

GRANT R. WARD

Testimony on behalf of the Electrical District No. 3 of Pinal County, Maricopa-Stanfield Irrigation & Drainage District, and Santa Cruz Water & Power Districts Association

Before the House Water and Power Subcommittee Hearing

September 7, 2006
1324 Longworth House Office Building

Chairman Radanovich and Members of the Subcommittee:

My name is Grant Ward. I am the General Manager of the Electrical District No. 3 of Pinal County (ED3), Maricopa-Stanfield Irrigation & Drainage District (MSIDD), and Santa Cruz Water & Power Districts Association (SCWPDA) in Pinal County, Arizona.

I appreciate the opportunity to testify before you this morning in support of the Radanovich-Napolitano bill (H.R. ____) that authorizes anti-terrorism and site security measures implemented by the U.S. Bureau of Reclamation (Reclamation) as part of the Reclamation Safety of Dams Act of 1978.

Collectively, the Districts I manage represent the interests of two electrical districts -- Electrical District No. 3 (ED3) and Electrical District No. 4 (ED4), which serve irrigation, commercial and residential customers, supplying electricity in service areas of approximately 130,000 acres and 109,000 acres respectively, and two irrigation districts, Maricopa-Stanfield Irrigation & Drainage District (MSIDD) and Central Arizona Irrigation and Drainage District (CAIDD). MSIDD has approximately 87,000 acres of farmland in western Pinal County and CAIDD has approximately 87,000 acres of farmland in south central Pinal County.

SCWPDA, as an umbrella association to the four Districts deals with matters regarding the Central Arizona Project (CAP) and its water supplies and rates, the Arizona Department of Water Resources (ADWR), the state's groundwater code, power contracts and rates as they pertain to electric transmission, distribution, and generation, U.S. Bureau of Reclamation, and Western Area Power Administration (WAPA). We also participate as members with other regional associations to coordinate power and water issues, such as the Irrigation and Electrical Districts of Arizona (IEDA), the Agri-Business Council of Arizona (ABC), and the Colorado River Energy Distributors Association (CREDA).

Because we purchase federal hydropower as will be described herein, my customers have a very direct interest in the Radanovich-Napolitano bill (H.R. ____). ED3 and ED4 purchase federal hydropower generated by the Bureau of Reclamation at Hoover Dam, the Parker - Davis Project and the Colorado River Storage Project (CRSP - Glen Canyon Dam), and when necessary, buy supplemental power from other available sources. Both electrical districts provide hydropower, primarily for groundwater pumping for the irrigation districts and private non-district irrigation pumpers. The irrigation systems connect with the Central Arizona Projects' canal in southern Pinal County and deliver Colorado River water to landowners through more than 420 miles of concrete-lined canals, laterals, pipelines, pumping plants and related works. The electric power provided for lifting this water from the Colorado River (approximately 900 feet) to our Districts' turnouts comes from the Bureau of Reclamation's Navajo Power Plant as well as Hoover Dam.

We have worked very hard over the last decade developing agreements with the Bureau of Reclamation and Western such as the Boulder Canyon Implementation Agreement, the Parker Davis Advance of Funds Agreement and the 1992 Memorandum of Understanding regarding CRSP program review among CREDA, the Western Area Power Marketing Administration and Reclamation. These agreements are designed to provide transparency between the power customers and federal agencies into the engineering and operational costs of these facilities. Potentially unlimited and non-transparent security costs challenge these important organizational relationships.

We support Reclamation's decision to undertake an aggressive post-September 11 site security program, because we are keenly aware of the many benefits these multi-purpose projects provide to citizens throughout the western United States. We supported the initial decision by then-Commissioner John Keys to make all costs of enhanced security non-reimbursable, which means that they were a 100 percent (100%) federal obligation. We believed this was a sound decision because it was consistent with the precedent established for such costs during World War II and because it accurately reflected the fact that facilities such as Hoover Dam, Glen Canyon Dam, and Grand Coulee Dam are of *national importance* and the benefits of protecting them cannot be ascribed to one or two project beneficiaries.

Therefore, we were dismayed when Reclamation changed its position in the Fiscal Year 2005 budget and sought to recover

a significant portion of the costs of the site security program from power and water beneficiaries. More specifically, Reclamation in its

FY 05, 06 and 07 budgets sought to recover more than ninety percent (90%) of the reimbursable costs from *power* customers, despite repeated efforts to convince the agency to allocate reimbursable costs to *all* project beneficiaries.

While we understand that Reclamation allocated the reimbursable costs according to the formula it uses to allocate normal Operation and Maintenance costs at each project, we do not think it is appropriate or fair to apply this formula to building and site security program costs. If Hoover Dam, or Glen Canyon Dam, or any one of the National Critical Infrastructure dams that are the focus of the site security program were destroyed, the damage to power customers would pale beside the damage to those living downstream of the dam or to those who are dependent on the irrigation and Municipal and Industrial water supplies stored in the facilities.

We are willing to pay a fair share of the costs of protecting these important multi-purpose facilities, but we do not believe that the allocation formula Reclamation applied was fair. The allocation formula was based on an outdated pre-existing formula used to pro-rate dam *construction costs* and, in our opinion, does not provide an appropriate risk allocation based on site security.

Therefore, the Districts that I represent are pleased to be here today to endorse the Radanovich-Napolitano bill (H.R. ____) and to pledge its support to the sponsors and this Subcommittee to enact this important bill. We believe that this legislation will promote a site security program that is effective, accountable and equitable.

We strongly support the key features of the bill:

- The express authorization of the site security program as part of the existing Reclamation Safety of Dams program. The Safety of Dams program has a strong history of success and we believe that protecting Reclamation dams from physical failure due to acts of terrorism is consistent with the purposes of the Safety of Dams program;
- Specific oversight duties that will enable Congress and the general public to obtain key information about current and future costs of the site security program; and
- A fifteen percent (15%) allocation of program costs to water and power beneficiaries, with the remainder paid by the federal government.

Water and power customers throughout the West and members of Congress from our region have struggled to find a solution to the site security program dilemma for several years. We believe that the solution outlined in the Radanovich-Napolitano bill (H.R. ____) is clear, rational and fair. We urge swift passage of this bill.

On behalf of ED3, MSIDD, and SCWPDA, I would like to thank the Subcommittee for the opportunity to present our viewpoint.