

STATEMENT OF THOMAS P. GRAVES
EXECUTIVE DIRECTOR
MID-WEST ELECTRIC CONSUMERS ASSOCIATION
WHEAT RIDGE, COLORADO
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
HOUSE RESOURCES SUBCOMMITTEE ON WATER AND POWER
JUNE 22, 2006

Good morning, Mr. Chairman. I am Thomas Graves, Executive Director of the

Mid-West Electric Consumers Association, headquartered in Wheat Ridge, Colorado. Mid-West was founded in 1958 as the regional coalition of consumer-owned electric utilities – rural electric cooperatives, municipal electric utilities, and public power districts – that purchase hydropower generated at federal multi-purpose projects operation by the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation.

Mid-West members utilize federal hydropower marketed by the Western Area Power Administration (Western) under the Pick-Sloan Missouri Basin Program in nine states – Montana, Wyoming, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Minnesota, and Iowa.

Since September 11, 2001, the Bureau of Reclamation has stepped up its security at its multi-purpose projects throughout the West. The security of Reclamation's National Critical Infrastructure (NCI) facilities is important to us as federal power users as well as to the entire country.

In April, 2002, the Commissioner of Reclamation, following historical precedent deemed the increased security costs to be a federal obligation. Subsequently, the Bureau has been engaged in a back-and-forth policy over how these increased security costs should be treated. In fiscal year 2006, Congress directed that only \$10 million of a \$40 million security budget be deemed the responsibility of project beneficiaries.

Currently, the Bureau's report to Congress on security costs indicates that the Bureau of Reclamation expects all of its 2007 security costs to be allocated amongst project purposes with no cap on reimbursable obligations.

To determine the obligation of each project purpose, the Bureau has relied upon its Operations and Maintenance allocations. While an easy way to address the cost allocation issue, this methodology does not properly account for assessment of risk or impact of threats. The loss of a power house at a Bureau multi-purpose facility, while certainly not a happy event, would be dwarfed by the loss of the dam. Hydropower generation at a Bureau facility can be offset in the short and mid-term. Loss of drinking water for a community is immediately catastrophic; yet, in Pick-Sloan only \$78, 647 has been allocated to municipal and industrial water.

In the Pick-Sloan Missouri Basin Program, federal power customers will be responsible for repaying 50% of the \$1.87 million in total projected costs for 2007. Power's share of the \$1.4 million allocated to reimbursable project purposes is \$936,000 – just over 67%.

Understandably, the Bureau moved aggressively to protect national assets when the terrorist threat emerged. But now is the time to address a more equitable allocation of costs of this new security. That consideration must be open and transparent. The Bureau has claimed security concerns in protecting some data. No one is interested in compromising the security of these sites but as the project beneficiaries responsible for the lion's share of these costs; we do feel a right to have a proper cost accounting.

Congress needs to step in and establish some parameters for the Bureau's security program. The Bureau should be required to report annually to Congress on its security activities and costs. Congress should require the Bureau to develop cost

allocations that better balance risks among project purposes. The extent of security needed should be reevaluated periodically.