

**Statement of Michael L. Connor
Commissioner
U.S. Bureau of Reclamation
before the
Senate Appropriations Committee
Subcommittee on Energy and Water Development
June 18, 2009**

Thank you, Mr. Chairman, Mr. Bennett and members of the subcommittee, for the opportunity to appear before you in support of the President's Fiscal Year 2010 budget request for the Bureau of Reclamation. With me today is Bob Wolf, Director of Program and Budget.

I appreciate the time and consideration this Subcommittee gives to reviewing and understanding Reclamation's budget and its support for the program. Reclamation works hard to prioritize and define our program in a manner that serves the best interest of the public and those who rely on Reclamation for their water and power.

Our FY 2010 request continues support to activities that deliver water and generate hydropower, consistent with applicable State and Federal law, in an environmentally responsible and cost-effective manner.

The proposed funding will allocate funds to projects and programs based on objective and performance-based criteria to most efficiently implement Reclamation's programs and its management responsibilities for the water and power infrastructure in the West. The President's budget request emphasizes the following principle: enhancing management of our water infrastructure and programs in the West by eliminating program redundancies, leveraging partnerships with our western stakeholders and maximizing opportunities for competitive processes.

The FY 2010 request for Reclamation totals \$1.0 billion in gross budget authority. This takes into consideration the effects of the legislation that, beginning in FY 2010, redirects an estimated \$5.6 million for Friant surcharges from the Central Valley Project Restoration fund to the San Joaquin River Restoration Fund. The request also is partially offset by discretionary receipts in the Central Valley Project Restoration Fund of \$35.1 million. The resulting net discretionary request for Reclamation is \$985.6 million.

Water and Related Resources

The FY 2010 request for Water and Related Resources is \$893.1 million. The request for Water and Related Resources includes a total of \$465.9 million for water and energy, land, and fish and wildlife resource management activities (which provides for construction and management of Reclamation lands, and actions to address the impacts of Reclamation projects on fish and wildlife). The request also includes \$427.2 million for facility operations, maintenance, and rehabilitation activities which is used to ensure sound and safe ongoing operations. Adequate

funding for facility operations, maintenance, and rehabilitation continues to be one of Reclamation's highest priorities. Reclamation continues to work closely with water users and other stakeholders to ensure that available funds are used effectively. These funds are used to allow the timely and effective delivery of project benefits; ensure the reliability and operational readiness of Reclamation's dams, reservoirs, power plants, and distribution systems; and identify, plan, and implement dam safety corrective actions and site security improvements.

Highlights of the FY 2010 Request for Water and Related Resources

I would like to share with the Committee several highlights of the Reclamation budget, including one of the most significant and exciting elements of our 2010 request, the Water Conservation Initiative. In FY 2010, Reclamation will implement the Water Conservation Initiative focused on expanding and stretching limited water supplies in the West to reduce conflict, facilitate solutions to complex water issues, and to meet the growing needs of expanding municipalities, the environment, and agriculture.

Water Conservation Initiative (WCI) (\$46.0 million). Of this amount, \$37.2 million appears as the Water Conservation Initiative line item. The remaining \$8.8 million is funded in specific Title XVI water reclamation and reuse projects.

The American West is now the fastest growing region of the country and faces serious water challenges. Competition for finite water supplies, including water for environmental needs, is increasing as the need for water continues to grow. At the same time, extended droughts are impacting water availability and climate change is likely to compound the situation. With an increase of \$26 million in FY 2010, Reclamation will help address these concerns by providing cost-shared grants, on a competitive basis, through the Water Conservation Initiative. The Water Conservation Challenge Grants (previously Water for America Challenge Grants) provide the following types of on-the-ground projects: (1) Water marketing projects with willing sellers and buyers, including water banks that transfer water to other uses to meet critical needs for water supplies; (2) water efficiency and conservation projects that allow users to decrease diversions and to use or transfer the water saved; (3) projects that improve water management by increasing operational flexibility (constructing aquifer recharge facilities or making system optimization and management improvements); and (4) pilot and demonstration projects that demonstrate the technical and economic viability of treating and using brackish groundwater, seawater, or impaired waters within a specific locale. All grant proposals will be evaluated using criteria that give priority to projects that save the most water, facilitate transfers to new uses, address endangered species and other environmental issues, improve energy efficiency, conserve Reclamation project water, and exceed the minimum 50 percent non-Federal cost-share requirement.

With the funding requested in FY 2010, Reclamation will be able to fund at least 110 new water conservation projects. The WCI competitive grant projects will be required to be completed within two years from the date of funding. As a result, projects funded under the WCI will have a near-term impact on water savings. Reclamation believes that water conservation, use of markets, and improved efficiency are crucial elements of any plan to address Western water

issues. With the WCI grants, Reclamation will take an important step towards increasing conservation and efficiency on a West-wide basis.

The WCI also incorporates the Basin Study Program in which Reclamation will work with State and local partners to initiate comprehensive water supply and demand studies in the West. Each study includes state of the art projections of future water supply and demand on a basin-wide scale; analysis of how the basin's existing water and power operations and infrastructure will perform in the face of changing water realities; and recommendations on how to optimize operations and infrastructure in the basin to supply adequate water in the future.

The Title XVI, Water Reclamation and Reuse Program also contributes to water conservation in the Western United States, and is included in the WCI. The request includes \$9.0 million to make available cost-shared funding for ongoing Title XVI construction projects, research activities, and feasibility studies (\$8.8 million directly supports named projects, \$200 thousand is used by the Commissioner's Office for administrative support of the program.) Title XVI projects develop and supplement urban and irrigation water supplies through water reuse, thereby improving efficiency, providing flexibility during water shortages, and diversifying the water supply. There is also \$3.0 million for water reclamation funded in the California Bay-Delta program under the Water Use Efficiency activity.

Other significant programs and highlights include:

Animas-La Plata in Colorado and New Mexico (\$54.2 million). The FY 2010 President's budget request will continue implementation of the Colorado Ute Settlement Act. This funding will provide for directional drilling and pipeline construction of the Navajo Nation Municipal Pipeline, the first fill of Lake Nighthorse, and construction of County Road 211 Relocation and other required relocations. In addition to construction funding, this request includes funding for operation and maintenance of improvements for wetland and wildlife mitigation lands associated with the project.

Columbia/Snake River Salmon Recovery in Idaho, Oregon, Montana, and Washington (\$18.0 million). This program implements actions under both the 2000 Biological Opinion issued by FWS and Section 7(a)(2) of the Endangered Species Act as required by the 2008 Biological Opinion issued in May 2008 by the National Marine Fisheries Services. The FY 2010 President's budget request will enable Reclamation to address the requirements in the 2008 Biological Opinion for actions to enhance tributary spawning and rearing habitat to offset the effects of the Federal Columbia River Power System (FCRPS) hydro system operations on salmon and steelhead survival. It also will fund Reclamation's involvement with non-Federal parties located in Idaho, Oregon, and Washington to modify screens and remove instream diversion-related barriers. As required by the 2008 FCRPS Biological Opinion, it will fund Reclamation's participation in the implementation of real-time operational measures, system flood control, and Columbia Basin Project actions associated with ESA listed species.

Klamath Project in Oregon and California (\$25.0 million). The FY 2010 President's budget request will continue funding for Reclamation to collaborate with other Federal and State agencies, tribes and the public to develop a basin-wide recovery plan that addresses water

supply, water quality, fish habitat, and fish populations.

Klamath Dam Removal Study (\$2.0 million). The FY 2010 President's budget request includes \$2.0 million for the Bureau of Reclamation and \$2 million for the Fish and Wildlife Service (FWS) to further assess the costs and benefits of removing four privately-owned hydroelectric dams on the Lower Klamath River below the Federal project. The request will fund the study costs associated with preparing National Environmental Policy Act documentation. The FWS also has \$2.0 million in its request to support these studies. These studies will be conducted by Reclamation and FWS in coordination with BLM and BIA, the U.S. Forest Service, and the National Oceanic and Atmospheric Administration's National Marine Fisheries Service. Reclamation also allocated \$4.0 million in ARRA funding for these studies.

Lower Colorado River Operations Program in California, Arizona and Nevada (\$21.4 million). The FY 2010 President's budget request will provide funds for the work necessary to carry out the Secretary's responsibilities as water master of the lower Colorado River, including the development of the Shortage Guidelines and reservoir management strategies during low reservoir conditions. The FY 2010 request funds measures under the multi-species conservation program to provide long-term Endangered Species Act compliance for lower Colorado River operations for both Federal and non-Federal purposes.

Middle Rio Grande in New Mexico (\$23.8 million). The FY 2010 President's budget request will continue funding for endangered species activities and Reclamation's participation in the Middle Rio Grande Endangered Species Act Collaborative Program as well as repair of priority river maintenance sites.

Platte River Endangered Species Recovery Program (\$12.7 million). The President's FY 2010 budget request for the Platte River Recovery Implementation Program is \$12.7 million. The agreement for the program was signed by then Secretary Kempthorne and the Governors of Nebraska, Colorado and Wyoming in late 2006. Platte River habitat is essential to the recovery of the whooping crane, interior least tern, piping plover, and pallid sturgeon (all threatened or endangered species).

P.L. 110-229 authorized the Secretary of the Interior, through Reclamation, and in partnership with the states of Wyoming, Nebraska, and Colorado, other Federal agencies, and other non-Federal entities to participate in the implementation of the Program for endangered species in the Central and Lower Plate River Basin and to modify Reclamation's Pathfinder Dam. No federal appropriations are required to modify the Pathfinder Dam. Program activities include the acquisition of lands and water and contracting for habitat restoration projects.

Research & Development (\$12.9 million). Reclamation's research and development program has two focus areas for FY 2010: 1) Science and Technology (S&T) (\$9.2 million) which includes funding for the development of new solutions and technologies which respond to Reclamation's operational needs with priorities in FY 2010 for issues related to climate change and quagga mussels; and 2) the Desalination and Water Purification program (\$3.7 million) which conducts desalination research, development and demonstrations for the purpose of converting unusable

waters into useable water supplies. The research is conducted through competitive, merit-based cooperative agreements on a cost-shared basis.

Rural Water Projects - Ongoing (\$64.0 million). This request includes funding for seven ongoing authorized rural water projects. The first priority for funding rural water projects is the required operations and maintenance component, which is \$15.3 million for 2010. The budget also includes \$48.7 million to support the Administration's commitment to complete construction of ongoing rural water projects including ongoing municipal, rural and industrial systems for Mni Wiconi and Perkins County (SD), the rural water component of the Garrison Diversion Unit (ND), Fort Peck (MT), Jicarilla Apache Reservation (NM), Rocky Boys (MT), Perkins County and Lewis and Clark (SD, IA, MN). For the construction component, Reclamation allocated funding based on objective criteria that gave priority to projects nearest to completion and projects that serve tribal needs.

Rural Water Program Development (\$2.3 million). On December 22, 2006, the Rural Water Supply Act of 2006 was signed. The FY 2010 President's budget requests \$2.3 million for Title I of the statute that requires the Secretary to establish a formal rural water supply program for rural water projects in the 17 western States. The Act requires the establishment of programmatic and eligibility criteria for the rural water program along with other reporting requirements and criteria for appraisal and feasibility studies, and to establish clear guidelines for project development to help meet the water supply needs. Reclamation anticipates completing the final rule and beginning program implementation in late 2009.

Savage Rapids in Oregon (\$1.2 million). The FY 2010 President's budget request will provide funds for completing the removal of the main portion of the Savage Rapids Dam to allow the Grants Pass Irrigation District to comply with a Federal court consent decree requiring the District to cease irrigation diversions. The project is expected to be completed in 2010. Removal of this irrigation diversion dam and the installation of pumping facilities allows the local farming community to continue irrigated agriculture and remove a migration barrier for the threatened Southern Oregon and Northern California coho salmon.

Site Security (\$28.9 million). The President's 2010 budget request for site security helps to ensure the safety and security of the public, Reclamation's employees and key facilities. Funding will support all aspects of Bureau-wide security efforts including physical security upgrades at high risk critical assets, law enforcement, risk and threat analysis, personnel security, information security, security risk assessments and security-related studies, and guards and patrols.

Under the provisions of Section 513 of the Consolidated Natural Resources Act of 2008, Reclamation will collect \$18.9 million in security-related operation and maintenance costs in 2010. Approximately 60 percent of this amount is reimbursable through up-front revenues. Approximately 40 percent of this amount is appropriated and then reimbursed to projects through the normal operations and maintenance cost allocation process.

Safety of Dams (\$101.9 million). The President's budget allows Reclamation to ensure that safety and reliability of Reclamation dams is one of the Bureau's highest priorities. The Dam

Safety Program is critical to effectively manage risks to the downstream public, property, project, and natural resources. Of the budget request of \$101.9 million, \$50 million is for the Folsom Dam (CA), which has been identified as the Bureau's highest safety priority. Dam safety modifications, within the limits of enacted funding and latest information on risk, are planned to begin in 2010 for Glendo Dam (WY) and AR Bowman Dam (OR).

Policy and Administration

The \$61.2 million request in FY 2010 funds the development, evaluation, and implementation of Reclamation-wide policy, rules, and regulations, including actions under the Government Performance and Results Act. These funds are also used for management and performance functions that are not chargeable to specific projects and required for ongoing Commissioner's activities.

Central Valley Project Restoration Fund

This fund was established by the Central Valley Project Improvement Act, Title XXXIV of P.L. 102-575, October 30, 1992. The request of \$35.4 million is expected to be offset by discretionary receipts totaling \$35.1 million, which is the maximum amount that can be collected from project beneficiaries under provisions of Section 3407(d) of the Act. The discretionary receipts are adjusted on an annual basis to maintain payments totaling \$30.0 million (October 1992 price levels) on a three-year rolling average basis.

The CVPRF request is a net of \$35.4 million. This excludes a redirection of an estimated \$5.6 million collected from the Central Valley Project Friant Division water users to the new San Joaquin River Restoration Fund beginning in FY 2010 as authorized in P.L. 111-11, Omnibus Public Land Management Act of 2009. Previously, these funds went into the CVPRF as outlined in the Reclamation Projects Authorization and Adjustments Act of 1992, Title XXXIV of P.L. 102-575, section 3406(c)(1). Under the Settlement Act, approximately \$15.9 million per year of payments from the Central Valley Project, Friant Division water users are deposited in the Fund and available without further appropriations to implement the provisions of the settlement. These funds will be used for habitat restoration, improvement and acquisition, and other fish and wildlife restoration activities in the Central Valley Project area of California.

San Joaquin River Restoration Fund

As referenced above, funding in FY 2010 will be used to continue planning, engineering, environmental compliance, fisheries management, water operations, and public involvement activities related to the Restoration and Water Management goals in the Settlement. No funds are requested beyond the \$15.9 million that is available in mandatory spending.

California Bay-Delta Restoration Fund (CALFED)

Title I of P.L. 108-361, titled the Calfed Bay-Delta Authorization Act, was signed by the President on October 25, 2004. The Act authorized \$389 million in Federal appropriations over the period of FY 2005 through FY 2010. For FY 2010, \$31.0 million is requested to enable Reclamation to advance its commitments under the CALFED Record of Decision to resolve water resource conflicts in the CALFED solution area. Funds will be used for water storage studies, the conveyance program, water recycling and conservation, the science program, water quality assurance investigations, ecosystem restoration projects and oversight functions to ensure program balance and integration.

FY 2010 Planned Activities

Reclamation's FY 2010 priority goals are directly related to fulfilling contractual requests to deliver water and power. These include addressing a range of other water supply needs in the West, playing a significant role in restoring and protecting freshwater ecosystems consistent with applicable State and Federal law, and enhancing management of our water infrastructure while mitigating for any harmful environmental effects. Reclamation will deliver roughly 28 million acre-feet of water to meet contractual obligations while addressing other resource needs (for example, fish and wildlife habitat, environmental enhancement, recreation, and Native American trust responsibilities).

Reclamation will maintain dams and associated facilities in good condition to ensure the reliable delivery of water. Reclamation will maintain a forced outage average of 2.20 that is lower than the industry average for similar units to ensure reliable delivery of power. Reclamation will reduce salinity by setting a goal of preventing an additional 12,700 tons of salt from entering the water ways.

Moreover, the FY 2010 budget request demonstrates Reclamation's commitment in meeting the water and power needs of the West in a fiscally responsible manner. This budget continues Reclamation's emphasis on managing those valuable public resources. Reclamation is committed to working with its customers, States, Tribes, and other stakeholders to find ways to balance and provide for the mix of water resource needs in 2010 and beyond.

In addition, Reclamation, with funds from the American Recovery and Reinvestment Act of 2009, will undertake a variety of projects to meet future water supply needs, improve infrastructure reliability and safety, and restore ecosystems.

Conclusion

Mr. Chairman, please allow me to express my sincere appreciation for the continued support that this Subcommittee has provided Reclamation. This completes my statement. I would be happy to answer any questions that you may have at this time.