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On Behalf of Washington Public Utility Districts Association (WPUDA)
House Resources Subcommittee on Water and Power
Bureau of Reclamation Site Security Program

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Good morning Mr. Chairman and Members of the Committee. My name is Dan Peterson and I offer the following comments on behalf of my local utility and the citizens in Pend Orielle County who have elected me their Commissioner. As a past President of the Washington Public Utility Districts Association and current chair of the association's Legislative Committee, I also speak on behalf of PUD customers statewide.

I appreciate this opportunity to testify on behalf of WPUDA today in support of the Radanovich-Napolitano bill (H.R. _____), a bill to amend the Reclamation Safety of Dams Act to include express program authorization, Congressional oversight and a fair allocation of costs of site security to water and power customers .

Pend Oreille County is located in the very northeast corner of Washington State's Fifth Congressional District and shares borders with both Idaho and British Columbia. The Fifth District is represented by Congresswoman McMorris, a member of this esteemed committee. Five counties in Representative McMorris' District have PUDs that provide electric or water service. Our county of 1400 square miles has 12,000 residents; the Public Utility District serves electricity throughout the County to about 8000 customers. In addition to our own non-federal hydroelectric resources on the Pend Oreille River, the PUD purchases power from the Bonneville Power Administration (BPA) to supply a large newsprint plant.

In the Northwest, we are *still* recovering from the energy crisis of 2000-2001 and we have been working hard to control Bonneville Power Administration's (BPA's) costs. Bonneville's rates are affected by many factors, including drought, fish and wildlife obligations and contracts with the direct service industries. As stewards of the public trust, we are trying hard to make that the cost of the Bureau's enhanced security measures at Grand Coulee Dam, which also affect our rates, receive close congressional scrutiny and are fair to our ratepayers.

Given the national security interests at stake, we fundamentally believe that funding of increased, post-9/11 Reclamation security measures should remain a non-reimbursable federal obligation and be subject to congressional oversight. Reclamation facilities provide people not only with electricity but with flood control, water supply, recreation and other benefits. However, if a portion of the security costs *are* made reimbursable, they should be allocated among all beneficiaries and capped to ensure accountability.

While we have been debating who should pay these enhanced costs over the past few years, the issue is not a new one. Following the terrorist attacks of September 11, 2001, the Bureau of Reclamation embarked on an aggressive program of anti-terrorism and site security measures at multi-purpose federal dams. Initially, Reclamation determined that the costs for increased security at federal dams would remain the financial responsibility of the federal government, consistent with legislative precedent established during World War II. However, in FY 2005, Reclamation shifted position and allocated costs of increased guards and patrols to water and power customers for reimbursement.

Water and power customers opposed this effort, citing the security program's lack of cost controls, congressional oversight and transparency. We also objected to Reclamation's decision to recover costs *only* from water and power users, despite the fact that the multi-purpose projects provide benefits (such as flood control, recreation, fish and wildlife mitigation) to other beneficiaries. We are also concerned that project beneficiaries have had no meaningful input into discussions about Reclamation's security cost program. While we recognize that some of the security information is classified by necessity, we remain concerned with this lack of accountability and seemingly open-ratepayer checkbook.

A Reclamation report in May 2005 indicated that for the Columbia River Basin, power customers would pay \$2.34 million of the \$2.42 million in costs for guards and patrols -- approximately 92% of reimbursable security costs, despite the fact that this multi-purpose facility serves many functions and provides benefits to many user groups. Reclamation's rationale for this allocation is that this is how the agency allocates all operation & maintenance (O&M) costs for its Columbia River projects, and it regards costs for increased guards and patrols as an O&M expense.

Currently, the Bureau is spending about \$50 million per year on enhanced security costs West-wide and is trying to recover about half of that from water and power customers, mostly from power. For example, in FY 2006 the Bureau sought to recover almost \$5 million from BPA customers for enhanced security at Grand Coulee. It is seeking a similar amount in FY 2007.

In a February 2006 report to Congress, Reclamation expanded its definition of reimbursable costs to include not only guards and patrols, but also costs of upgrades to facility fortifications. While this expansion of reimbursable costs was corrected in an August 17 letter from Acting Commissioner Bill Rinne (attached), it underscores the fact that water and power customers have no certainty about the kind of level of reimbursable security costs from year to year. Again, Reclamation is proposing to recover these costs *only* from water and power customers, not from other project beneficiaries.

In June 2006, this committee held an oversight hearing on the site security program and heard testimony from Reclamation and from Western water and power customers. As you recall, Mr. Chairman, the customers urged this Subcommittee to expressly authorize the agency's site security program to ensure appropriate Congressional oversight and to provide certainty to the funding stakeholders in terms of a fair, durable and equitable allocation of costs.

We support the Radanovich-Napolitano legislation because we believe it helps to alleviate our concerns about the lack of cost controls, authorization ceiling, sunset date, or Congressionally-approved parameters to limit or control the amount of money Reclamation can spend for increased security.

Specifically, we support the legislation because it would amend the 1978 *Safety of Dams Act* to:

- Authorize the Secretary of the Interior to undertake site security measures as part of the *Safety of Dams* program;
- Require reimbursement of 15% of all site security costs (including capital, operation and maintenance costs, costs of guards and patrols and upgrades to fortifications) by water and power customers, consistent with the current provisions of the *Safety of Dams Act*;
- Require the Secretary to consult with project beneficiaries on the planning, design and construction of site security measures, as the *Safety of Dams Act* requires for dam modifications; and

(4) Require an annual report to Congress by Reclamation on site security program expenditures, as well as a five-year spending plan for the program.

In conclusion, we believe in being responsible stewards of the facilities and we are not seeking to circumvent those responsibilities. However, we firmly believe that the burden our power customers are being asked to shoulder for these counter-terrorism measures are above and beyond normal O&M functions. We support this bill and pleased that it recognizes that protection of these multi-purpose facilities -- which provide important flood control, water storage for irrigation, municipal and industrial users, recreation and environmental mitigation benefits and power generation -- is in the national interest, should be a federal obligation and is consistent with the intent of the 1978 *Safety of Dams Act*. Thank you for the opportunity to testify and I look forward to answering any questions you might have.