

Statement of William E. Rinne
Acting Commissioner, Bureau of Reclamation

U.S. Department of the Interior
Before the House Resources Committee
Subcommittee on Water and Power

H.R. 5796

Folsom South Canal, Auburn-Folsom South Unit and Central Valley Project

July 27, 2006

Mr. Chairman, I am William E. Rinne, Acting Commissioner of the Bureau of Reclamation. For the reasons discussed below, the Department cannot support H.R. 5796. This legislation would defer repayment of the capital cost of the unused capacity in the Folsom-South Canal, Auburn-Folsom South Unit, Central Valley Project (CVP), Public Law 89-161 (79 Stat. 615). It would also authorize entities that pay capital and operation costs associated with CVP water assigned to the Folsom-South Canal service area to substitute for conveyance through the Folsom-South Canal up to an equivalent amount of non-CVP water without additional payment.

Only the initial two reaches of the planned five reaches of the Folsom-South Canal were constructed. Both reaches contained deferred-use capacity for the East Side Division. However, because of the incomplete status of the Auburn-Folsom South Unit, water deliveries have never developed as anticipated. Annual water deliveries generally average less than 2% of the designed capacity of the canal. This act would allow the Secretary to compute the deferred use capacity of the facility based upon the overall unused capacity of the canal rather than just that portion of the facility that was provided for the East Side Division.

Under the bill, these computations would be reevaluated "as appropriate" to reflect any changes in the use of the canal and reflect those changes in the pooled reimbursable capital conveyance costs of the CVP. This act would not be retroactive to previous year payment computations. As current and future capital costs are identified for CVP cost repayment purposes they will be calculated in accordance with the then-current CVP water rate setting policies.

Reclamation is still in the process of trying to ascertain the costs of implementing this bill, but the bill sponsors estimate the reduced revenues to the Treasury at \$2.2 million per year. The Department has concerns about deferring the repayment of the costs of a Reclamation facility based on the amount of capacity in use and its implications for other projects. This precedent, if applied to other projects, could result in significantly reduced revenues to the United States.

Estimating unused capacity also poses implementation challenges. This is illustrated by the ambiguous language contained in this bill requiring that the minimum unused conveyance capacity in the canal should "be based upon actual historic measured flows in the canal and planned future flows." Given the many factors that impact actual use of a facility, making a determination about how to balance between historic flows and planned future flows would not necessarily be straightforward.

Reclamation would support section 1(e) of the bill. This provision allows entities that are paying costs associated with the Folsom-South Canal to substitute for conveyance through the Folsom-South Canal up to an equivalent amount of non-CVP water without additional payment. This bill addresses a situation where an assignor may have use of the Folsom-South Canal but assigns all or part of their share of project water entitlement to an assignee that does not use the facility. In an assignment of this water, the assignee is required to pay for the canal facilities so that the costs are not stranded for repayment by either the federal government or other water users. The bill addresses the concern that payments are made for the canal facilities but that the assignee should be able to receive some benefit of Folsom-South Canal use for non-project water without additional payment.

While Reclamation cannot support HR 5796 as written, we are willing to continue to work with the sponsors and this subcommittee to address issues of fairness in the allocation of Folsom Canal costs. That concludes my prepared remarks. I would be pleased to answer any questions.