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## S1694 Approved by the U.S. Senate Committee on Energy and Natural Resources

Suggested Focus of Review - - Keep focus of YBSA review on the water storage projects addressing the following:

1. What storage projects are specifically authorized?
2. What are the prerequisites for storage construction?
3. How will construction of storage projects be financed? *allocated*
4. What is the anticipated timeline to bring storage "on-line?"

### Overview of Initial Development Phase

- The only storage project specifically authorized is KDRPP+KCC. This is authorized for construction in the Initial Development Phase which commences with the Bill's enactment and extends for 10 years thereafter. *Discussion Col River & Yak on 2015 Temp impacts & Causes + Mitigation + Frequency*
- Prerequisites for construction of KDRPP+KCC follow:
  - ✓ Completion of applicable feasibility studies, environmental reviews, appropriations, and benefit-cost analyses that include favorable recommendations for further project development. [1]
  - ✓ Agreements with participating proratable irrigation entities for access to Federal lands and facilities for non-Federal financing, construction, and operation and maintenance. The execution of these agreements are subject to the first item above (completion of feasibility studies, etc.) as well as an analysis of potential impacts on adjacent communities, including potential fire hazards, water access for fire districts, community and homeowner wells, future water levels based on projected usage, recreational values, and property values and mitigation measures (issues primarily of the homeowners in the Kachess Reservoir area). The agreements are to be posted in the Federal Register for a 60 public review/comment period and a subsequent Secretarial determination that the agreements and activities are in the public interest and could be implemented with significant adverse impacts to the environment.
- Costs of the design, construction, operation, maintenance, pumping costs, and mitigation of KDRPP+KCC are to be financed by the participating proratable irrigation entities; costs incurred for Federal oversight and review are to be non-reimbursable to the proratable participating irrigation entities. The Federal cost share shall not exceed 50% of the total cost of the Initial Phase Development. [2]
- Assuming enactment of a Bill in 2016, KDRPP+KCC would be online not later than 2026.

### Overview of Intermediate and Final Development Phases

- These two phases commence not later than the 10<sup>th</sup> and 20<sup>th</sup> year respectively following enactment of the Bill. Plans for these two phases are to be developed by the Secretary in coordination with the State of Washington and in consultation with the Yakama Nation. Storage projects are not specifically identified in the Bill. However, a Progress Report

addressing development and implementation of the Integrated Plan is to be submitted to the Senate Committee on Energy and Natural Resources not more than 5 years after the Bill's enactment. This Progress Report is to include among other items the following for water supply projects: (i) how the water supply and costs of each recommended project would be allocated among authorized uses, and (ii) a plan for soliciting and formalizing subscriptions of individuals and entities for participation in any of the recommended storage projects that will establish the terms of for participation and fiscal obligations. [3]

- Similar to the Initial Development Phase implementation of the Intermediate and Final Development Phases are subject to authorization, appropriations, completion of feasibility studies, environmental reviews, availability of appropriations and benefit-cost analyses that include favorable recommendations for further project development. In addition, a public review and a determination by the Secretary that design, construction, and operation of a proposed project is in the best interests of the public.
- As previously indicated storage projects to be constructed, with the exception of KDRPP+KCC, are not specifically identified in the Bill nor is the entity (Federal or non-Federal) responsible for their construction and financing. The Bill does provide that Federal cost-share of a project shall comply with applicable laws and policies of the Bureau of Reclamation.
- Assuming enactment of the Bill in 2016, additional storage projects necessary to address the 70% drought year proratable supply goal would be online not later than 2036 if two projects such as Wymer and Bumping Lake Enlargement (identified in the Integrated Plan documents) were to be brought on-line in the Intermediate Development Phase, or 2046 if a storage project is deferred to the Final Development Phase. [4]

Rough Draft 12/3/15

## Notes and Comments

[1] S1694 does not provide any information on the purpose and contents of a feasibility report. Reclamation Manual, Directives and Standards, CMP 09-02 effective September 13, 2012, is a source that might be considered.

[2] Financing construction of KDRPP+KCC is the responsibility of participating proratable entities. Integrated Plan documents indicate KR, RID, and WIP are interested in securing a supplemental drought-year water supply. S1694 provides that the Bureau of Indian Affairs, WIP, and the Yakama Nation, may also obtain water from Kachess Reservoir pursuant to terms agreed to by the Bureau of Indian Affairs and the Yakama Nation. However, no authorities and appropriations are provided specifically for this involvement. How does the Federal cost share of not more than 50% of the Initial Development Phase costs factor into the participating proratable entities financing and a supplemental water supply for WIP for use on tribal lands? In addition, what consideration is given to instream flow benefits resulting from improved dry-year water supplies in the main-stem rivers and the non-Federal financing of KDRPP+KCC?

Historically, Reclamation water resource projects has involved appropriation of Federal funds for project construction and contracts entered into with irrigation entities for repayment without interest over a specific period based on a cost allocation to project purposes and a determination of "the irrigators ability to pay". "Ability to pay" reflects current cropping patterns and net farm revenues. Construction costs in excess of ability to pay have been, in the case of the Pacific Northwest, returned to the Federal Treasury from the Federal Columbia River Power System revenues.

However, S1694 provides for non-Federal construction and financing by irrigation entities requiring up-front private funding repayable with interest in shorter repayment periods. This has created concerns among irrigators producing lower value crops of their ability to pay the water costs. The result is a reduction in the volume of water needed, "dewatering" of currently irrigated acres in drought years, a decrease in irrigation benefits, and economic impacts on the local and State economies. Federal authorizations and long-standing Reclamation policies are being modified by S1694 in the Pacific Northwest. This is a major change in Federal water policy and should be considered on a broader scope than just the Yakima River Basin.

[3] There is no assurance water storage beyond that of KDRPP+KCC will be authorized and constructed. If this occurs the 70% drought-year proratable supply goal could not consistently be met and refill of Kachess Reservoir could be a major problem.

[4] In addition to the lack of authorization of storage projects the time to bring projects on-line is a potential 30-year financial albatross for Yakima Project irrigation entities and individual irrigators with proratable water entitlements.