



*Title I of H.R. 9275 is virtually identical to Title I of S. 268 as passed by the Senate. This was our testimony on S. 268 as introduced (before the Hoover reallocation got added).*

# NATIONAL WILDLIFE FEDERATION

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STATEMENT OF EDWARD R. OSANN  
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BEFORE THE  
SUBCOMMITTEE ON WATER & POWER  
COMMITTEE ON ENERGY & NATURAL RESOURCES  
UNITED STATES SENATE  
MARCH 24, 1983

My name is Edward Osann. I am the Director of the National Wildlife Federation's Water Resources Program. The Federation, with over 4.2 million members and supporters nationwide, is America's largest conservation organization. During the past decade, our membership has adopted more than 50 resolutions establishing Federation policy on various aspects of water resource conservation and development. The Federation and its affiliates have a history of working with state officials and the Federal construction agencies to resolve differences over water projects or policies. We have commented on scores of water projects; we have litigated numerous times as well, in those instances where earlier efforts to resolve differences have failed. We have committed substantial time and effort to the initial development--and now the defense--of the Water Resources Council's procedures for the planning and evaluation of Federal water projects. We have strongly supported legislative efforts, on both appropriations and authorizations, to redirect the Federal water resources development program.

Mr. Chairman, I appreciate the opportunity to present testimony to the subcommittee this morning. My comments today will be directed to the proposed Reclamation Safety of Dams Act amendments, S. 672 and S. 739; and Reclamation hydropower expansion, S. 268. Any additional comments on the Belle Fourche rehabilitation bill, S. 448, will be provided for the record of today's hearings.

Reclamation Hydropower Expansion

S. 268 is similar in most important respects to S. 306, which was passed by the Senate in the last Congress, but saw no action in the House. The bill now before the committee poses several major policy issues which we urge you to consider before taking action on the bill:

- the Secretary of the Interior is given discretionary authority to make unlimited post-authorization changes;
- private development at several of the sites designated in the bill could be preempted, although non-federal interests are currently pursuing permits or licenses at eight out of the eleven sites named in the bill;
- DOE is given broad authority to construct new transmission lines;
- new capacity is financially integrated with existing Reclamation projects, even though DOI audits of several basin accounts presently show egregious mismanagement and a failure to recover the present Federal investment.

Post-Authorization Change Authority

S. 268 would authorize specific sites, and specific kilowatt capacities for expansion, but would also give unbounded authority (Section 1, page 2) to the Secretary of Interior to make post-authorization changes without even giving notice to Congress. If these projects are allowed to go forward with this loose authority to make post-authorization changes, the outyear spending will most certainly increase.

Federal Preemption

In Sec.1, the bill provides that construction by the Secretary of the Interior of power facilities at Friant, Whiskeytown, Red Bluff, Stoney Gorge, and Monticello shall not proceed if a license has been issued by the Federal Energy Regulatory Commission to a non-federal entity prior to October 1, 1985. Licenses have been issued by FERC for four of these sites already. Furthermore, if the purpose of this provision is to allow non-Federal developers the right to develop these sites if it can be done within a reasonable period of time, then every project except Palisades, Anderson Ranch and Minidoka should be included in the proviso. The current status of license and permit applications before the Federal Energy Regulatory Commission is as follows (as of 3/83):

Friant	licensed (Friant Power Authority)
Whiskeytown	licensed (Redding, CA)

Yellowtail	competing permit applications pending (Mitex Inc.; Mitchell Energy Co.; City of Gillette)
Red Bluff	preliminary permit issued (Redding, CA)
Stoney Gorge	licensed (Santa Clara, CA)
Monticello	licensed (Solano Irrigation District)
Palisades	preliminary permit denied (Idaho Water Resources Board)
Anderson Ranch	none
Minidoka	none
Boca	preliminary permit issued (Truckee-Donner Irrigation District)
Prosser	preliminary permit issued (Truckee-Donner Irrigation District)

At a time when the Federal government is pulling back its financial obligations in favor of non-federal and private development, it seems incongruous to preempt willing non-federal interests from developing sites for which they have already invested time and money.

#### New Transmission Authority

Section 2 of the bill authorizes the Secretary of Energy to construct transmission lines to physically connect the new hydropower facilities to the Federal system, and as the Secretary determines necessary to accomplish distribution and marketing of the additional power. In our opinion, such language provides open-ended authority for the Secretary of Energy to construct new transmission lines anywhere, including areas far removed from the project site, on the strength of the Secretary's desire to market additional increments of Federal hydropower. Such expanded authority would more appropriately be considered upon a comprehensive Congressional reappraisal of the Federal hydropower program.

#### Repayment and Pricing

In light of the serious financial mismanagement disclosed in several audits of the Department of Interior Inspector General for various basin accounts within the Reclamation program, it is entirely inappropriate to financially integrate the new repayment obligations represented by the projects in S. 268 with existing federal power accounts. The involvement of the Federal government

in water resources projects has made a relatively cheap energy source--hydroelectric power--even cheaper, by means of artificially low discount and interest rates and numerous non-reimbursable features in multipurpose projects. The mismanagement of repayment procedures has made this cheap energy cheaper still. Our principal concern is that such underpricing of electric power has encouraged consumption, rather than conservation. By melding these new projects into existing power pools for marketing purposes, the resulting average price will give customers misleading pricing signals, contrary to the Administration's preference for unsubsidized and unregulated energy pricing. New federal hydroelectric power should be marketed separately from the existing basin accounts and rates charged should more accurately reflect the full cost to the Federal government of generating the added increments of electric power. Any legislation should clearly state that interest rates for determining interest costs during construction and interest charges on the repayment of capital costs shall be set at the rate of average yields for long term Federal obligations, rather than the coupon interest rate referenced in Sec. 7 of S. 268. The projects contained in this bill do not warrant an interest rate subsidy from the Federal taxpayer.

#### SUMMARY

Congressional authorization of water project construction where economic feasibility is marginal at best, or where responsible non-federal interests are actively pursuing site development, is simply not in the national interest, especially given the need to reduce Federal expenditures. The broad discretionary authority given to the Secretary of the Interior and the Secretary of Energy for post-authorization changes and transmission line placement removes this Subcommittee from its proper role of oversight and budgetary control. The marketing arrangements in S. 268 will place an additional obligation on power accounts which are already in the red.

All of these issues point to the need for major revisions to S. 268. NWF opposes enactment of the bill in its present form.