

Committee on Resources

Witness Testimony

Opening Statement of
The Honorable John T. Doolittle, Chairman
Subcommittee on Water and Power Resources
Committee on Resources
Oversight Hearing on Pick-Sloan Project Repayment Issues
May 2, 1996, 10:00 a.m., 1324 L.H.O.B.

I want to welcome each of the witnesses testifying here today on issues relating to the repayment cost allocations for the Pick-Sloan Missouri Basin Program.

This is not a new issue, although it has received considerably more national attention since it was publicly brought to light last fall. It turns out that there are long-standing concerns that certain repayment costs are not being recouped because they have been allocated to irrigation features of the Program that will never be built. Last December, I asked the General Accounting Office to examine the cost allocations of the Pick-Sloan Program, and I look forward to hearing their findings today.

The Pick-Sloan Missouri Basin Program was originally authorized under the Flood Control Act of 1944. Prior to that, in 1939, Congress asked the Bureau of Reclamation to provide a plan of relief for the drought-plagued lands of the region. Four years later, motivated by devastating floods, the House Committee on Flood Control asked the Corps of Engineers to produce a plan for "flood control and other purposes" in the Missouri Basin.

Reclamation and the Corps each prepared plans for management of the Missouri River Basin. However, because of the differing missions of the two agencies, they took a different approach to basin-wide management. When Congress authorized the resulting Missouri River Basin Program as part of the Flood Control Act of 1944, it quickly grafted the two plans together. As a result, implementation of the Program has been difficult.

While the thrust of this hearing is Western Area Power Administration's power rates in the region, these power rates directly relate to the underlying cost repayment allocations. According to the GAO, approximately 25 percent of the repayment for the project was to come from the scores of irrigation projects that were proposed as part of the plan. Although the federal government proposed these irrigation projects to offset the loss of the hundreds of thousands of acres that were flooded by the water storage reservoirs, it has simply proven infeasible to construct most of the irrigation projects.

Therefore, in the intervening 50 years, only about 25 percent of the acreage planned for irrigation has been developed. Consequently, irrigation remains a small beneficiary of the Program and most of the irrigation services never went "on line" to begin repaying "their" share of the federal investment.

However, the cost allocations for the Pick-Sloan Program are based on the "ultimate development" concept. In other words, cost repayment allocations were based on the benefits each class of beneficiaries could be expected to receive when all the individual projects were completed. Approximately \$454 million of the federal investment in the Pick-Sloan Program's hydropower facilities and water storage reservoirs is unrecoverable unless the project repayment allocations are revised.

While the Bureau of Reclamation and the Western Area Power Administration can not unilaterally reallocate power costs, I am concerned that the Bureau of Reclamation has failed to follow through on commitments the agency made in response to a 1993 Inspector General's report on Pick-Sloan program cost allocations. At that time, Reclamation agreed to submit several study proposals on this issue to the Congress by early 1995, but has not done so.

There have been attempts to resolve this issue in the past. The Congress addressed this problem in part under

provisions of the Garrison Unit Reformulation Act of 1986, which deauthorized certain irrigation features of the Pick-Sloan Program, and allowed a reallocation of costs associated with those features. This resulted in \$147 million being reallocated to power users for repayment. It is my understanding that, according to Western officials, the power rate was not appreciably affected by this reallocation.

In closing, let me reiterate that I look forward to the testimony of each of our witnesses. This is a complex issue. The Federal government is out of pocket nearly half a billion dollars and it is growing at \$30 million a year. It is important that we thoroughly examine the allocation of costs to ensure that the federal investment in these Pick-Sloan facilities is recouped in an equitable manner.

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