

Testimony of:
Richard L. Erickson, Secretary-Manager

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

Oversight hearing on:
Securing the Bureau of Reclamation's Water and Power Infrastructure

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Mr. Chairman and Members of the Subcommittee:

Thank you for the invitation to participate in this oversight hearing on "Securing the Bureau of Reclamation's Water and Power Infrastructure".

My name is Richard L. Erickson and I am the Secretary-Manager of the East Columbia Basin Irrigation District. The East District along with the Quincy and South Columbia Basin Irrigation Districts operate the transferred works of the Bureau of Reclamation's Columbia Basin Project. The three Districts and Reclamation are currently providing irrigation water to approximately 670,000 acres in eastern Washington.

The source of water and pumping energy for the Columbia Basin Project is Grand Coulee Dam on the Columbia River. Grand Coulee is a CBP reserved works and, as such, is operated and maintained by Reclamation. The three CBP Irrigation Districts advance to Reclamation the annual O&M costs for Grand Coulee to pump water from Lake Roosevelt to Banks Lake and to convey it through other reserved works into the major canal systems that have been transferred to the Districts.

By way of illustration that advance this year, just for the Grand Coulee Dam, Lake Roosevelt, Banks Lake components is \$3,566,900. About 43% of that amount is for electricity to lift water from Lake Roosevelt to Banks Lake. The budgeting and accounting procedures that determine this payment are termed the "diversion rate". This diversion rate is set by Reclamation's Regional Director after involving the three CBP Irrigation Districts in the budgeting and accounting reviews.

All three Districts pay this diversion rate and it is to the power component of this rate that Reclamation began adding a guard and patrol security cost surcharge this year. The Boards of Directors of all three Districts share a common view regarding the reimbursability of these costs. I believe the comments I will present reflect that common view.

There has always been a small security component associated with this diversion rate. However, until 9/11 these costs were for things like fire protection and night watchmen. 9/11 obviously changed all that.

The CBP Irrigation Districts do not dispute the need to defend important hydroelectric facilities like Grand Coulee Dam. The attacks of September 11 th confirmed that foreign terrorists will go to great lengths to destroy targets that are national cultural and economic icons. The federal government is to be commended for taking these defensive measures.

However, we believe national defense is a federal role, not a local role. As was done after Pearl Harbor, and was done after September 11 th, through 2005, these defense and security costs should be a federal responsibility, paid for by all Americans. They should not be the responsibility of irrigation rate payers and power rate payers associated with specific federal projects that happen to have a high target value for enemies of this country.

Beginning in 2006, Reclamation and Congress determined that guard and patrol costs should become reimbursable. For 2006 this reimbursability was capped at \$10 million, Reclamation-wide. Our understanding is that the 2006 decision contemplated the cap for 2006 only, full reimbursement would begin in 2007. The CBP Irrigation Districts respectfully recognize that Congress is the final decision maker in this matter and we realize there are many competing pressures on the federal budget but we ask that Congress give further consideration to this decision.

One point we believe needs further consideration is the equity of the reimbursability of guard and patrol costs. The Columbia Basin is the only project in the Pacific Northwest Region that will be subject to reimbursable security costs. Similar situations exist in Reclamation's other regions. That is because Grand Coulee Dam, Shasta Dam and Hoover Dam and a few other of Reclamation's larger hydroelectric projects have the most security needs. That creates a disparity for

irrigators farming on Reclamation's projects that depend on these larger dams for their water supply if security costs are to be reimbursable. Because of the large hydroelectric facility, these farmers will pay extra charges for water compared to other farmers on the rest of the 10 million acres using Reclamation water that don't have these security concerns.

Another point about this reimbursability that we believe Congress should consider is the ability to audit Reclamation's guard and patrol costs. The CBP Irrigation District's believe we have a positive relationship with Reclamation regarding our payment of the irrigation diversion rate at Grand Coulee Dam. We believe one source of this good relationship has been Reclamation's willingness to allow the District's to review the documentation of the budgeting and accounting procedures relevant to the diversion rate. These reviews often lead to frank discussions and correspondence between the Districts and Reclamation about some of the diversion rate decisions but, in the end, result in a good relationship and adequately funded operation, maintenance and replacement budgets for the irrigation function at Grand Coulee. However, the Districts firmly believe that without this interaction too many inappropriate costs would be charged against Grand Coulee's irrigation diversion rate.

This type of review and interaction by the Districts is probably not possible or appropriate for post – 9/11 security costs at Grand Coulee. Those costs, at least in part, result from federal decisions based on classified intelligence information related to national security. Irrigation District Boards of Directors and management are probably not qualified or authorized to audit or interact in that type of budgeting and accounting. These are federal, not local, matters.

Reclamation has decided to recover the Grand Coulee guard and patrol costs by adding those costs to the cost of power production. As mentioned earlier, power charges are about 43% of our diversion rate. Irrigation pumping uses about 10% of Grand Coulee's generation. Reclamation is telling us that our share of the reimbursable guard and patrol costs will be about that same proportion. However, they have also told us that for security and clearance reasons they can't tell us exactly how these costs are being allocated. So we really don't know.

The CBP Irrigation Districts believe the best way for Congress to address this is to place a limit on the amount of guard and patrol costs that are to be reimbursable and that Congress itself exercise vigorous oversight of Reclamation's spending for guard and patrol functions. Such oversight should tend to keep the future escalation of these costs within reasonable bounds.

If Congress decides that these guard and patrol costs are to be permanently reimbursable, the \$10 million cap used for FY 2006 would be a reasonable precedent. That cap could then be indexed to somehow adjust for inflation.

Thank you for your consideration.