the Blue Ridge Project facilities to SRP.

In 2004, at the urging of SRP and with support from Phelps Dodge and the U.S. Bureau of Reclamation, language was included in Section 213(i) of the Arizona Water Settlements Act (PL 108-451) authorizing title transfer of the Blue Ridge Project from SRP to the Bureau of Reclamation ("Bureau") to be operated and managed by SRP pursuant to its contract with the Bureau of Reclamation as part of the Salt River Project Federal Reclamation Project. Section 213 also changed the name from the Blue Ridge Dam and Reservoir to C.C. Cragin Dam and Reservoir. On September 30, 2005, SRP officially transferred title to the C.C. Cragin Dam and Reservoir together with all of its associated facilities and lands to the Bureau.

After the title transfer was complete, SRP began operating and maintaining the C.C. Cragin Project. As part of its maintenance efforts, SRP identified numerous serious leaks present in the existing pipeline needing immediate repair. I have attached several photographs showing some of the leaks in the pipeline. Not only is the pipeline's integrity important to the general operation of C.C. Cragin Project and SRP's water supply for the Phoenix metropolitan area, but it also has special significance to the Town of Payson and neighboring communities in Northern Gila County who will rely on the Project to supply municipal drinking water to their residents.

Once SRP began working with the Bureau of Reclamation and the United States Forest Service on repairs and other operational needs for the C.C. Cragin Project, it became evident that the Bureau and the Forest Service disagreed as to who had responsibility for approving the requested operation, maintenance and repair functions associated with the Reclamation Project. The Forest Service asserted that the Bureau needed to obtain a special use permit from the Forest Service prior to Project operation by SRP, and that all maintenance and repairs needed prior approval by the Forest Service. The Bureau and SRP maintain that under the terms of the Arizona Water Settlements Act, the C.C. Cragin Project is just like all of the other Salt River Federal Reclamation Project facilities located on Forest Service land. On those facilities, jurisdiction over approvals of work plans, maintenance, repairs, environmental compliance, and other permitting associated with Project operation and maintenance belongs to the Bureau, while jurisdiction over

recreation, fire suppression and additional management aspects is with the Forest Service. Not only is this approach consistent with the other Salt River Federal Reclamation Project facility agreements among the Bureau, the Forest Service and SRP applicable to the other six SRP dams and reservoirs located on National Forest lands in Arizona, it is also consistent with the existing approach for Reclamation Projects across the western United States pursuant to a 1987 Memorandum of Understanding between the Departments of Agriculture and Interior. I have attached a copy of this Memorandum of Understanding to my testimony.

SRP and the Bureau have worked with the Forest Service over four years to attempt to resolve the jurisdictional dispute. While the negotiations have been successful in further defining the management activities that should remain with the Forest Service, we were unsuccessful in clarifying the ultimate jurisdiction for operation, maintenance and repair of the project. The Forest Service has maintained the position that the ultimate approval authority for work on the C.C. Cragin pipeline remain with it, which in SRP's view would lead to further uncertainty regarding future operation and repair of the project and continued delays and cost increases.

The bill before you, H.R. 489, would resolve this jurisdiction conflict by withdrawing the approximately 512 acres that comprise the Cragin Project for Bureau of Reclamation purposes. Under this arrangement, the underlying lands would remain part of the National Forest, while clarifying that the Secretary of Interior has exclusive jurisdiction to manage the Cragin Project on these lands in accordance with the terms of section 213(i) of the Arizona Water Settlements Act. This change will make the administrative structure of the Cragin Project consistent with the six additional dams and reservoirs owned by the Bureau and operated by SRP within the Tonto National Forest.

In managing the Cragin Project, the Secretary of Interior and SRP are required to ensure the compliance of their activities with all applicable federal laws, including regulations. The Secretary of Interior is authorized to enter into a contract with the Secretary of Agriculture to undertake the management of recreation, wild land fire activities, public conduct and law enforcement, cultural and other resources, and any other appropriate management activity. The Forest Service requested several changes to the original language on this issue to further clarifying their management activities, as well as several other technical changes to other portions of the bill language. These changes are incorporated into H.R. 489 and fully supported by SRP.

In summary, H.R. 489 would clarify the jurisdiction over the C.C. Cragin Project which would allow the needed pipeline repairs to proceed under the Bureau of Reclamation's oversight and in compliance with all applicable laws.

Chairman McClintock and Members of the subcommittee, thank you once again for the opportunity to testify before you today. I would be happy to answer any questions.