

Committee on Resources

Witness Testimony

Testimony of

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U. S. Department of Energy

Before the Subcommittee on

Water and Power Resources

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Mr. Chairman, thank you for inviting me to testify before your subcommittee today on the Western Area Power Administration's (Western's) role in the suballocation of Pick-Sloan Missouri Basin Program power investment, from the Department of Energy's (DOE's) perspective. My remarks on the applicable authorities and methods of operation of the Pick-Sloan are limited to DOE's interpretation of the appropriate authorities. I will begin by providing the Subcommittee some background on Western.

Western markets and transmits Federally produced power throughout a 1.3 million-square-mile geographic area in 15 central and western states to nearly 600 wholesale customers. Western operates and maintains 16,760 miles of transmission line, 257 substations, and other associated power facilities. Electric power marketed by Western is generated at 56 plants operated primarily by the Bureau of Reclamation and the U. S. Army Corps of Engineers.

The Pick-Sloan Missouri Basin Program is a comprehensive river basin development project located in the upper basin of the Missouri River. Authorized by section 9 of the Flood Control Act of 1944, Pick-Sloan was conceived as a multi-state project consisting of dams on the Missouri and its tributaries as well as approximately five million acres of irrigation development. The Pick-Sloan was authorized by Congress as an ultimate development project, which means that cost allocations and suballocations are based on conditions expected to exist at the time that future Pick-Sloan construction is ultimately completed.

All capital investments associated with Pick-Sloan have been allocated by the Bureau of Reclamation and U.S. Army Corps of Engineers among the various project purposes: navigation, irrigation, power, flood control, recreation, municipal and industrial water, and fish and wildlife. Western has no authority to allocate or reallocate these costs. Congress has directed that Pick-Sloan investments allocated to flood control, navigation, fish and wildlife, and recreation be nonreimbursable. Unless provided otherwise by law, power investment is repaid with interest through Western's rates. Transmission investment by Western is included in power investment.

Congress recognized that project beneficiaries would be unable to repay the total Federal investment in authorized irrigation facilities. As a result, power customers are to repay authorized irrigation investment that is deemed by the Bureau of Reclamation to be beyond the ability of irrigators to repay. Pursuant to law, irrigation assistance does not bear interest.

A unique feature of Pick-Sloan is the suballocation of investment allocated to power. When the Pick-Sloan Program was authorized, Congress envisioned a need for reservation of pumping power associated with authorized irrigation projects to deliver water to farmers. Power investment used to pump irrigation water was to be repaid without interest over the same time period allowed for repayment of the benefitting irrigation facilities.

Since their authorization in 1944, the construction of hydroelectric power plants has progressed far more quickly than construction of Pick-Sloan irrigation features. For example, it is my understanding from the Bureau of Reclamation that the actual Pick-Sloan hydropower capacity completed is more than double the 1944 estimate, while only 11 percent of originally planned irrigation acreage has been completed. Notwithstanding the uneven pace of development, consistent with the concept of ultimate development, that portion of the power investment eventually envisioned for pumping of irrigation water continues to be suballocated to irrigation. The effect of this suballocation is that 15.8% of

existing power investment bears no interest and its principal will not be repaid until the same future time period as the benefitting irrigation features. Delaying repayment of the suballocated power investment makes today's power rate lower than it would otherwise be. Power associated with the 15.8% suballocated to irrigation is not given away for "free". It is sold at the current firm power rate for Pick-Sloan power.

The suballocation of power investment to irrigation was an integral component in the original authorization of the Pick-Sloan Missouri Basin Program in the Flood Control Act of 1944. Congress has on several occasions confirmed the ultimate development approach in repayment, most recently in section 1122 of the Water Resources Development Act of 1986. I am advised by legal counsel that action by Congress is necessary to alter the ultimate development approach taken by Western for the Pick-Sloan Missouri Basin Program. Therefore, neither Western nor the generating agencies have the authority to modify the suballocation approach administratively.

The suballocation of power investment has been examined in various audit reports over time. Since 1968, the U.S. General Accounting Office and the Interior Department's Inspector General Office have reported a total of eight times regarding Pick-Sloan cost allocation and repayment. These reports note that Congress would need to authorize a departure from the current suballocation practice.

Mr. Chairman, this concludes my remarks. If you or members of the Subcommittee have any questions, I would be pleased to answer them.

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