

**BUREAU OF RECLAMATION PLAN
FOR THE 21ST CENTURY**

HEARING
BEFORE THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED NINTH CONGRESS

SECOND SESSION

TO

RECEIVE TESTIMONY ON THE NATIONAL RESEARCH COUNCIL REPORT,
MANAGING CONSTRUCTION AND INFRASTRUCTURE IN THE 21ST CENTURY
BUREAU OF RECLAMATION, AND THE U.S. BUREAU OF RECLAMATION
REPORT, MANAGING FOR EXCELLENCE: AN ACTION PLAN FOR THE 21ST
CENTURY

MAY 23, 2006



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BUREAU OF RECLAMATION PLAN FOR THE 21ST CENTURY

TUESDAY, MAY 23, 2006

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:10 a.m., in room SD-366, Dirksen Senate Office Building, Hon. Pete V. Domenici, chairman, presiding.

OPENING STATEMENT OF HON. PETE V. DOMINICI, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. The Senate Room will please come to order. I did want to mention that Mr. Raley, who ordered this report and was supposed to testify, has gotten real sick this morning, and is not able to attend, so he will not be testifying here today. We'll arrange to do that. We'll see how we do then, as we proceed through.

First of all, I'd like to welcome you today to our hearing on the National Research Council's report on the U.S. Bureau of Reclamation.

Since the Reclamation Act was signed into law over 100 years ago, the Reclamation Act has accumulated an impressive record of achievements. It is responsible for some of the most architecturally and historically significant projects of the 21st century, including the Hoover Dam and Grand Coulee Dam. Reclamation facilities have contributed significantly in providing the water and the power necessary to populate the Western United States and the development of its agricultural economy.

Reclamation facilities provide water to over 30 million people, 10 million acres of farmland and generate more than 40 billion kilowatts of hours of electricity annually.

However, the Bureau of Reclamation's mission has changed significantly over the past 30 years. A combination of factors has transformed Reclamation from an agency that constructs large water and power projects to one that manages existing facilities and operates them according to applicable law. For this reason, it is time for Reclamation to evaluate its mission for the 21st century, and to determine what capabilities are no longer needed, and what additional capabilities may be required to fulfill its mission.

The NRC report provided a good review of what changes will be required of Reclamation over the coming years. However, the NRC report and the Reclamation Action Plan are the beginning of a long process. There are serious challenges facing Reclamation that require a long hard look, including aging infrastructure, human re-

sources, stakeholder relations, outsourcing and the promulgation of policies. I fully intend to hold additional hearings to monitor Reclamation's implementation of the findings of the NRC report, and the Reclamation Action Plan. I take the NRC report seriously, and expect Reclamation to take it seriously as well.

I'd like to welcome our witnesses for today's hearing, but before we proceed, we will ask the Senators if any of them desires to engage in some brief comments before we proceed to the two witnesses in the first panel. Starting with those who were here first, Senator Thomas, if you have any comments, and then over to you, the Senator from Montana, then you, Senator Craig.

Senator THOMAS. Thank you, Mr. Chairman, I really don't have an opening statement. I am interested, of course, in the Reclamation Department and what they're doing, and I know in the State of Wyoming, Reclamation is very active and lots of things go on there. So, I'm interested in hearing the reaction to the study, and more than anything, what the plans are for the future. So, thank you, I look forward to the witnesses.

The CHAIRMAN. Thank you very much.
The Senator from Montana.

**STATEMENT OF HON. CONRAD R. BURNS, U.S. SENATOR
FROM MONTANA**

Senator BURNS. Thank you very much, Senator Domenici. I have a statement I will put in the record, and I'll have some questions for the witnesses. It's a very interesting report.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF HON. CONRAD R. BURNS, U.S. SENATOR FROM MONTANA

Thank you all for coming today to update us on this very important topic.

The Bureau of Reclamation has an impressive history of bringing water and power to the Western States. In 1903, Secretary of the Interior Hitchcock authorized construction of the Milk River Project as one of the first five reclamation projects under the new Reclamation Service. Two years later he authorized construction of the St. Mary Diversion Facilities. Completed in 1915, the Milk River Project and the St. Mary Diversion Facilities have been in operation for nearly 100 years with minimum repairs and improvements.

The Milk River Project and the accompanying St. Mary Diversion Facilities are known as the Lifeline of the Hi-Line. The St. Mary and Milk River basins are home to approximately 70,000 people with a meager per capita income of approximately \$19,500. Most of these people depend—directly or indirectly—on the project and would be dramatically impacted by its failure and the loss of water in the Milk River Project.

It is the backbone of the region's agricultural economy. It provides water to irrigate over 110,000 acres on approximately 660 farms. The project also provides municipal water to approximately 14,000 people. Fisheries, recreation, tourism, water quality and wildlife are all additional beneficiaries.

But now the St. Mary Diversion Facilities and the Milk River Project are facing catastrophic failure. The steel siphons have leaks and slope stability problems. Landslides along the canal and deteriorated condition of the structure make the project an unreliable water source.

As authorized in 1903, the Milk River Project is operated as a single-use irrigation project. Since completion, nearly 100% of the cost to operate and maintain the diversion infrastructure has been borne by irrigators. The average annual O&M cost from 1998 to 2003 was \$420,000, of which irrigators were responsible for 98%. In addition, irrigators are responsible for reimbursing the Reclamation for the initial construction costs of the diversion facilities. Maintenance costs have increased with the accelerating deterioration of the aging facilities.

The National Research Council's report entitled, "Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation" pinpointed many of the

problems facing the Milk River Project and St. Mary Diversion facilities. I am interested to hearing more about the Council's findings and action the Bureau of Reclamation is taking to find workable solutions.

Thank you again for joining us here today. I look forward to your testimony.

Senator BURNS. And I think it sort of reflects some of the frustration that we feel here in the legislative branch with regard to water and water development and because the—I think the Bureau of Rec has done a great job in the West, and we couldn't have done it without them and the policy since these great projects were undertaken and developed and became very, very successful. The Report points out where our failings are and I think we ought to take some kind of action to deal with that.

I have a situation in Montana that we are working very strongly on, and I think when you look across the country, you've got many of those kinds of situations facing us, and I would be interested in hearing how we're going to sit down and develop a master plan on how we start dealing with these challenges of aging and old systems that have been sort of pushed back on the back burner for so long by both Congress and the administrations of the past. So, I thank you for these hearings today.

The CHAIRMAN. Thank you very much.
Senator Craig.

**STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR
FROM IDAHO**

Senator CRAIG. Mr. Chairman, let me ask unanimous consent that my full statement be a part of—

The CHAIRMAN. It will be part of the record.

Senator CRAIG. I'm looking at the witnesses, and when I see The Family Farm Alliance and Trout Unlimited, that's a fascinating and important combination. We in the West are growing at an unprecedented rate. We're arid. We're in a limited water environment. We're going to build new infrastructure. We need more water. We're going to change the way it's used. We have new principles and ethics in the way that water gets used. We have no water budget here. Somehow we have to figure out how to do all of that, and I have. The Bureau of Rec plays a very valuable role in it, historically and in the future.

But I think relationships have to be different, understandings have to be different, Mr. Chairman, and this study will help us a great deal. Because, if the day of building water infrastructure is over in the West, the day of growth must stop—it isn't stopping. Three of the most arid States in the Nation are now three of the fastest growing States in the Nation. They will not grow without effective and responsible use of water. Thank you.

[The prepared statement of Senator Craig follows:]

PREPARED STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR FROM IDAHO

The Bureau of Reclamation has been a vital part of western expansion over the last 100 years and continues to support safe food supply, jobs, communities, and wildlife habitat. I commend the Bureau for recognizing the need to review their business approach as we continue into the 21st Century. Having said that, I would urge the Bureau to actively pursue our goal of efficient and effective government and not allow this to be just another bureaucratic report.

The arid West is experiencing unprecedented growth. Along with the growth there is an increased need for water, not only for municipalities, but also for a sustainable

food supply and wildlife habitat. I *DO NOT* believe our days of building infrastructure are over and would like to think the Bureau will continue to work with our states and water users to increase water supply that will support life across the west.

The National Research Council's (NRC) report has been helpful in identifying several governmental inefficiencies as well as reinforcing concerns I have had for several years. We know in many cases that outsourcing could financially benefit both our water users and contracting firms. We also know that we have an aging infrastructure that is facing high rehabilitation cost with declining budgets. It is time that we take these findings and change the way business is done. The Bureau must provide a fiscally responsible service with appropriate expertise. We must be able to repair and build infrastructure without financially overburdening our water users.

Currently in my state, we have a great example of why business as usual will simply not work. In arid Southern Idaho, there is the 100-year-old Mindoka dam that feeds thousands of acres of farm ground while supporting a wildlife refuge and water for late fish flows. Additionally, this water supports several farms, communities and hosts recreation from boating to fishing. However, our irrigators pay a large sum of money to keep that facility in working condition for the benefit of many. This facility, because of its considerable age and faulty original construction, needs a new spillway. This spillway is estimated to cost nearly \$35 million, increasing the irrigators' assessments by nearly 30%. As the NRC study found, the Bureau has not been particularly good at keeping costs down through the construction process, which raises another concern of the final price tag. These farmers are already paying \$45 per acre. This increase will shut down many farms in the area and severely impact communities. If the cost of this project could be spread over 15 more years, these irrigators would be able to afford their share of construction. Because this option is not currently available, farmers are financially strapped and scared of losing their land and community.

I am interested to hear all of your testimony after this thorough report. I appreciate all of your hard work and time during this study and am very interested to see how the Bureau of Reclamation "takes the bull by the horns."

The CHAIRMAN. Very good observation. Senator, I might make a comment in your presence, while you are here. Since I was thinking this morning of calling you and congratulating you, I'll do that here publicly. Since you went way out front on the issue of asking the President of the United States to take a more active role on the border by bringing in the National Guard, I guess you must wake up each morning now as things are progressing feeling a little better about your suggestion. And I want to compliment you for taking that lead.

Senator CRAIG. Well, thank you, Mr. Chairman. The public got it before we got it.

The CHAIRMAN. Yes.

Senator CRAIG. They understand border security. They also understand a good immigration policy. One cannot go without the other.

The CHAIRMAN. They also understood the National Guard could be a very big help.

Senator CRAIG. Well, thank you for that observation.

The CHAIRMAN. That was what you were talking about.

Senator CRAIG. That's right.

The CHAIRMAN. And I heard you and I heard you well.

Senator CRAIG. Thank you.

The CHAIRMAN. And I truly—what I just said a while ago is true, I wanted to call you, and now I call you right here in public.

Senator CRAIG. Thank you much. I appreciate it.

The CHAIRMAN. Now, with that, we're going to proceed with the witnesses. The two whose names are here, would you please take

your seats. The first one, although spelled R-I-N-N-E, I understand is pronounced Rinne.

Mr. RINNE. That's correct, Mr. Chairman.

The CHAIRMAN. Is that correct?

Mr. RINNE. Yes.

The CHAIRMAN. Wow. That's pretty good for me. And Mr.—do you pronounce it Lloyd Duscha?

Mr. DUSCHA. Duscha. Yes, sir, Mr. Chairman.

The CHAIRMAN. OK, we're going to have your written testimony made a part of the record immediately. The Bureau of Reclamation is Rinne, and the National Research Council is Duscha. I think we'll proceed with you first, Mr. Duscha.

**STATEMENT OF LLOYD A. DUSCHA, CONSULTING ENGINEER,
NATIONAL RESEARCH COUNCIL**

Mr. DUSCHA. Thank you, Mr. Chairman and members of the committee. I served on a National Research Council Committee that authored the report entitled, "Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation." And I appreciate the opportunity to summarize my written testimony.

In recent years, Reclamation's focus and work load have shifted from building infrastructure to operating, maintaining and modernizing the infrastructure, from constructing dams to evaluating dam safety and to addressing environmental issues. At the same time, growth in the West has spurred demands for more water and power resources. Reclamation will be challenged to find ways to manage these resources so that it can meet future demands. Reclamation has recognized the challenge and the necessity of making the transition from largely a construction organization to a resource management organization.

Although its mission continues to be the effective management of power and water resources in ways that protect the health, safety, and welfare of the public, as well as being environmentally and economically sound, achieving these objectives is a dynamic, complex and uncertain matter.

The Committee observed that Reclamation's five regions have different organization structures, capabilities and workloads. In general, the regions appear to be functioning well in encountering the usual challenges. Staff morale and loyalty are commendable. Nevertheless, like most Federal agencies, Reclamation is challenged by changing requirements and the need to maintain the core competencies.

While examples of excellence were evident, in general, the regions will need to evaluate their asset inventory and to manage their assets more aggressively and to engage in collaborative relationships with customers and stakeholders. If Reclamation wants to demonstrate consistency under the centralized management, it will need clear policy directives and standards to enable all elements to implement a uniform, structured approach. A delicate balance needs to be maintained so as not to impede decentralized units from demonstrating initiative and self-development. At the same time, we emphasize that Reclamation has a responsibility to ensure that its facilities are planned, designed, constructed and managed with a level of quality that is consistent throughout the

organization. We believe that Reclamation will have a continued need for a centralized technical service, research and oversight. But the committee also sees a need to evaluate the size and configuration of the central units, to ensure that services are delivered efficiently.

The study committee recognizes that organizations can and do take on a variety of forms with varying degrees of success. Some will function well despite their form, while others will fall through despite the best of forms.

The internal culture and history of the organization play a significant role in determining the appropriate structure and the ultimate outcome. We believe that the organization structure of Reclamation is basically appropriate for its customer-driven mission. Nevertheless, we also believe there are opportunities to improve the configuration as well as the management.

I should point out that our recommendations were purposely general, as the study team believed that the specifics could be best developed internally, where more detailed knowledge resides. Such approach also enables those affected to play a role in establishing ownership of the plan.

The Committee also offered some concepts on potential future scenarios for the operation of Reclamation which should not be construed as recommendations.

Because reviewing Reclamation's action plan for managing excellence was not part of our assignment, the ensuing comments reflect my opinion only. I was impressed by the depth and content of the plan. It professionally addresses all the recommendations in our report, albeit in a different format. The action plan is also a reflection of the serious commitment by the senior leadership of the Department and the Bureau toward enhancing their effectiveness in executing their assigned mission. This concludes my comments. Thank you.

[The prepared statement of Mr. Duscha follows:]

PREPARED STATEMENT OF LLOYD A. DUSCHA, U.S. ARMY CORPS OF ENGINEERS (RETIRED), AND MEMBER, COMMITTEE ON ORGANIZING TO MANAGE CONSTRUCTION AND INFRASTRUCTURE IN THE 21ST CENTURY BUREAU OF RECLAMATION, BOARD ON INFRASTRUCTURE AND THE CONSTRUCTED ENVIRONMENT, DIVISION ON ENGINEERING AND PHYSICAL SCIENCES, NATIONAL RESEARCH COUNCIL

Good morning, Mr. Chairman and members of the committee. My name is Lloyd Duscha. I am retired from the U.S. Army Corps of Engineers, and I served on the National Research Council committee that authored the report *Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation*. The report was requested by the Department of Interior. The National Research Council is the operating arm of the National Academy of Sciences, National Academy of Engineering, and the Institute of Medicine of the National Academies, chartered by Congress in 1863 to advise the government on matters of science and technology. It is a pleasure to be here to discuss our report on this important topic.

GENERAL SUMMATION

The study committee was comprised of 12 experts from the public and private sectors and academia assembled for the purpose of advising the Bureau of Reclamation and the Department of the Interior on the "appropriate organizational, management, and resource configurations to meet its construction, maintenance, and infrastructure requirements for its missions of the 21st century." To accomplish its task, the study committee met as a whole four times from February to August 2005 and conducted small-group site visits to offices and projects in each of the five Reclamation regions. We received briefings from and had discussions with Reclamation staff,

its customers, and other stakeholders. We also spoke with representatives of organizations with missions similar to Reclamation's including the U.S. Army Corps of Engineers, the Tennessee Valley Authority, and the California Department of Water Resources.

In recent years, Reclamation's focus and workload have shifted from building dams, power plants, and other infrastructure to operating, maintaining, repairing, and modernizing them, from constructing dams to evaluating dam safety and mitigating the risk of potential failure, and to addressing environmental issues. At the same time, growth in the western states has spurred demand for water and power. Reclamation will be challenged to find ways to manage water and power so that it can meet future demands. The Department of Interior and Bureau of Reclamation have recognized this challenge for the twenty-first century and the need for the bureau to make the transition from construction to resources management. Its mission continues to be the effective management of power and water resources in ways that protect the health, safety, and welfare of the American public and that are environmentally and economically sound. Achieving these objectives is a dynamic, complex, and uncertain matter.

The study committee observed that Reclamation's five regions have different organizational structures, capabilities, and workloads. In general, the regions appeared to be functioning well in the face of challenges typical to this type of endeavor. Staff morale and loyalty to Reclamation's mission are commendable. Nevertheless, Reclamation, like most federal agencies, is challenged by changing requirements and the need to maintain its core competencies.

Each of the five regions is responsible for sustaining a significant portfolio of facilities. Examples of excellence were evident. However, in general, the regions need to evaluate their inventory of assets and manage them more aggressively over the life cycle, and to engage in constructive relationships with customers and stakeholders. If Reclamation wants to demonstrate consistency throughout the organization under its style of decentralized management, clear, detailed policy directives and standards are needed to enable all elements to implement a uniform, structured approach. A delicate balance needs to be maintained so as not to impede decentralized units from demonstrating initiative and increasing their capabilities. At the same time, we emphasize that Reclamation, as the owner, has the responsibility to ensure that its facilities are planned, designed, constructed, and managed with a level of quality that is consistent throughout the organization.

We believe that Reclamation will continue to require centralized technical services, research, and oversight to support the local management of resources; however, the study committee also sees a need to evaluate the size and organizational structure of the central units to ensure that services are delivered efficiently and at a reasonable cost to Reclamation customers. Both the organization and quantity of services provided at the central, regional, and area offices are affected by how services that are not inherently government functions are outsourced.

The study committee recognizes that organizations can and do take on a variety of structures with varying degrees of success. Some will function successfully despite their structure, while others will falter even as they deploy the best of theoretical forms. The internal culture and history of an organization play a significant role in determining the appropriate structure and the ultimate outcome. We believe that the organizational structure of Reclamation is basically appropriate for its customer-driven mission to deliver power and water. Nevertheless, we also believe that there are opportunities to improve the construction and management of its facilities and infrastructure, as well as the management, development, and protection of water and related resources in an environmentally sound manner.

CONCLUSIONS AND RECOMMENDATIONS

A number of important factors, realities, and issues have major impacts on Reclamation's ability to respond quickly and effectively to the many diverse pressures and rapid changes occurring today. Equally important are the capabilities that are needed within Reclamation to deal effectively with the challenges posed by these impacts. Although the core of Reclamation's basic mission remains much the same to deliver water and to generate power in 17 western states—how that mission is carried out is constrained by and must be responsive to several realities:

- *Environmental factors.* The environmental revolution of the last decades of the twentieth century imposed new requirements to protect ecosystems and mitigate the impact of development on fish and wildlife. Engineers and builders must be both environmental experts and water resource experts.
- *American Indian water rights and rural water needs.* American Indian water agreements and growing demands to provide adequate supplies of good quality

water to small rural communities place new demands on the regulation of river flow and storage and distribution systems.

- *Urbanization.* Land is being taken out of agricultural production in many areas of the West and being developed for industrial, commercial, and residential purposes.
- *Increasing budget constraints.* Reclamation's budget has been effectively shrinking for many years, even as the needs have increased.
- *Broader set of stakeholders.* Water users of all types—farmers, power distributors, consumers, homeowners, environmentalists, Indian tribes, and virtually everyone else who uses water and power in the 17 western states—are impacted by and pay in some way for what the bureau does.
- *Aging workforce.* Reclamation's skilled and experienced personnel will be retiring in large numbers over the next 5 to 15 years.
- *Aging infrastructure.* Most of Reclamation's major dams, reservoirs, hydroelectric plants, and irrigation systems are 50 or more years old.
- *Shift from design and construction to operations and maintenance.* Operations and maintenance (O&M) activities will form a major part of the workload.
- *Title transfer.* Transferring ownership of government-owned facilities to non-federal agencies and the private sector, while reducing Reclamation's O&M workload, introduces budgetary and oversight issues that may necessitate new business models.
- *Water user operation of government-owned facilities.* Reclamation has turned over and will undoubtedly continue to turn over some of its facilities to water user groups, often local water districts, for operation, maintenance and—sometimes rehabilitation and new construction.
- *New modes of augmenting the water supply.* In the absence of significant climate change or major technological breakthroughs, water resources will remain constant, while demand can be anticipated to increase.
- *Increase in the number of small projects.* Although demand for large new projects will remain low, it is likely that demand for small water storage, irrigation, and distribution projects will increase.

In view of the preceding constraints, the study committee made several recommendations for Reclamation to develop the appropriate organizational, managerial, and resource configurations to meet its construction, maintenance, and infrastructure requirements for its twenty-first century missions. I should point out that our recommendations were purposely general in nature. The study committee believed that the specifics could be best developed internally where more detailed knowledge resides. Such an approach also enables those affected to play a role in establishing ownership and developing loyalty to the plan.

CENTRALIZED POLICY AND DECENTRALIZED OPERATIONS

To optimize the benefits of decentralization, Reclamation should promulgate policy guidance, directives, standards, and how-to documents that are consistent with the current workload. The commissioner should expedite the preparation of such documents, their distribution, and instructions for their consistent implementation. Reclamation's operations should remain decentralized and guided and restrained by policy but empowered at each level by authority commensurate with assigned responsibility to respond to customer and stakeholder needs. Policies, procedures, and standards should be developed centrally and implemented locally. The design groups in area and project offices should be consolidated in regional offices or regional technical groups to create a critical mass that will allow optimizing technical competencies and provide efficient service. Technical skills in the area offices should focus on data collection, facility inspection and evaluation, and routine operations and maintenance (O&M).

TECHNICAL SERVICE CENTER AND RECLAMATION LABORATORY AND RESEARCH ACTIVITIES

The commissioner should undertake an in-depth review and analysis of the Technical Service Center (TSC) to identify the needed core technical competencies, the number of technical personnel, and how the TSC should be structured for maximum efficiency to support the high-level and complex technical needs of Reclamation and its customers. The proper size and composition of the TSC are dependent on multiple factors, some interrelated:

- Forecasted workload,
- Type of work anticipated,
- Definition of activities deemed to be inherently governmental,

- Situations where outsourcing may not be practical,
- Particular expertise needed to fulfill the government's oversight and liability roles,
- Personnel turnover factors that could affect the retention of expertise, and
- The need to maintain institutional capability.

This assessment and analysis should be undertaken by Reclamation's management and reviewed by an independent panel of experts, including stakeholders.

The workforce should be sized to maintain the critical core competencies and technical leadership, and to increase outsourcing of much of the engineering and laboratory testing work. Alternative means should be explored for funding the staff and operating costs necessary for maintaining core TSC competencies, thereby reducing the engineering service costs reimbursable by customers.

Reclamation's Research Office and TSC laboratory facilities should be analyzed to determine which specific research and testing capabilities are required now, and in the future; which of capabilities can be found in other government organizations, academic institutions, or the private sector; which physical components should be retained; and which kinds of staffing are necessary. The assessment should recognize that too great a reliance on outside organizations can deplete an effective engineering capability that, once lost, is not likely to be regained. In making this assessment Reclamation should take into account duplication of facilities at other government agencies, opportunities for collaboration, and the possibility for broader application of numerical modeling of complex problems and systems. Because many of the same factors that influence the optimum size and configuration of the TSC engineering services also apply to the research activities and laboratories, Reclamation should consider coordinating the reviews of these two functions.

OUTSOURCING

Reclamation should establish an agency-wide policy on the appropriate types and proportions of work to be outsourced to the private sector. O&M and other functions at Reclamation-owned facilities, including field data collection, drilling operations, routine engineering, and environmental studies, should be more aggressively outsourced where objectively determined to be feasible and economically beneficial.

PLANNING FOR ASSET SUSTAINMENT

Benchmarking of water distribution and irrigation activities by Reclamation and its contractors should be a regular part of their ongoing activities. Because effective planning is the key to effective operations and maintenance, Reclamation should identify, adapt, and adopt good practices for inspections and O&M plan development for bureau-wide use. Those now in use by the Lower Colorado and Pacific Northwest regions would be good models. Reclamation should formulate comprehensive O&M plans as the basis for financial management and the development of fair and affordable repayment schedules. Reclamation should assist its customers in their efforts to address economic constraints by adopting repayment requirements that ease borrowing requirements and extend repayment periods.

PROJECT MANAGEMENT

Reclamation should establish a comprehensive set of directives for a structured project management process for managing projects and stakeholder engagement from inception through completion and the beginning of O&M. Reclamation should also give high priority to completing and publishing cost estimating directives and resist pressures to submit projects for congressional authorization with incomplete project planning. Cost estimates that are submitted should be supported by a conceptual plan, environmental assessment, and design documents that are sufficiently complete to support the estimates.

Reclamation should establish a structured project review process to ensure effective oversight from inception through completion of construction and the beginning of O&M. The level of review should be consistent with the cost and inherent risk of the project. Oversight of large or high-risk projects should include the direct participation of the commissioner or his or her designated representative. The criteria for review procedures, processes, documentation, and expectations at each phase of the project need to be developed and applied to all projects, including those approved at the regional level.

A training program that incorporates current project management and stakeholder engagement tools should be developed and required for all personnel with project management responsibilities. In addition, project managers should have professional certification and experience commensurate with their responsibilities.

ACQUISITION AND CONTRACTING

Reclamation should establish a procedure and a central repository for examples of contracting approaches and templates that could be applied to the wide array of contracts in use. This repository should be continually maintained and upgraded to allow staff to access lessons learned from use of these instruments.

RELATIONSHIPS WITH SPONSORS AND STAKEHOLDERS

Making information readily available about processes and practices, both in general and for specific projects and activities, should be a Reclamation priority. Successful practices, such as those used in the Lower Colorado Dams Office, should be analyzed and the lessons learned should be transferred, where practical, throughout the bureau.

WORKFORCE AND HUMAN RESOURCES

Reclamation should analyze the competencies required for its personnel to oversee and provide contract administration for outsourced activities. Training programs should ensure that those undertaking the functions of the contracting officer's technical representative are equipped to provide the appropriate oversight to ensure that Reclamation needs continue to be met by the contractor.

In light of the large number of retirements projected over the next few years and the potential loss of institutional memory inherent in these retirements, a formal review should be conducted to determine what level of core capability should be maintained to ensure that Reclamation remains an effective and informed buyer of contracted services. Reclamation should recruit, train, and nurture personnel who have the skills needed to manage processes involving technical capabilities as well as communications and collaborative processes. Collaborative competencies should be systematically related to job categories and the processes of hiring, training, evaluating the performance of, and promoting employees. Reclamation should facilitate development of the skills needed for succeeding at socially and politically complex tasks by adapting and adopting a small-wins approach to organizing employee efforts and taking advantage of the opportunities to celebrate and build on successes.

BUREAU OF RECLAMATION RESPONSE

An important element in the study committee's ability to complete its assigned tasks was the support and participation of the bureau staff at all levels. The study committee appreciated the cooperation and support of all of the Reclamation officials who assisted the committee in this review. Before completing our work, we became aware that former Commissioner Keys had directed the development of a detailed response to our recommendations. The NRC committee applauds this rapid and enthusiastic response. We are not in a position to provide a detailed analysis, but it appears that Reclamation's response, *Managing for Excellence*, sets forth an action plan to address all of the issues identified in the NRC study. Many of the study committee's recommendations will require further analysis by Reclamation personnel, and changes that implement these initiatives may take considerable time. As noted in the NRC report,

Reclamation should seek independent reviews of its assessments and organizational changes. Nevertheless, it appears that the Bureau, under strong leadership commitment, has made a good start.

This concludes my testimony. Thank you for the opportunity to discuss our report with you.

**STATEMENT OF WILLIAM E. RINNE, ACTING COMMISSIONER,
BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR**

Mr. RINNE. Thank you, Mr. Chairman, members of the committee. It's a pleasure to be here today to discuss the "Managing for Excellence" action plan. With me today, sitting right behind me, is my Deputy Commissioner, Larry Todd. And with your permission, we may confer to answer some of your more specific questions. Larry's been our executive lead in developing the "Managing for Excellence" action plan.

The catalyst for the "Managing for Excellence" action plan was the recently completed report of the National Research Council.

The Department of the Interior and Reclamation asked the council to undertake this review in 2004 to receive an evaluation of our business practices and capabilities from outside experts to help us prepare for current and future challenges. During its review, the committee consulted with Interior and Reclamation policymakers, employees, water and power customers, congressional staff and other Federal agencies. Some of the key findings of that that I would like to point out for your attention: Our customers want close contact with Reclamation officials, consistency in Reclamation policies, and decisionmakers with demonstrated professional competence; Reclamation should perform an in-depth review of its technical services center to identify core lead staffing levels and optimum structure; Reclamation laboratory organization and physical structures may be too large; admin and other functions should be more aggressively outsourced; long-term sustainment of aging infrastructure is a major challenge; Reclamation should focus on completing and publishing cost estimate directives and resist efforts to submit projects to Congress with incomplete project planning and cost estimates; and the growing need to include a broad spectrum of stakeholders alters Reclamation's tasks and skills required to accomplish them.

Mr. Chairman, Reclamation recognizes the seriousness of these and other challenges detailed in the NRC report, and has a plan to meet them. We have support for addressing these issues at the highest levels of the Department of the Interior. Deputy—and now-acting—Secretary Lynn Scarlett directed us to devise a plan to address each finding and recommendation in the NRC Report. With input from an array of stakeholders, the team produced the action plan in February of this year. That plan was developed in consultation with congressional committees, as well as key stakeholders and Federal employees from rank and file and also then-Secretary Gale Norton.

Some key aspects of the “Managing for Excellence” action plan NRC report addressed in the action plan—excuse me, each specific finding and recommendation in the NRC Report is addressed in the action plan. The plan also draws on key Presidential management initiatives and Reclamation customer satisfaction surveys and other internal reports. It contains 41 separate action items that require critical analysis.

The timetable is ambitious. All but 12 of the 41 action items are scheduled to be completed in 2006—calendar year 2006, with the remainder to be finished in 2007. Turning to the action teams themselves, in terms of how they were selected in the process, for team members, we had only two criteria: We wanted to get the best and brightest. These are people we found internally who were known for intellectual honesty and also had a reputation with the outside stakeholders.

All teams have prepared a business plan as of this date for each action item. We held a meeting in Denver in April—on April 27 in Denver with the national stakeholder group. I think the meeting was successful in developing an external outreach plan. We'll have several stakeholder public meetings. The first one is scheduled in early July.

We have also developed an internal communication plan for Reclamation employees to submit some feedback, and we keep them informed. We have an area management meeting, which is really our program level, on June 5 to ensure that we're ready to work with customers and employees.

Mr. Chairman, to succeed in this timeframe will require active involvement of the stakeholders, leadership from Congress and extra value from government agencies. This would ultimately translate into improved capacity to carry out all aspects of Reclamation's mission, including operation, maintenance, and environmental compliance.

In summary, to move forward we must answer some important questions, and I'll just hit four of these and then close. Can we restore consistency and clarity to agency policy while leaving operations decentralized? Do we have the courage and wisdom to right-size technical services and throughout Reclamation, to outsource more of our workload, when that makes good business sense? Will we share O&M management decisionmaking with a variety of customers and even transfer it to them? And will we restore confidence in cost estimating? These are just some of the questions we tackle.

Mr. Chairman, I would like to submit for the record a chart describing each of the 41 action items, with each item's start and end date, as well as one that depicts the schedule for our action.

This concludes my remarks, and thank you for the opportunity to speak today.

[The prepared statement of Mr. Rinne follows:]

PREPARED STATEMENT OF WILLIAM E. RINNE, ACTING COMMISSIONER,
BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

Mr. Chairman and Members of the Committee, it is a pleasure to appear today to discuss *Managing for Excellence*, an action plan for the 21st Century Bureau of Reclamation.

The principal catalyst for *Managing for Excellence* was a recently completed report of the National Academies' National Research Council (NRC) entitled, "Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation." Reclamation asked the NRC to undertake this review in 2004 to get expert review and comment from third parties on our business practices and capabilities as we face the decades ahead.

In preparing its report, the NRC Committee spent most of 2005 consulting with Reclamation and Department of the Interior policy makers (both career and Presidentially appointed), Reclamation operations staff, water and power customers of Reclamation, Congressional staff, and other government water agencies, both Federal and state.

The NRC focused its recommendations for Reclamation in nine issue areas:

- centralized policy and decentralized operations;
- Reclamation's technical service center;
- Laboratory and research activities;
- Outsourcing;
- Asset sustainment planning;
- Project management;
- Acquisition and contracting;
- Relationships with sponsors and stakeholders; and
- Workforce and human resources.

Instead of detailing each of the NRC's 22 distinct findings and 24 recommendations, we would like to mention a few to give the Committee a sense of the scope of the NRC's work.

1. Reclamation's customers and other stakeholders want close contact with empowered Reclamation officials, but they also want consistency in Reclamation policies and decisions, and decision makers with demonstrated professional competence.

2. Policies, procedures, and standards should be developed centrally and implemented locally.

3. Reclamation should perform an in-depth review of its own Technical Services Center (TSC) to identify the core competencies it needs, the number of personnel it needs, and its optimum structure. This TSC assessment should be reviewed by independent experts and stakeholders.

4. Reclamation's laboratory organization and its physical structures may be too large.

5. O&M and other functions should be more aggressively outsourced.

6. Long-term sustainment of aging infrastructure will require more innovation and greater efficiency.

7. Reclamation should give high priority to completing and publishing cost estimating directives and resist efforts to submit projects to Congress with incomplete project planning.

8. The growing need to include a broad spectrum of stakeholders alters Reclamation's tasks and the skills required to accomplish them. Personnel must be equipped to address both technical uncertainties and the ambiguities of future social and environmental outcomes.

Mr. Chairman, you know Reclamation and its water and power customers well enough to appreciate how serious these and other challenges detailed in the NRC's report are.

Reclamation is up to the challenge. We are determined to take advantage of this opportunity to implement reforms with the goal of reinvigorating our program and ensuring that we will be able to provide optimum value to our stakeholders well into the future.

Before the ink was dry on the NRC report, Deputy Secretary Lynn Scarlett, (now Acting Secretary) directed us to develop a plan whereby Reclamation would address each finding and recommendation in the NRC report. The Commissioner appointed a Reclamation executive team led by Deputy Commissioner Larry Todd. With helpful input from an array of stakeholders, the team produced *Managing for Excellence, An Action Plan for the 21st Century Bureau of Reclamation* and delivered it to Secretary Gale Norton in February.

Stakeholders with whom the Reclamation team consulted in preparing *Managing for Excellence* included:

- staff of Congressional Committees (authorizing and appropriating, majority and minority, House and Senate);
- the Family Farm Alliance, National Water Resources Association, and Trout Unlimited; and
- the federal employees who care so much about the Bureau mission from rank-and-file Reclamation field workers to Secretary Norton, herself, who offered several crucial comments as the document was being developed.

Perspectives shared by Reclamation employees on a special web page set up just for that purpose were enlightening and highly constructive.

The result, Mr. Chairman, is a plan for decision-making that exceeds the original expectations of many of us involved.

Now let's turn to what is in *Managing for Excellence* and how Reclamation expects to carry it out.

First, each specific finding and recommendation in the NRC report is addressed in *Managing for Excellence*. But the Reclamation team went further. *Managing for Excellence* also draws on key Presidential Management Initiatives, a Reclamation customer satisfaction survey, and other internal reports and recommendations. Moreover, when stakeholders weighed in with their suggestions, they did not confine themselves to the four corners of the NRC report. The result is a far more comprehensive and cohesive product.

Managing for Excellence is actually a catalogue of 41 separate "action items," each of which requires critical analysis, serious thought, and some tough decision-making. However, the decision-making schedule is not open-ended. Each action item has a specific start date and end date. The schedule was carefully considered to make certain that each decision was afforded enough time to get it right but not so much time that the benefits of implementing decisions would be needlessly delayed. The timetable is ambitious. All but twelve of the 41 action items are scheduled to be completed (i.e., recommendations forwarded to Reclamation senior management) in 2006. Most of the rest cannot be completed sooner for logistical reasons. For example, one action item is to evaluate the effectiveness of an earlier action item.

Now let's turn to the action teams that are charged with carrying out the action items. The teams are made up of individuals known for intellectual honesty and for being committed to carrying out the Reclamation mission. They have established a reputation for ingenuity and achievement in communication, consultation, and cooperation with diverse stakeholders.

The teams have already started working. Each one has prepared a work plan which includes timelines for steps from gathering data and perspectives, to analysis, to final decision recommendations on the schedule set out in *Managing for Excellence*.

Will each action item succeed? The answer may turn on the involvement of stakeholders. For example, roughly half of the action items cannot be credibly addressed without direct input from water and power customers. Other action items depend on wisdom of rank-and-file employees, changes to legislation, or expert guidance from government management experts inside and outside of the Department of the Interior. We will seek help and support from all these sources.

Funding to carry out the tasks contemplated in the plan will be made available by reprioritizing existing activities. Reclamation's reprioritization of funds will be carried out consistent with an absolute commitment to ensure that all activities vital to Reclamation's core mission, including ongoing operation, maintenance, and environmental compliance responsibilities, are unaffected. We anticipate that implementation of the action items will result in significant improvements in the efficiency of Reclamation's management. This would ultimately translate into improved capacity to carry out all aspects of Reclamation's mission, including operation, maintenance, and environmental compliance.

The significant investment of Reclamation staff time and resources is warranted: these 41 action items may well shape the future of Reclamation for years or even generations to come.

Will we be able to weave cooperative conservation throughout Reclamation's culture? Can we restore consistency and clarity to agency policy while ensuring that operational organization is decentralized? Do we have the courage and wisdom to right-size technical services and, throughout Reclamation, to outsource more of our workload when that makes good business sense? Will we share O&M management and decision-making with a wide array of customers, or even transfer it to them? Will we restore confidence in project cost-estimating? And can we integrate these goals with Reclamation's existing statutory mission?

Finally, the Administration has long been concerned about many of the challenges identified by the NRC report. These have been identified or clarified in PART assessments conducted over the past several years. In particular, the PART conducted in 2005 on Reclamation's Water Management: Operations and Maintenance program stated as one of the follow-up actions to improve the program that Reclamation will follow up on the recommendations identified in the NRC report. Additionally, the PART directed the Bureau to, "[D]evelop a comprehensive, long-term strategy to operate, maintain, and rehabilitate Reclamation facilities". Clearly, this dovetails with many of the issues identified by the National Academies, and we are moving forward to ensure that we are addressing these long-term challenges.

These are just some of the questions that we will tackle and answer in coming months. We need your guidance, encouragement, and moral support—and that of our many stakeholders, particularly our water and power customers—to make sure the answers we develop are the best for all Americans whom we are privileged to serve.

Mr. Chairman, we would like to submit for the record a chart describing each of the 41 action items with each item's start and end date and team leader, as well as a chart that depicts the integrated schedule for all action items.* We are pleased to answer any questions.

The CHAIRMAN. The charts will be made part of the record. We thank you for your brief, but very good testimony. We very much appreciate it.

Now, I'm going to ask the Senators, as they arrived, if they have questions. Senator Thomas, do you have any questions?

Senator THOMAS. Yes, thank you. Well, I'm interested in your study, but what we talked about, the changes that have taken place and the responsibilities and the role of the Reclamation, as a result of the study, what differences are there going to be in the

*The charts have been retained in committee files.

Department, as opposed to what's been in the past? What changes are talked about here, other than just doing good things? Both of you, I wish you to respond.

Mr. RINNE. Senator, one of the things I would emphasize, I think it was mentioned earlier, pretty early in the process, but what we hope will come out of this is, where there—it could be changes like the—it could be, in some places, numbers of employees and the types of employees we have. I think what we really want to get to is making sure that whatever we're doing we're really meeting the needs of customers. We want to be much more transparent in our active process. We don't know—we've looked at things ranging from human resources to our financial accounting. We want to look at that, and we want to look at our technical services.

Senator THOMAS. You're going to be doing what differently? What's the difference in the Department from what it was 20 years ago as opposed to what your challenges are in the future? Everybody wants to have more quality and do all of those kinds of things, but what do you see as the role of the Department in the future?

Mr. RINNE. I think one of the key goals, Senator, would be, in the next 20 years, you have in Reclamation, as an example, over half of our facilities are 50 years or older. I think the challenge of maintaining that infrastructure, and in some places enhancing that infrastructure for the future, is a definite challenge. So I don't want to call it caretaking, but it's very much different than constructing these facilities. Now there may be some cases where we need more things for water supply, but that's an example of the kind of thing we would—I think we will try to position ourselves correctly, so we'll be able to follow up.

The CHAIRMAN. I see. Thank you.

Mr. DUSCHA. I think basically when you're looking at this, you're looking at a long-term change in culture here. That's what you're driving at. I think you're looking at a long-term change in culture, I mean, within an organization. Simply, we have to look at—they're going to have to look at doing things differently than they have in the past. The organization is not going to be interested in doing the same things. The Big Dam Era is over. You're going to have to get down to the maintenance era, which is going to have to take a different dedication than construction.

And so I think you'll find that the organization will be different. But it's going to take time, it's not something that can be done overnight, unless you just shake up the organization thoroughly and bring a whole new crowd in. But I don't think you want to do that, because I think that will cause more problems than you bargained for.

Senator THOMAS. Well, there's going to be differences from the construction aspect. What about the environmental aspect of the water management? Is that going to be different than it has been in the past?

Mr. RINNE. Senator, what my reaction would be—obviously, we're going to follow whatever the laws are. And I'll just use the Endangered Species Act and the National Environment Act. We're going to—we will look toward the idea of continuing to deliver water, generating power, and do the other things that are nec-

essary. So, I think, to an extent, you have to be realistic about that and say that there are going to be those things that we must address. So, I think—you know, I don't see that we discard it.

Senator THOMAS. We need more energy. Are you going to be able to orient yourself toward more efficiency and more production out of your facilities?

Mr. RINNE. I think wherever the opportunity presents itself. And some of that is underway, whether it's rewiring or upgrades or things that make them more efficient and can produce more energy. So I would say yes, if that opportunity presents itself.

Senator THOMAS. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The Senator from Montana.

Senator BURNS. When we look at the—you say a lot of changes, and there are a lot of changes—I don't think you're going to be building very many more irrigation systems or any of that, but I will tell you, as the Senator from Idaho noted, that even though our water use is right now, our population continues to grow.

We've got a finite amount of water, it's called snow pack for a lot of us, and if you've got a low snow pack, well, you're going to have low water. And I would suggest that in that somewhere—the California situation is an interesting situation. When we talk to the Western farmers or the San Joaquin, those people who—the water users out of the Sacramento or those rivers, we've got to make more water. The only way you do that is you hold the water that you've got. So that means off-stream storage. We haven't built much off-stream storage here lately. We haven't even seen it in the designs or if the Bureau of Reclamation is even taking a look at that or increasing the pool sizes of the storage that we have today. You can probably raise Shasta a foot and you'd produce a lot of water for the San Joaquin. But you have the forces that want to deal with the delta, and then you've got those forces who actually want to cut back on agricultural production. They want to do those kinds of things.

Mr. Rinne, are you telling us that in the future we're going to deal with holding more water in its place? Off-stream storage, is that in your plans anywhere?

Mr. RINNE. Well, Senator, a couple of examples, on the Colorado River. And of course this isn't a Bureau of Reclamation, as you're aware, but the States have a vital role. But the process is going on. Like shortage guidelines that are developing right now, one of the hopes out of that would be to have better coordinated reservoir management between Glen Canyon, Lake Powell and Lake Mead, which are really the two big cups on the Colorado River that we use to manage the water supply. There is, in fact, also, off-stream storage agreements in southern Arizona and some in Nevada and the southern part of California. In northern California the one thing I would say is that we have some feasibility as to at least looking at additional storage. Now, where those go to, obviously none of us in Reclamation quite know, but we're always looking at ways to better manage that water supply. And we're very, very much aware of what the state of the challenge is: The growing population, urban needs, the agriculture needs and other uses. So it's

a—I think that will be one of the biggest challenges we face in the next 20 to 25 years, just being able to maintain that very issue.

Senator BURNS. Don't worry about 25 years, it's now.

Mr. RINNE. That's true.

Senator BURNS. The challenge is now. Because we've got—our population continues to grow and the demand for the water. We know that all the water feeds off of the recharging of those rivers, and in-stream flow is very, very important, but we've just got it during the spring of the year. Look at the Yellowstone River today. We're flooding now. Now, that water ought to be going into some reservoir somewhere, being held for August, September and October somewhere, and even into December, for in-stream flow. But if you try to bring up this thing of building off-stream storage and holding some of that water, I'm telling you what, you create a furor like you can't believe. Now one of these days we're going to have to take a realistic look at that and say, "OK", because we can't live without water. It's just not going to happen. So the root of our debate, the bottom line of our development is going to be how much water we have available for not only agriculture, but just the people who seem to be migrating to the West. Some of them, I would doubt are very good neighbors, but nonetheless they're showing up.

And also, irrigation systems that we have appealed to Congress, saying, "We'd like to take over our system and get the Bureau of Rec out. We're ready to assume, under the old system of years ago, that this irrigation system, once we got it paid off, back to the Government. We'd like to have it and manage it ourselves. We always get pushed back from the Department of the Interior; why?"

Mr. RINNE. I think what I would say is, that is one of the very areas, Senator, that we're taking a real close look at. The area being transfer or owning our facilities. And I think both in transfer of owning—and even looking at title transfers, that's one of the things we're looking at during this period. We're going into where we really look at that. Your comments—and I'm aware of it. I think the key thing would be—I agree it has been that there are parts of those areas, districts that have paid out, they're ready to take over and operate and maintain them, and we should go along with that. And I think you'll probably see more of that, as an outcome of this, in the longer term.

Senator BURNS. Well, I've got two or three that are pending right now, and I see no reason why that transfer isn't made. It goes to the owners, but there's no such thing as title, as land title or water rights title. There's nothing to transfer, there's just the business of who controls the O&M dollars. And basically, I think it should be a fairly easy kind of transfer, because those irrigators, those water users, they want to control their own fate.

Mr. RINNE. Senator, there may be currently, as we speak—I think if Mr. Raley were to testify, one of the areas that we're evaluating right now, which is actually part of—I would say our "Managing for Excellence" action plan is looking at our northern Colorado water-consuming district and we're actually going into the process right now to see if that makes sense to turn over the owning of not only the infrastructure, but this would be in collaborating and maintaining the dammings as well. We're going through

that process, and I expect it will be done by the end of this year. So it's, I think, along the lines of what you're talking about.

Senator BURNS. Well, if we think of anything about our kids or our grandkids—and I don't care if they're urban or rural, irrigators or municipalities, or whatever—we've got to start thinking water storage now. I don't think we can wait any longer. Because, basically, if you look at the California situation—and I was part of that 1991 settlement, and now they're trying to do something else. I would have—going to be a part of both of those. And it's not that we don't have the water, the demands for the water has outstripped what we have available.

So now I want to talk to you about the St. Mary Project. Here's a project that was built a hundred years ago. It is the lifeline of the Highline. It runs from St. Mary to Wolf Point, MT. And you have all kinds of moving parts in that—you have a Canadian situation, you have two Native American reservations involved in that. And we're starting to build a master plan on how we're going to re-do that whole system, because it's falling apart. On most of our Indian reservations, I will tell you, they haven't been managed very well. We've got the same situation down on the Bighorn River, and some on the Little Bighorn that are systems that the management has not been very good. And it's not due to the local farmers, it's been the government agencies that have been responsible for getting it done. And the blame falls, I think, right here in Washington, DC. So we want to tackle that problem also.

But I would tell you, in the long run, in the long haul, for every one of us who have sat on this committee who have grandchildren, the water storage and water availability in the West now is the most challenging problem we have. We cannot store too much water during the run-off right now. We had a great snow pack last winter, but that's the first one we've had in the last 7 years. And I would tell you that we'd like to hang on to that if we possible could, it's good for the environment, it's good for recreation, it's good for in-stream flow, and it's also good for water users and everybody that's around there. But I will tell you, it is one of the toughest challenges we face. And we've got to figure out some way to move beyond the objections of people who probably don't know the difference between "Sic 'em." and "Come here." when it comes to dealing with water, and trying to make the West work. Thank you very much, and I'll go on and do some other things and let these guys handle it. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. First, let me say to you, Mr. Rinne, you and the Department, I'm not a professional, nor is it my job to pass judgment on what you have done in response to the critique, but I hope the way you've characterized it is true—where you have no holds barred, you are doing the best you can, you've got professional help, it's a real effort to provide reorganization. Is that a fair assessment?

Mr. RINNE. Yes, it is, Mr. Chairman. We're striving. If this is going to be successful—and maybe I ought to just say it this way—me, just speaking personally—I think one of the hardest things we're going to do is look at ourselves and look at the organization, and I'll just be honest about that. And that's the hard thing to do.

Having said that, I think if you're going to be successful in this effort, we have to get help from others. And that's what we're trying to do with our partners and stakeholders. If we continue down the path we're going with the action plan and the involvement of the stakeholders and obviously leadership from Congress—and I heard your remarks about later hearings—I think that kind of interest helps us. We need to stay objective, so our intent is pure in this. We're not—we don't like hearing everything we hear, but that's beside the point. So, that's where—we're very serious about this.

The CHAIRMAN. Well, you know, when I got ready for this hearing, the first thing I asked was how many people work for the Bureau of Reclamation, and it's astounding—5,900 people. It's a big organization. That means you're responsible, and we're responsible, for an awful lot of lives and an awful lot of activities, and an awful lot of status quos. People are not expecting too Draconian a change in their—what they do for the Department, even though we start this with a report that says obviously things have to change rather drastically, because the Department isn't doing its job, not because of the people, they're nice people, good people, it's just that the work changed right under them. They don't do the kind of work now that they did when we started, and we haven't—the Department hasn't changed, based upon the workload. That's the way I see it, anyway. That's just my observation. That means there's a lot of things you do that other people could do better than you do, and do it cheaper, and there's a lot that you outsource and have it done by others; right? That's part of the problem you've got and you recognize that, I assume.

Mr. RINNE. Yes, Senator. In fact, that is one of several of those action items that is really supposed to drill in on that very thing. And where it makes sense, I think I used the word in my comments about good business sense. I mean there are things that we'll be using the jargon of. They are not necessarily governmental, but others could do it, and that's what we need to try to tease out for the great American public and the tax payer and what we're doing.

The CHAIRMAN. Well, we obviously are going to have to follow it carefully. And the Department is going to have to follow it carefully—the big Department—and OMB, and we'll just have to see how it turns out. I am rather pleased with the first cut of what I've seen, the work that you've done, led by you, that your Department has done. I think it's rather honest, but I'm sure it's not total. A lot more is going to be done before you're finished.

Let me ask you what your thoughts are about that.

Mr. DUSCHA. I was going to ask permission to comment on this very thing.

The CHAIRMAN. Please.

Mr. DUSCHA. As I've participated in similar studies for different Federal organizations and private organizations, you know, on reorganization and so forth, I will have to say that the Bureau of Reclamation has jumped into the report with a lot more enthusiasm than I've seen in the other departments and has made more progress than I've seen in this length of time. So, I'm very, very

convinced that they're dedicated to coming out and doing a good job on this thing and doing the right thing.

The CHAIRMAN. Sometimes doing the right thing means that some of them aren't going to be doing their same kind of work that they've been doing now, for their government, later on. Maybe some won't even be working for the government at all later on. That still means the job of analyzing has to take place.

With that, I want to yield to Senator Craig. And then I know we have a new Senator from the other side of the aisle in whose State part of this activity takes place. Senator Craig.

Senator CRAIG. Let me give you—not a hypothetical, a reality—and see how it fits within your thinking, based on your new management or approach toward that. Currently, in my State, we have a great example of why business as usual just isn't going to work. In arid southern Idaho there's a 100-year-old irrigation/dam project known as Mindoka. It feeds thousands of acres of farmland while supporting wildlife refuges and waterflows for fish. Additionally, this water supports several farms and communities, and hosts phenomenal recreation for boating and all of that.

However, our irrigators pay a large sum of money to keep the facility working. They are largely the only ones who pay. This facility, because of its considerable age and the original construction, needs a new spillway. The spillway is estimated to cost nearly \$35 million, increasing irrigators' assessment by nearly 30 percent. And as the NRC study has found, the Bureau has not been particularly good at keeping costs down through construction processes, which raises another concern on the final price tag. These farmers are already paying \$45 an acre. They're going to pay a lot more, obviously.

Now, we find out, and appropriately so, there are a lot of other stakeholders involved. Should other stakeholders participate in and pay for some of the value of the project itself? It's a reasonable thing to be thinking about. At the same time, cost of the project could be spread over 15 years. Impacts are real, so we're at a log-gerhead. We need it, for the security of the project, for all that it brings for farming, for ranching for communities, for recreation, now for water quality, now for wetlands, and we have a price tag that is almost unaffordable. This is probably a story played out across the country today to that aging infrastructure you talked about. How do we get creative here?

Mr. RINNE. If I strike out on this or not, I'll strike out speaking.

Senator CRAIG. Well, I just pitched it, and it's a fairly slow-moving softball.

Mr. RINNE. It's very much—it's a very fair question. I would say as a general matter that we would expect—and I'm trying, maybe to look into the future a little bit—we have to have more and more of the beneficiaries pay. And sometimes that does require looking at the way things were in the past—that is the way you've characterized that—and for new uses, new benefits we have a need to work toward that.

I say that, and that's not a slam dunk, and we are concerned about areas such as, in this case, the costs go up. And the other part of that, of course, are the things that Congress directs us. And I guess just like everyone else, we have budget pressures, and I

want to point out the cost containment. I think one of the things in our “Managing for Excellence” action plan activity we hope to get to is there may be—and there should be, in the case of Bureau of Reclamation in design and construction, maybe it should be contracted off away to save those dollars. The problem is that I do think things like that—people who are interested in benefits should probably need to look at their own paying, and also need to look at the Federal need.

Senator CRAIG. We’re playing out something right now in the new Energy Act that is, I think, fascinating because frankly when we try to design something here, to the best of our knowledge we don’t always know that it will work as well as we hoped it would. But reports coming in right now would suggest to me that it is working as well as we hoped it would and maybe even working better, and that’s the new hydro re-licensing approach toward dams.

All of a sudden, when all the parties involved have to get honest, when you just can’t pass through costs because a law says you’ve got to do it and that’s what you’re in the business of doing—complying with and passing through costs—when you turn to the private sector and say, “Here are the standards, meet them.”—we may not have all the best ideas, because maybe the private sectors move much more quickly into that arena than we have. It appears that that’s beginning to happen with these re-licensed hydro projects. And also when there is a bit of arbitration involved in a public arena, no longer can the demands just be flat out. They have to be partly conditioned, standards have to be met, all of those kinds of things for all of the parties involved.

Maybe one of the advantages—I don’t know that it’s applicable elsewhere, but I do know that it appears to be working at the moment, the reports coming are in. Now, there are critics to it, but when we have—and my time is up—when Commissioner Keys was brought on, one of the things I asked of him was quite simple: Don’t ever allow a Klamath to happen again. We ought to be brighter and better and more nimble at dealing with all of the parties involved than just to shut the place down and let farmers starve. It was built for them originally, they still have a stake in it, although laws will argue that it’s a broader one, and his commitment to me was that it won’t happen again, and it hasn’t, thank goodness. That doesn’t mean it won’t happen somewhere down the road, with all of the competition for and the concern about water and usage, but I think that kind of nimbleness is critical. And I will also tell you that if you think you can operate like a business, I have not yet seen a Federal agency successfully do that. You just—it is not within your culture and your character, it’s not a criticism. So, contracting out and allowing participation from the outside is clearly one approach.

Last, Mr. Chairman, we’re trying to get creative here. The Chairman’s done a lot of work in it, in trying to figure out how to finance. If you’re going to expect the private sector to finance these projects to a large degree, then you must allow them to participate in them in a very creative way. You may set the standards, and you should. A lot of public policy involved in the standards needs to be met for all of the interested stakeholders. But water is the commodity of concern today in the West and if we can’t figure out

how to do it better, accomplish some of what the Senator from Montana has talked about, then we have increasing problems that are going to demand that ultimately we break away and figure out a way to do it.

So, I thank you. I certainly believe these studies are worthwhile. At the same time, don't forget that maybe policy adjustment is also necessary to allow you to create greater flexibility, and that's where the chairman and I and this committee can help you play a role in all of this. Thank you.

The CHAIRMAN. The Senator is correct. Now we're going to ask Senator Salazar from the State of Colorado if he'd like to comment.

Senator SALAZAR. Thank you very much, Chairman Domenici, and thank you also to the witnesses for being here today.

Let me just—for all of us here in the West, we recognize very much the importance of the Bureau of Reclamation and the legacy that it has left across the West. And I know in my State there are many Bureau of Reclamation facilities and we work well with the Bureau of Reclamation and I appreciate that work.

Today in the audience, for example, we have people from the Southeastern Colorado Water Conservatory District in Jim Broderick, Bill Long, Bill Reynolds and Christine Arbogast and obviously the Fryngpan-Arkansas Project is of great importance to us in Colorado. We have a number of other Bureau of Reclamation projects throughout the State, including the ones that are operated by the Northern Colorado Water Conservatory District.

Bennett Raley who asked for this report has been a good friend of mine for many years, probably some 20 years, and I've seen him as being one of the foremost experts on water issues. And I was delighted when he became the Assistant Secretary for Water and Science in the Department of the Interior.

I think that Bennett was correct in making the request for review of the Bureau of Reclamation and I think the findings that we have here today are important findings as the Agency looks at itself and tries to figure out how it's going to move forward in the next century.

I have one comment and then just one question. The comment is, I appreciate the Bureau of Reclamation continuing to put its focus on completing the Animas-La Plata Project. It's something Senator Domenici and myself and others worked on for a very long time, and it's very important as a project that not only deals with the issues between States, but between the States and tribes in a way that ought to be a model with how we deal with Indian reserve rights in other places in our Nation.

My question to you, Commissioner Rinne and Mr. Duscha, has to do with—one of the recommendations out of the report was increasing the number of small projects—you say, although the demand for large new projects will remain low, it is likely that the demand for small water storage irrigation and distribution projects will increase. That's your recommendation in the report. How would you implement, if you will, that recommendation coming out of the report?

Mr. DUSCHA. Well, I think basically when we put that recommendation in there, as we look at it, I think we see that there are opportunities there yet for water storage and water distribution

but they have to be on the smaller scale involved in smaller projects, and that sort of ties in with Senators Burns's comments earlier about off-stream storage.

I think, with that, you're going to have to—these more localized projects that will require local cooperation and perhaps—I'm sure they'll require some Federal help someplace in the mix, but—

Senator SALAZAR. When you speak about smaller projects, Mr. Duscha, what size of project are you talking about?

Mr. DUSCHA. Well, it's not going to be a Roosevelt or something like that. You're talking probably about a half-a-million-dollar project, \$5 million, \$10 million projects.

Senator SALAZAR. Projects in that magnitude.

Mr. Rinne, on that question, I know we have a vote coming up, so just—

Mr. RINNE. I'll make it real quick. I thought I would save us on how we implement it, but I was thinking about an example, trying to give you one. We're working on an example, a temporary kind of regulated reservoir, like around the All-American Canal, which in actuality, when it opened, it could get up in that area where we actually have funding from non-Federal sources, and then in turn they would get a portion of our water. I think that's probably the key to getting there, and I think that's an example.

The CHAIRMAN. We have a vote up and I'm going to go.

Senator SALAZAR [presiding]. I'll take over the committee, Mr. Chairman. So we'll go ahead and revolutionize the Bureau of Reclamation in your absence, sir.

We do have a vote that's underway, so in order to keep the hearing moving, why don't we go ahead and continue this conversation. I recognize the era of the big dams, Hoover and Lake Mead, that's probably an era that has passed us by. But on the other hand, there's a reality about water storage in the West, and that is without water storage we would not have the greening of the West in the way that we have it. And we also have the reality of the huge competing demands that we have for a limited water supply in the West and huge challenges are being place on the Bureau of Reclamation, so I want you to, if you will, bore down a little deeper on how it is that the Bureau of Reclamation, moving into the 21st century, can look at the possibility of the smaller projects, where the Bureau of Reclamation can play a constructive role in making these projects a reality. So if you would continue on that vein of your answer, I would appreciate it.

Mr. RINNE. I'll try. A couple of things—and maybe it will help me think on talking a little bit, too. One example, when we talk about—I'll be responsive to your question. Another example I was thinking about was on the Klamath Project that was brought up earlier—it was actually a smaller project, or a somewhat smaller project—and one example is we have actually had some land purchases at the upper end of the reservoir of Klamath Lake, the upper end of the lake, and what's significant about that is, Senator, there are some lands that historically have been used for other purposes and the non-return plan would be that when the Lake is providing water and there's good water, we can get water there. Those are small projects. Reclamation would be able to work with the

local planning project people who try and absolve the interest in the area, more in the facilitation.

I think for me a lot of the answer in the smaller projects is going to be more along the lines of refinements of operations. That may mean something a little bit out of stream. It may just mean that we're managing the water that goes through. There's just a lot of things with that that I would put in a class with the smaller projects.

The peculiar thing would be it isn't something Reclamation, say, is going to design and construct, but we're being partners to allow them. And I think the more partners involved, the more we must do that. And that's how we are going to get some of these things done, by defending and getting the good ideas, and do them in so many cases cheaper, too.

Senator SALAZAR. Does the Bureau of Reclamation, through the Commissioner's office or anywhere else within the agency, have a program that would be called a small projects program? Let's suppose I know of a river, which I do, somewhere in southern Colorado that might be looking at a small off-channel reservoir project, and I want to come and find out what it is that the Bureau of Reclamation might be able to do to help me out, is there a door that says "Bureau of Reclamation Small Projects: we're here to help you"?

Mr. RINNE. We used to have a Small Reclamation Projects Act, but that is not something in the 1990's. We actually endcapped cooperation with stakeholders and others and actually moved toward wrapping that program up. When we had loans, there were small Reclamation projects that we gave loans for different kinds of activity. We have not sought funding for that and I would say, at this time, we don't have current plans to do that.

And I suppose the other thing is—and you would be well aware of this—short of maybe a specific authorization to do something like a project that was—we were directed to that, we probably wouldn't, on our own, move out and do something like that.

I would say, though, that there are a couple of tools in the box around. Water 2025 has been one of the tools that has been very successful that way, in general. I'm sure many of you have been briefed on this. We've had roughly a 41 percent return on investment, or in round dollars I think we put in \$14 or \$15 million and we've had projects with non-Federal funding come in up around \$70 million. Most of the reason for doing it right now is improvement of infrastructure. Some of that can be—you can better manage the others for not using the sample vignettes. I think that some of the Water 2025 will be a very good tool. And then, in the area, in the one we continue to look for, I believe it was appreciated when the Senate passed the rural water legislation which included the future loan guarantee. That's an area that, again, is not a panacea but something that may provide the opportunity for ways to kind of fix up our aging infrastructure and continue to improve the efficiencies.

Senator SALAZAR. I appreciate your comments. And I do think that that's a key part in terms of at least the water management issues and opportunities as the West is looking at some of these smaller projects.

We are getting close. I think we have about 5 minutes left in the vote, so what we're going to do is put the hearing into recess and then, in the meantime, Senator Domenici will come back. So if we can maybe get the second panel ready to go, and continue on with the hearing.

Thank you very much for attending the hearing today, Mr. Rinne and Mr. Duscha.

[Recess.]

The CHAIRMAN. Sorry for the delay, but I had to attend another hearing in between to make a quorum for another chairman.

The second panel will be made up of Dan Keppen, executive director of The Family Farm Alliance. Are you ready?

Mr. KEPPEN. Yes, Mr. Chairman.

The CHAIRMAN. The Honorable Diane Snyder, executive director of the American Council of Engineering Companies, from New Mexico. Are you here and ready? Nice to have you here. And Thomas Donnelly, executive vice president of the National Water Resources Association, Arlington, VA, and Scott Yates, director of the Wyoming Water Project at Trout Unlimited, Arlington, VA.

We're going to start in that order. We'll ask that each one keep their testimony brief. If you have prepared remarks, we'll make it part of the record. And we'll try to get out of here in the next 15 to 20 minutes. Thank you very much for being here. Let's start on your end. Let's go with you, sir.

**STATEMENT OF DAN KEPPEN, EXECUTIVE DIRECTOR,
THE FAMILY FARM ALLIANCE**

Mr. KEPPEN. Thank you, Mr. Chairman. My name is Dan Keppen. I'm the executive director of The Family Farm Alliance. We're a non-profit organization that advocates for family farmers and ranchers in 17 western States, I'm from Klamath Falls, OR.

I guess I'm going to modify my prepared comments a little bit just to respond to some of the commentary on the first panel. I think maybe, in a nutshell, how you can encapsulate our views on this whole Reclamation action plan and the NRC report is absolutely—we share your concerns that new storage is needed in the West right now, and perhaps the best way to address that concern is for Reclamation and other agencies, in certain ways, to get out of the way and help streamline the regulatory process so that we can move some of these processes forward. Because right now we've got population growth going on and there are no new major supplies being developed. And what's happening by default is agriculture is becoming the reservoir to meet these new demands. And we're concerned about national implications and policy implications associated with all the ag that is possibly going out of production right now, because without new supplies, the water is going to be taken from ag by default.

So, I guess I would just like to say that The Family Farm Alliance, in this particular process, has been involved for a year. We spent a good portion of our time last year developing case studies to provide to the academy that would provide input on how our folks dealt with Reclamation, both from a good point and a bad point. We had both good examples and bad examples. The academy came out with a report. They obviously listened to what we had to

say. We pretty much agreed with the findings of the National Academy. And then the big question was, how is the Bureau of Reclamation going to address those findings?

They rolled out their action plan, and for the most part, I think we're really encouraged with how they are going about addressing those findings. They set up this "Managing for Excellence" process. They've been very open with the stakeholders. They've given us a place—The Family Farm Alliance—a place at the table. And I think that the forum they set up, if it's actually implemented the way they've laid it out, will give us an opportunity to have our concerns addressed and, I think, ultimately, make the Bureau of Reclamation a more efficient agency, which is an important thing for our membership, because our members actually do pay for a portion of the operations that go on at the Bureau of Reclamation.

I think we just have a few specific ideas that we're looking to see accomplished here in the next year. We'd like to see Reclamation address this, or Congress if necessary, and give the sponsor who pays over 50 percent of the cost the right to have the design, procurement, and construction outsourced, as previously mentioned. We'd like to see better improvements to the transparency of decisionmaking, especially where Reclamation customers are responsible for payment of costs. And we'd like to see impediments to project title transfers investigated and reclamations developed that allow locals to have a better sense that they're actually going to get a title transfer accomplished in a short period of time.

The CHAIRMAN. What about that? I don't get that.

Mr. KEPPEL. Well, it was mentioned earlier that title transfers from the Federal Government to a local entity—there's opportunities out there to do it, certain districts have done that, but there's definitely a perception out there that it's a very lengthy, expensive process, and we've got case studies that prove that. We'd like to find ways to encourage districts to do more of those by removing some of the regulatory impediments, especially those associated with NEPA and the National Historic Preservation Act.

The CHAIRMAN. OK.

Mr. KEPPEL. So, we'll look forward to working with your committee and the Bureau of Reclamation on those and the other recommendations we've identified in our written testimony. Thank you.

[The prepared statement of Mr. Keppen follows:]

PREPARED STATEMENT OF DAN KEPPEL, EXECUTIVE DIRECTOR,
THE FAMILY FARM ALLIANCE

Chairman Domenici and Members of the Committee:

Thank you for this opportunity to submit testimony on behalf of the Family Farm Alliance (Alliance). My name is Dan Keppen, and I serve as the executive director for the Alliance, which advocates for family farmers, ranchers, irrigation districts, and allied industries in seventeen Western states. The Alliance is focused on one mission—To ensure the availability of reliable, affordable irrigation water supplies to Western farmers and ranchers. In short, we are the Bureau of Reclamation's agricultural water customers.

I will provide the Family Farm Alliance perspective on a recently completed National Research Council report ("Report") that examined the Bureau of Reclamation's (BOR) organization, practices and culture. This Report made a number of recommendations to change the way Reclamation operates. Reclamation in turn has responded with its Managing for Excellence Action Plan ("Action Plan"). This testimony provides the Alliance's assessment of the Report and Action Plan.

OVERVIEW OF FAMILY FARM ALLIANCE PHILOSOPHY

The members of the Family Farm Alliance believe that streamlined federal regulation and decision-making are the keys to sound Western water policy. Wherever possible, meaningful delegation of decision-making authority and responsibility should be transferred to the local level, with less federal intrusion in basin issues. The Alliance believes strongly that Reclamation should focus on fulfilling its core mission of delivering water and power in accordance with applicable contracts, water rights, interstate compacts, and other requirements of state and federal law. Inherent in this definition of core mission is the need to prioritize the expenditure of federal funds and other resources of the Department of the Interior.

The Alliance is engaged in this process to ensure that water users are being served in the most cost-efficient manner. We are encouraged that the Subcommittee is focusing on this important matter, and we're certain that the Subcommittee and the Administration share the Alliance's goal of improving Reclamation's long-term management and transparency at a time when resources must be maximized to better develop water and power supplies in the western United States.

SIMILAR FAMILY FARM ALLIANCE EFFORTS

A number of years ago, the Family Farm Alliance took the lead in an effort to improve containment and accountability for work by the Bureau of Reclamation that was either funded in advance by water users or subject to repayment obligations. With the cooperation of the Bureau of Reclamation, great progress was made in this regard. That effort ultimately yielded improved clarity and opportunity for customers to participate in development of O&M programs for facilities in which they share the cost. In fact, Reclamation's recent Action Plan favorably comments on that earlier Alliance-Reclamation interaction. Given that federal, state, local, and private funds will be scarce, it is imperative that these efforts continue.

FAMILY FARM ALLIANCE INVOLVEMENT IN THIS PROCESS

We have spent considerable time and resources in the past year working with the NRC Committee and Reclamation as the Committee developed *Managing Construction and Infrastructure in the 21st Century—Bureau of Reclamation*, which was finalized earlier this year. In June of 2005, the Alliance completed our own collection of case studies, titled: *The Bureau of Reclamation's Capability to Fulfill Its Core Mission: The Customer's Perspective* ("Alliance Report"). On June 23, 2005 in Washington, D.C., the Alliance presented its final case study report to the Committee. In May and June of 2005, the NRC Committee also sent out teams of three to tour "case study" sites throughout the West, and committee members met with Alliance representatives at three of these site visits (Boise, Denver and Sacramento).

2005 ALLIANCE REPORT FINDINGS

Overall, there is considerable agreement between the NRC Report and the Alliance case studies report. Our report compiled experiences from around the West—both good and bad—to provide the Committee with observations, findings and recommendations intended to be used constructively by Congress, the Bureau of Reclamation and other Interior Department agencies in dealing with the issues. Nine individual case studies were developed for irrigation districts served by six Reclamation projects in California, Colorado, Idaho, Nevada and Oregon. Our report found that:

1. Reclamation frequently demands that design work on water projects be performed by Reclamation staff.
2. Cost estimates prepared by Reclamation for proposed work are often significantly higher than reasonably anticipated costs.
3. Some customers reported unsatisfactory contract management by Reclamation staff.
4. Customers were skeptical of the technical abilities (especially relative to engineering and inspection) of Reclamation staff, particularly newer hires.
5. Reclamation sometimes shows an apparently unwillingness to document the basis for accounting of construction, NEPA work, and other cost estimates.
6. Customers believe they do not have recourse to fully understand and engage with Reclamation in decision-making and related cost estimates.
7. Reclamation tends to over-staff meetings or work on some projects.
8. Reclamation needs to improve "turn-around" times for design work or decisions.

Several contributors to our report observed that Reclamation in recent years has carried out few major new construction projects. As a consequence, the agency's engineers and management staff lack practical construction experience. The designers and builders of Reclamation's most impressive works have long since retired, and the current generation of engineers, planners and managers has not had the opportunity to develop the skills of their predecessors. Moreover, many contributors believe that Reclamation has too few licensed engineers.

Despite these negative findings, there is also evidence that Reclamation staff members from regional and area offices can play a key role in helping to find the right path to make multi-agency processes and projects work. When strong relationships are developed between Reclamation employees (especially in area or regional offices) and local water users, cooperative and innovative solutions can be reached. There are other models in the West—such as state water project grant and loan programs in California—where successful projects have been completed. A template for success might be one where state and federal agency regulators establish criteria, funding agencies write the checks, and local districts and their consultants implement and satisfy regulatory criteria and funding eligibility requirements.

ALLIANCE PERSPECTIVE ON THE NRC REPORT

It appears that the NRC Committee heard the Alliance's concerns. When we transmitted our report to the Committee last June, we noted that a template for success might be one where "state and federal agency regulators establish criteria, funding agencies write the checks, and local districts and their consultants implement and satisfy regulatory criteria and funding eligibility requirements". We also observed that meeting the challenge of modernizing the West's aging water infrastructure will require a corps of highly qualified professionals serving in the public and private sectors. We recommended that Reclamation must either hire skilled and experienced engineers and managers, or turn to the private sector to provide the human resources necessary to maintain and improve the agency's facilities.

You will note a similar flavor in the NRC Report recommendations:

- Recommendation 2a: "The commissioner should undertake an in-depth review and analysis of the Technical Service Center (TSC) to identify the needed core technical competencies, the number of technical personnel, and how the TSC should be structured for maximum efficiency to support the high-level and complex technical needs of Reclamation and its customers . . . This assessment and analysis should be undertaken by Reclamation's management and reviewed by an independent panel of experts, including stakeholders."
- Recommendation 2b: "The workforce should be sized to maintain the critical core competencies and technical leadership but to increase outsourcing of much of the engineering and laboratory testing work"
- Recommendation 2c: "Alternative means should be developed for funding the staff and operating costs necessary for maintaining core Technical Service Center competencies, thereby reducing the proportion of engineering service costs reimbursable by customers."
- Recommendation 4 suggests that "Reclamation should establish an agency-wide policy on the appropriate types and proportions of work to be outsourced to the private sector. Operations and maintenance and other functions at Reclamation-owned facilities, including field data collection, drilling operations, routine engineering, and environmental studies, should be more aggressively outsourced where objectively determined to be feasible and economically beneficial."
- Recommendation 5b: ". . . Reclamation should assist its customers in their efforts to address economic constraints by adapting repayment requirements that ease borrowing requirements and extend repayment periods."
- Recommendation 6d: "A training program that incorporates current project management and stakeholder engagement tools should be developed and required for all personnel with project management responsibilities. In addition, project managers should have professional certification and experience commensurate with their responsibilities."
- Recommendation 6e: "Reclamation should give high priority to completing and publishing cost estimating directives and resist pressures to submit projects to Congress with incomplete project planning. Cost estimates that are submitted should be supported by a design concept and planning, environmental assessment, and design development documents that are sufficiently complete to support the estimates. Reclamation should develop a consistent process for evaluating project planning and the accuracy of cost estimates."

The philosophy embedded in future management scenario discussed in the Report—"federal funding and local execution"—closely matches the philosophy ob-

served in the most successful of the case studies we presented to the NRC Committee.

RECLAMATION'S ACTION PLAN: MANAGING FOR EXCELLENCE

As previously noted, Reclamation has analyzed the report's findings and recommendations and has developed an action plan called *Managing for Excellence*. In presentations at the Alliance's annual conference in Las Vegas last March, Interior Department and Reclamation officials emphasized that they are taking the findings of the NRC very seriously. There appears to be genuine enthusiasm within Reclamation about proceeding with its Action Plan. Team leaders for 41 different action items have been identified, and these leaders, senior executives, and the regional directors appear to be very organized and focused on this process.

On April 27 of this year, the Alliance participated in a workshop with Reclamation and water and power customers to help set priorities for Reclamation as it moves forward with implementing its "Managing for Excellence" Action Plan. The workshop was held in Denver. The general issues of concern that were raised related primarily to Reclamation's engineering and design services, asset sustainment, and major repair challenges. Overall, we were pleased with the constructive dialogue and brainstorming that occurred between Reclamation and its customers at the day-long Denver meeting.

SPECIFIC RECOMMENDATIONS REGARDING DESIGN, CONSTRUCTION AND PROCUREMENT

In general, we believe that Reclamation's Action Plan will provide opportunities to address the concerns identified in last year's Alliance report. We do have a few specific ideas on how we think key Report recommendations can be realized, either through the process proposed in the Action Plan, or, if necessary, by Congress. As we work further with Reclamation in this process, we intend to define our expectations in a manner that easily demonstrates whether Reclamation has met them or not. Key initial expectations include the following:

- Reclamation revises the customer interaction process to include written procedures for customer input on current financial circumstances of all Reclamation infrastructure, including cost invested, repayment status, O&M cost allocation, design life, facility condition, etc, and a documented means through which Reclamation used (or didn't use) this input;
- Reclamation develops and implements a transition plan to achieve an agency with "right-sized" design, estimating and construction management staff;
- Reclamation adopts a policy that contractors who pay for 50% or more of specific work can elect to use irrigation district personnel or private consultants for design, procurement, construction, and contract and construction management;
- Reclamation proposes reductions at Technical Service Center that are real and not achieved by reassignments to the Regions or reclassifications of existing job categories;
- Standards for construction and O&M are based on an assessment of the relative risk, consequences of failure, marginal return, and subject to appeal to policy level officials;
- Reclamation moves to use "performance-based" instead of "design-based" standards for any work which is paid for in part by contractors, and emphasize use of "off-the-shelf" components, as opposed to redesigning projects.
- Reclamation requires reporting of actual costs of work charged to contractors by function and specific employee (or at least job title and classification, with description of work performed) within a reasonable time period (perhaps six months).
- Reclamation does not perform design, construction, and procurement work unless the Commissioner certifies that there is a substantial likelihood that Reclamation can perform the work at issue at a cost equal to or less than if outsourced (based on a defined Reclamation project cost).
- Reclamation requires reporting/tracking for projects that monitor actual Reclamation costs, as well as providing for advance notification to contractors and Congress that there is a material risk that Reclamation will exceed defined Reclamation project costs.

In summary, fundamental fairness requires that when a water user is paying for work in advance or through repayment mechanisms, that water user should have the option to have the work executed in the manner that provides the most return for the investment. Qualified districts or water user organizations should be provided with the option to perform or contract with qualified private contractors any

work on federal facilities that does not fall within the category of “essential governmental functions” so long as appropriate standards are met.

SPECIFIC RECOMMENDATIONS REGARDING RECLAMATION’S ROLE WITH TITLE TRANSFERS

Reclamation has talked about the benefit of transferring title of some Reclamation facilities to non-federal authorities that can demonstrate capability to continue operating the project. It is seen as a benefit to the federal government because of the loss of liability and future financial responsibility for non-reimbursable purposes as non-reimbursable OM&R. There appears to be a handful of districts that are currently pursuing title transfers, and we hear complaints from some that title transfers of federal water projects to local sponsors are unappealing. We expect Reclamation to develop goals that require transfer of facility title or O&M responsibilities for an increasing percentage of Reclamation facilities to project beneficiaries.

The Action Plan provides a process where Reclamation can address this important issue directly with customers. We have asked Reclamation to investigate impediments to project title transfer, and then develop recommendations to help streamline unrealistic regulatory processes.

Several of our members who have participated in title transfers have identified the cumbersome National Environmental Policy Act (NEPA) and National Historic Preservation Act (NHPA) processes as primary reasons for difficulties. The attached summary of one Nevada water district’s experience on this matter further details this issue and is included with this testimony as “Exhibit A”.

We will continue to engage with Reclamation and Congress this year as we seek to implement the NRC Committee’s recommendations.

NEXT STEPS

Transparency and value of Reclamation’s construction and O&M costs are of critical importance to our organization. The Family Farm Alliance Board of Directors earlier this year formed a subcommittee of Western landowners and water professionals to engage in the process proposed by the Action Plan. This group will continue to assess how the Report and the Action Plan may be used as a basis for potential policy and management changes at the Bureau of Reclamation.

Interior Assistant Secretary Mark Limbaugh has assured the Alliance and other stakeholders that we will have an active role in working with Reclamation to implement the Report’s recommendations. This is very encouraging. Regular briefings and interaction with Reclamation and Congress will be needed to keep the momentum moving on this important process. However, we will not be able to fully judge whether *Managing for Excellence* has been a success until the action items are completed in December 2007.

The Family Farm Alliance looks forward continuing to work with the Committee and the Bureau of Reclamation to ensure that water users who pay for Reclamation’s services get the best value for their investment.

Thank you for this opportunity to present our views today.

EXHIBIT A—INCENTIVES FOR TITLE TRANSFERS

Although the Bureau of Reclamation has for several years touted the benefits of transferring ownership of certain Bureau facilities to local authorities, there remain significant hurdles to such title transfers. These include:

- Significant “up-front” costs that must be borne by the local entity.
- Reclamation bears little, if any, of the costs associated with transfers.
- If the title transfer fails, the district is totally responsible for the sunk cost of the process, even if specific activities required by Reclamation would have otherwise eventually been paid by Reclamation (e.g. cultural resources inventories).
- The infrastructure is often in a state of deterioration. Many projects are old and in need of major maintenance.
- Title transfer processes can take several years, and some participating districts have had problems with getting the proposed transfer to score positively.

Several of Alliance members who have participated in title transfers have identified the cumbersome NEPA (National Environmental Policy Act) and National Historic Preservation Act (NHPA) processes as primary reasons for difficulties. In some areas, our members have observed that much of the resistance associated with title transfer NEPA and NHPA issues comes from internal staff at the Bureau of Reclamation.

For example, the Environmental Impact Statement for the Humboldt Project Conveyance in Nevada—informally called the Humboldt Title Transfer—has been com-

pleted and the Record of Decision issued. This process was informally started in 1991 and formally began in 1997.

Thus far Pershing County Water Control District (PCWCD or District) has expended more than \$1 million in pursuit the transfer of title to the District. However, in order to comply with federal statutes addressing archaeological and other cultural resources concerns, Reclamation, with the District's financial assistance, will need to complete identification of cultural resources efforts on the transfer lands under the NHPA, as well as other legislation including the Native American Graves Protection and Repatriation Act and the Archaeological Resources Protection Act. This process may take an additional 5-7 years and is estimated to cost over \$1.3 million for research design and inventory. PCWCD is obligated to pay half of the costs. Not included in this figure are any mitigation costs which would add significantly to the projected expenses.

The justification for this enormous expenditure of time and money is based on Section 106 regulation, 36 CFR Part 800.5(a) (2) (viii), that defines transfers of property out of Federal ownership or control as adverse effects if the agency transferring the property determines that there are inadequate legally enforceable restrictions or conditions to ensure long term preservation of the property's historic significance.

We appreciate the need for identification and protection of cultural resources in circumstances where there is the potential for alteration or destruction of the historic properties. However, in the case of the Humboldt Conveyance, the lands being transferred to PCWCD will continue to be used for *exactly the same purposes and in the same manner* that they are currently used under Reclamation's stewardship. Ironically, some the lands that are to be transferred to PCWCD are acquired lands, that is, patented lands held by private individuals that were acquired by United States specifically for Project purposes. In the District's view, acquired properties ought to be exempt from Section 106 regulation because in such cases the federal government is placed in the chain of title after patent and the lands are not "public" in the same sense as unpatented lands.

Reclamation and Congress should investigate these impediments to title transfer and suggest or support, as may be appropriate, language that would modify the requirements of Section 106 in such instances.

The CHAIRMAN. Thank you. Excellent. Let's proceed now to Mr. Snyder. Is that the way we did it? Oh, no. Ms. Snyder, nice to have you with us.

**STATEMENT OF H. DIANE SNYDER, EXECUTIVE DIRECTOR,
AMERICAN COUNCIL OF ENGINEERING COMPANIES**

Ms. SNYDER. Thank you, Mr. Chairman, it's always a pleasure to see you and be here.

I am the executive director for ACEC--New Mexico, the American Council of Engineering Companies. I also serve as a New Mexico State Senator, and have the pleasure and honor of representing about 44,000 of New Mexicans.

ACEC, Mr. Chairman and members of the committee, is the voice of America's engineering industry. Our council members number up to 5,500 firms throughout the country, and we represent a broad spectrum of engineering. ACEC today is a large federation of 51 State and regional councils. Our member firms employ over 300,000 engineers, architects and related specialists, and we are annually responsible, Mr. Chairman, for over \$100 billion worth of projects both in the private and the public sector. So we know what we're doing, Mr. Chairman.

Our member firms range in size, like many in New Mexico, from a single engineer up to firms that employ thousands. Our mission is to simply contribute to the prosperity and welfare of the United States by advancing the business interests of our member firms. I appreciate the opportunity to come before you today.

ACEC, Mr. Chairman, as you know, we have spoken with you and Senator Bingaman and your staffs. We've previously raised

concerns about the practice of the Bureau for offering and providing consulting engineering services to customers in direct competition with the private sector. We're particularly concerned and disturbed by the fact that tax dollars are the ones being used to perform services that are readily available from the private firms.

One example, particularly, that leaps out to all of us as unfair government competition is the Animas-La Plata Water Supply Project in southern Colorado and northwestern New Mexico. Engineering firms were lining up, Mr. Chairman, when the original appropriation of \$344 million was put out, knowing full well that teams were being formed, that we had the expertise within the engineering firms even in New Mexico and Colorado to do this work. However, the Bureau convinced the tribes involved that, in fact, they could do the design and construction.

Unfortunately, they ended up contracting out less than 10 percent of the front-end engineering work, and none of the construction costs. That's direct competition, and with all due respect to the Bureau, Mr. Chairman, we know that today's results of the Animas-La Plata Project—the increase in funding has gone from \$344 million to a request of over \$500 million, and the most alarming concern, of course, for most of us, and I'm sure you share this concern, is that the local cost share has risen from a little over \$3 million to \$7 million. There are very few small communities in New Mexico who can afford this, and certainly in other States.

Another example that has directly impacted New Mexico is the——

The CHAIRMAN. Are you suggesting that that would have been different had they not done it that way and put it out for—outsourced it?

Ms. SNYDER. Yes, Mr. Chairman, I respectfully submit that it would. One of the things that I do know, because I'm very familiar with the members in New Mexico, is that we understand the geology. We do a special training for the geology of New Mexico and the hydrology and what needs to be done, and there's no way we would have ended up with not understanding the bedrock that the project was being built on. And if such a mistake—information had been misinterpreted, as the Bureau indicated to you in your prior hearing, then in fact, our engineering firms would have eaten a large share of that cost, of the \$162 million. So, yes, the cost would have been different and much less.

The Ute Dam Project, sir, was built—the reservoir was actually built for storage in the 1950's and 1960's—the early 1960's, based on the understanding of the very limited life of the Ogallala Aquifer. We now know that it's even a shorter and more limited life. The most recent projections I've heard are less than 20 years' reserve of water.

During the 1960's, 1970's, 1980's and 1990's, Mr. Chairman and members of the committee, the Bureau of Reclamation did a series of studies, and finally received authorization to conduct a feasibility study. They spent millions of dollars, but to this day they have advanced the project one degree closer to a design or construction stage. The local water association in 1998 then went out to the private sector. They hired an engineering firm which developed a feasibility study. In 2004, Mr. Chairman, I believe they came to

this committee first and asked for your support. The people of eastern New Mexico brought the feasibility study to Congress to secure Federal funding. Unfortunately, the Bureau criticized the report and concluded the report did not conform to their U.S. Bureau of Reclamation standards. The project was immediately withdrawn and the entire process was started over. Currently, this project has not been moved past the feasibility study, and Mr. Chairman, it is my belief, and those of many of us in New Mexico, that if we continue at the same rate of study and design and work that's been accomplished year to date in this project, that the people in eastern New Mexico will bet getting dirt and dust out of their water taps before we have a feasibility study and the funding in place. It's a great concern, and I know you share that concern, Mr. Chairman.

One of the things that, in retrospect, we believe is that the Bureau should have served in the oversight capacity and that both the local State government and the private sector should have proceeded as full partners in the process.

We agree—ACEC agrees with the report of the National Research Council, with the finding of inconsistencies in the areas of acquisition and contracting policies. The inconsistency and the implementing of the acquisition policies is in how each region or district makes the determination as to what functions they will keep in-house, even though some of them are considered inherently—not inherently governmental functions. What we believe is the Bureau needs to establish a centralized and consistent acquisition policy and procedures at headquarters, rather than allowing each region to make up their own policies.

We certainly—ACEC agrees with the report's recommendation that the commissioner needs to undertake a detailed analysis of how the agency should be structured. We also support the fact that they do need to maintain their critical core competencies, but as the report says, increase outsourcing of as much of the engineering and laboratory testing work. This would reduce the proportion of engineering service cost chargeable to the customer. It also states that the functions—most of them are not inherently governmental functions and concludes that it should be contracted out to the public sector.

In addition, Mr. Chairman, many people say that that goal is impossible, it can't be done. And I'm so sorry that Senator Thomas had to leave, but as you well know, he chairs your subcommittee on the National Park Service. The National Park Service has done a complete change since 1988. They have restructured their process for acquiring construction design and construction project supervision. And while the Government previously provided all of these services, now all of the construction supervision and 90 percent of the design services are satisfied through private sector contracts. That's a remarkable record, Mr. Chairman, and they've been incredibly successful.

And, again, ACEC wants to thank Senator Thomas, yourself and his subcommittee. By shifting from a project-focused activity to project management and standards activity, the National Park Service has achieved incredible successes. Greater emphasis on common structure specifications has been helpful in both private

and public sector, and finally, Mr. Chairman, it's simplified the funding for the entire construction program.

The National Park Service has done an incredible job. ACEC encourages the Bureau to follow this successful model that is already in place. They have proven how successful it is. They can—it demonstrates clearly how Federal agencies can effectively partner with the private sector to carry out successful programs on behalf of the taxpayer.

The action plan, Mr. Chairman, we believe is a great step in the right direction. We commend the Bureau for its long history of providing service to the West and to our citizens, but we certainly encourage and believe that you and your leadership and Congress needs to keep a strict oversight to make sure that the Bureau stays on track in its changes.

In conclusion, Mr. Chairman, ACEC believes that the taxpayers, the people of the United States, ultimately win when there is fair competition and when Federal agencies and the private sector partner together. We look forward to working with you, Mr. Chairman, the members of your Committee and the Bureau of Reclamation toward achieving these common goals.

And with that, I thank you again for allowing me to come, and I look forward to any questions, Mr. Chairman.

[The prepared statement of Ms. Snyder follows:]

PREPARED STATEMENT OF H. DIANE SNYDER, EXECUTIVE DIRECTOR,
THE AMERICAN COUNCIL OF ENGINEERING COMPANIES,

Mr. Chairman and Members of the Committee, my name is H. Diane Snyder and I am testifying today on behalf of the American Council of Engineering Companies (ACEC). ACEC is the voice of America's engineering industry. Council members—numbering more than 5,500 firms throughout the country—are engaged in a wide range of engineering works that propel the nation's economy, and enhance and safeguard America's quality of life.

I am the Executive Director of ACEC New Mexico a membership organization for 48 engineering firms. The Council represents the business of engineering for over 40,000 New Mexicans employed in the engineering industry.

In addition, I am a New Mexico State Senator in the middle of my second four-year term. My district is in Albuquerque and I have the honor and privilege of representing 44,000 New Mexicans. Prior to being elected to office I served as—what has recently become a four-letter word—a lobbyist for our state chamber of commerce, small business issues, and water and wastewater regulation and infrastructure development.

Today ACEC is a large federation of 51 state and regional councils representing the great breadth of America's engineering industry. ACEC member firms employ more than 300,000 engineers, architects, land surveyors, scientists, and other specialists, responsible for more than \$100 billion of private and public works annually. Member firms range in size from a single registered professional engineer to corporations employing thousands of professionals. The Council's mission is to contribute to America's prosperity and welfare by advancing the business interests of member firms.

I appreciate this opportunity to come before you today to discuss the business practices of the U.S. Bureau of Reclamation, and how that not only affects engineering firms, but the very people it is suppose to help.

PROBLEMS WITH THE U.S. BUREAU OF RECLAMATION

ACEC has raised concerns previously regarding the U.S. Bureau of Reclamation's (USBR) practice of offering and providing consulting engineering services to customers in direct competition with private engineering firms. What is particularly disturbing is that the USBR uses taxpayer dollars to compete directly with the private sector, and often performs engineering work in-house where the agency lacks the manpower or expertise necessary to perform the work.

One example of unfair government competition by the USBR raised by ACEC members is the Animas La Plata Water Supply Project in Colorado. Engineering firms with the capability to perform the work began to form teaming arrangements in anticipation of a RFP to design/construct the \$344 million project. However, USBR convinced the tribes to allow it to do the design and construction management for this project with in-house staff. According to firms familiar with the project, USBR only contracted out approximately 5-10% of the front-end engineering work, and none of its construction management functions.

Another noteworthy example of where USBR could have more effectively utilized the private sector on behalf of their client and the taxpayer is the Indian water rights settlement with the Chippewa-Cree Tribe. Under the "Chippewa Cree Tribe of the Rocky Boy's Reservations Indian Reserved Water Rights Settlement and Water Supply Enhancement Act of 1999" (106-163), USBR was allocated \$3 million to conduct a feasibility study to evaluate alternatives for municipal, rural, and industrial water supply for the Chippewa Cree Tribe Reservation. In addition, the report was to include a regional feasibility study to evaluate water issues, and outline how water resources can best be managed to serve the needs of Montana's citizens.

Instead of allowing the private sector to undertake the studies, however, USBR designated itself as the entity to accomplish the work. The study was supposed to identify a preferred alternative, conduct a National Environmental Policy Act (NEPA) evaluation, a cultural resources survey, and an economic evaluation. In the end, USBR completed the study late, and later determined that it was not a "true" feasibility study under the agency's own standards. USBR did not identify a preferred alternative but simply screened the options from twelve to six. No further work was performed, and since the report did not identify a preferred alternative as required under agency guidelines, the work product could not be presented to Congress to secure additional federal funding.

Since then, the State of Montana has taken the lead in doing the feasibility study. The State completed an engineering and economics report using a private engineering firm in 1 year (while USBR had over 3 years to complete their \$3 million dollar study). What is particularly disturbing is that USBR had proposed to obtain another \$8 million from Congress to compete the another feasibility study over 3 more years, while the state believes that this work can be completed in 1-2 years at a fraction of the cost.

The last example which directly affects New Mexico (NM) is Ute Dam project. The state of New Mexico built Ute Dam and reservoir in 1950-60 as a water supply storage reservoir realizing that the limited life of the Ogallala aquifer serving the east side of New Mexico. In 1963-64, 17 eastern New Mexico communities and counties formed the Eastern NM Inter-Community Water Supply Association and developed a feasibility study to put the storage in Ute to beneficial use. The feasibility study was to be 100% privately financed and owned/operated by the Associations' members.

The USBR did a series of studies and received federal authorization to conduct a feasibility study, and in the process spend lots of money, but not advancing the project to a design or construction stage, however, project never got off the ground so the project went out to the private sector and a private sector firm was picked to finish the feasibility study.

In 2004, there was an attempt to secure federal funding for the Ute Dam project. However, USBR criticized the report and concluded that the report did not conform to USBR standards. The project was immediately withdrawn and the entire process started all over again. Currently, the project has not moved beyond the feasibility study stage.

ACEC believes that the proper role for USBR should have been to oversee the work done by both the state and the private sector—not taking the lead away from the state and the work away from qualified engineering companies.

Unfortunately, USBR does not seem to stop in competing directly with the private sector. USBR's 2004 Federal Activities Inventory Reform Act (FAIR) reveals that USBR intends to increase its water recovery/reuse program by expanding the number of technical assistance programs it offers to Tribes for water programs. In fact from 1999-2005, USBR's FAIR Act inventory reveals that it currently has 680 federal time equivalence (FTE) working in engineering functions that have been deemed commercial.

USBR should follow the example of the National Park Service (NPS) in making effective use of private sector engineering services. Since 1998, the NPS has restructured its processes for acquiring construction design and construction project supervision. While Government personnel previously provided these services, the agency now has all construction supervision and 90% of all design requirements satisfied through support contracts with private firms.

By shifting from a project-focused activity to a project management and standards activity, the NPS has experienced new successes and achievements. NPS has established more meaningful and professional associations with the design community on both a national and local level. Greater emphasis on the development of common construction specifications is helping to standardize the facilities maintenance and support function. These efforts are foundational to increasing the authority of superintendents to execute projects at the local level, within the standards and specifications developed. This transformation has simplified the funding of the entire construction program, providing for base funding of the Denver Service Center activities within established funding metrics developed to reflect significant major project components and cost drivers.

ACEC encourages USBR to follow the successful model established by the NPS, which demonstrates how federal agencies can effectively partner with the private sector to carry out successful programs on behalf of the taxpayer.

COMMENTS ON NATIONAL RESEARCH COUNCIL'S REPORT

ACEC agrees with the report of the National Research Council of the National Academies of Science "Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation" of finding inconsistencies in the areas of acquisition and contracting policies. The inconsistency in implementing acquisition policies is in how each region or water district makes the determination what functions to keep in-house even though it is not considered an inherently governmental function. USBR needs to establish a centralized and consistent acquisition policy and procedures at USBR headquarters rather than allowing each region or water district to make-up their own policies.

ACEC agrees with the report's recommendations that the USBR's Commissioner needs to undertake a detailed analysis of how the agency should be structured for maximum efficiency in order to retain the "critical core competencies and technical leadership but increase outsourcing of much of the engineering and laboratory testing work", which would assist in "reducing the proportion of engineering service costs chargeable to the customer." What's more, the report states that many of USBR's activities are not considered inherently governmental functions as defined by the Office of Management and Budget (OMB) Policy Letter 92-1, and concludes that USBR should establish an agency-wide detailed review of functions or activities that should be contracted out to the private sector.

RESPONSE TO RECLAMATION ACTION PLAN FOR THE 21ST CENTURY

ACEC believes that the action plan detailed by USBR to implement the report's recommendations is a good first step in the right, and encourages USBR to work with the private sector. However, ACEC believes that for the action plan to work, Congress needs to engage in proper oversight to make sure that USBR stays on track.

CONCLUSION,

ACEC believes that taxpayers ultimately win when there is competition. ACEC looks forward to working with you to promote that goal.

Again, thank you for allowing me to come here today and I look forward to any questions that you have.

The CHAIRMAN. Thank you very much.

Now, we'll proceed to Mr. Donnelly, executive vice president of the National Water Resource Association.

STATEMENT OF THOMAS F. DONNELLY, EXECUTIVE VICE PRESIDENT, NATIONAL WATER RESOURCES ASSOCIATION

Mr. DONNELLY. Thank you, Mr. Chairman.

We applaud the National Research Council on its report and the Bureau of Reclamation and its plan to address the recommendations in that report. However, in order to ensure that the effort accomplishes its purpose, it's necessary that we are in complete agreement on what the overriding mission of the Bureau of Reclamation should be over the next several decades.

The council's report identifies "construction, maintenance and infrastructure requirements" as the Bureau's 21st century mission without weight. The major construction mission of the Bureau of Reclamation has been completed. While future projects or programs may be authorized and funded by Congress, we believe construction will be a secondary mission for the Bureau in the future.

We believe the primary and overriding mission of the Bureau of Reclamation is maintaining the existing water and power infrastructure at peak operational efficiency. Many of these projects have met or exceeded their designed life and are now in need of modernization and/or rehabilitation. Today the Bureau of Reclamation does not have all of the tools necessary to address this emerging problem.

For example, Reclamation does not have a program which enables water users to modernize and rehabilitate their projects and pay those costs over time under reasonable terms and conditions. In addition, it's not clear that the Bureau of Reclamation has an accurate grasp of the scope of the problem West-wide.

Our association, with the support of The Family Farm Alliance and the Western States Water Council, is in the process of conducting a survey of water infrastructure needs throughout the Western United States. It is our hope that with the information that we obtain, and with Reclamation's assistance, we will be able to provide Congress with a blueprint of the rehabilitation and modernization requirements and associated costs over the next several decades.

In February, then-Commissioner John Keys requested that the National Water Resources Association coordinate and facilitate the participation and input from the Bureau's customers on their "Managing for Excellence" action plan. Representatives from our Association, the Family Farm Alliance, the Western States Water Council and the American Public Power Association met in Denver on April 27. The Bureau's "Managing for Excellence" team leaders briefed us on their plan, and engaged in a frank and open discussion about our concerns and expectations. We have agreed to meet again at the end of June with the Bureau, and we expect to get more detailed information at that time.

In summary, we looked at the "Managing for Excellence" action plan as an opportunity for the Bureau of Reclamation and its customers to re-cast the Bureau's capabilities to meet the fundamental challenge of operating and maintaining its existing facilities at peak efficiency. We greatly appreciate the opportunity to present this testimony today and we will work with you, Mr. Chairman, and the committee in any way that we can.

[The prepared statement of Mr. Donnelly follows:]

PREPARED STATEMENT OF THOMAS F. DONNELLY, EXECUTIVE VICE PRESIDENT,
NATIONAL WATER RESOURCES ASSOCIATION

The National Water Resources Association (NWRA) is a nonprofit federation of state associations and individuals dedicated to the conservation, enhancement, and efficient management of our Nation's most precious natural resource,—WATER. The NWRA is the oldest and most active national association concerned with water resources policy and development. Its strength is a reflection of the tremendous "grassroots" participation it has generated on virtually every national issue affecting western water conservation, management, and development.

In the West, water infrastructure is every bit as important as transportation infrastructure. It is essential to the continued economic growth and development of the region and the nation. Water infrastructure needs continue to exist, particularly considering the West's rapid population growth [8 out of 10 of the fastest growing states are Reclamation States]. The Bureau of Reclamation operates and maintains a vast array of water supply facilities built over the past hundred years. Many of these facilities are approaching or have exceeded their design life. That is not to say they are no longer serviceable. Properly managed and maintained these facilities will continue to operate efficiently and deliver water well into the future.

The purpose of the National Research Council's report, *Managing Construction and Infrastructure in the 21st Century* Bureau of Reclamation and the U.S. Bureau of Reclamation's response, *Managing for Excellence: An Action Plan for the 21st Century* is to define the principle mission of the Bureau of Reclamation for the next several decades and ensure that Bureau's resources and capabilities are adequate to carry out that mission.

Over the past twenty years the Bureau of Reclamation has struggled with its transition from construction agency to water management agency amid confusing and often conflicting Congressional directives and fluctuating policies of various Administrations. Unlike the National Park Service, the Bureau of Land Management and most other federal agencies, the Bureau of Reclamation has never had a comprehensive Organic Act defining its mission.

With Reclamation's construction program essentially completed and lacking clear direction on its future mission, the agency has struggled over the past two decades to define that mission. Beginning in the mid-1980's, Reclamation's leadership went through a series of internal assessments. These efforts were intended to set a clear direction for the future of Reclamation. However, under three different Administrations with basic differences in philosophy, the result was confusing to Reclamation's customers and often demoralizing to the agency's professional staff.

As a result of this confusion and in light of mounting complains from water users concerning increasing and often questionable administrative costs, then Assistant Secretary of the Interior Bennett Raley requested that the National Research Council conduct an independent study advising the Department on the appropriate organizational, management, and resource capabilities necessary to meet its mission into the 21st Century.

We applaud the National Research Council on its report and the Bureau of Reclamation on its plan to address the recommendations in that report. However, in order to insure that this effort accomplishes the purpose and task requested of the Council, it is fundamentally necessary that we are in complete agreement on what the overriding mission of the Bureau of Reclamation must be over the next several decades. Nowhere in the Council's report is this question addressed in detail. The report identifies "construction, maintenance and infrastructure requirement" as the Bureau's 21st Century mission without weight.

For the most part, the construction mission of the Reclamation Program has been completed or in the process of being completed. While future projects or programs may be authorized and funded by Congress, we believe construction will be a secondary mission for the Bureau in the future.

Reclamation projects authorized by Congress continue to provide numerous and substantial benefits for the entire United States and will well into the future if efficiently managed and maintained. The Bureau currently manages over 300 projects. In the next several decades, we believe, that the primary and overriding mission of the Bureau of Reclamation is maintaining the existing water and power infrastructure at peak operational efficiency. As previously stated, many projects have met or exceeded their design life and are in need of modernization and/or rehabilitation.

Today, the Bureau of Reclamation does not have all of the tools necessary to address emerging aging infrastructure problems. For example, Reclamation does not have a program which enables water users to modernize or rehabilitate their projects and payoff those costs over time under reasonable terms and conditions. Such works are considered operation and maintenance and consequently the costs must be paid back in the year that they occur. This is a problem that, if not addressed as part of this evaluation, will result in severe consequences sooner rather than later.

In addition, it is not clear to us that the Bureau of Reclamation has an accurate grasp of the scope of the problem West-wide. The National Water Resources Association is in the process of attempting to conduct a survey of water infrastructure repair needs throughout the West. It is our hope that, with the information we obtain through our survey and with Reclamation's assistance and the information they currently possess on the condition of their projects, we will be able to provide Congress

with a “blue print” of the rehabilitation and modernization requirements and associated costs over the next several decades.

In February, Commissioner John Keys requested that the National Water Resources Association coordinate and facilitate the participation and input from the Bureau’s customers on their “Managing for Excellence” Action Plan. Representatives from NWRA, the Family Farm Alliance, Western States Water Council and the American Public Power Association met in Denver on April 27. The Bureau’s “Managing for Excellence” team leaders briefed us on their plan and engaged in a frank and open discussion about our concerns and expectations. We have agreed to meet again at the end of June when the Bureau is expected to have more detailed recommendations to present and discuss.

In summary, we look at the “Managing for Excellence” Action Plan as an opportunity for the Bureau of Reclamation and its customers to recast the Bureau’s capabilities to meet the fundamental challenge of operating and maintaining its existing facilities at peak efficiency. We greatly appreciate the opportunity to present to the Committee our concerns and vision for the future mission of the U.S. Bureau of Reclamation and are prepared to answer any question members of the Committee may have either today or in the future.

The CHAIRMAN. That was a very, very good summary. And I think you’re right on, we must do exactly what you’ve said.

Mr. DONNELLY. Thank you, Mr. Chairman.

The CHAIRMAN. Scott Yates, Trout Unlimited.

STATEMENT OF SCOTT YATES, DIRECTOR, WYOMING WATER PROJECT, TROUT UNLIMITED

Mr. YATES. Thank you, Mr. Chairman. Trout Unlimited truly appreciates the opportunity to come and comment today. We truly appreciate the opportunity to come today and talk a little bit about the NRC report and the Bureau’s response. I direct our water project based in Lander, WY, it’s part of a Western Water Project that we have where we work in States like Wyoming, Montana, Colorado and Utah on streamflow issues. And while a lot of that is State-based, obviously some of our greatest trout fisheries are below big Bureau of Reclamation dams and our members and the associated businesses that depend on those fisheries are very interested in how those projects are managed.

Our focus comes from the written testimony I have provided, focused on four primary issues. And I’m going to just throw those out there just briefly, and then I’m going to throw out a little bit of a field example of how some of that has played out in a factual context.

We focused on kind of the new mission of the Bureau, I guess. A lot of folks have focused on the old mission of the Bureau today. I think that mission has expanded in the—certainly in the last 10 years, and maybe in the last 20, to include more and more environmental measures, so we focused on that issue and strengthening the Bureau’s outreach, diverse stakeholder partnerships, and policy consistency. As we move from region to region working on these issues, a lot of times we just don’t see policy consistency in area offices, regional offices.

There is a need, perhaps, for some organic legislation to allow the good work that the Bureau does in the field with their technical field staff to get some good things done on the ground, perhaps not on the mainstreams, but in important tributary environments.

And then for policies that do involve shifts in O&M maintenance and construction in terms of outsourcing, that we allow the Bureau

to impose regulations or environmental standards to ensure that whatever the public resources are involved they're protected in that type of shift. We're certainly not opposed to those types of efforts, I think that makes a lot of sense. We've even looked at some of that stuff ourselves in recent years. It's become more efficient in what we do.

What I want to talk about a little bit is the South Fork of the Snake River. I just moved around it about 3 weeks ago and I'm looking forward to participating in Reclamation projects and management activities and the Shoshone here in the future. But my field experience has been in the South Fork of the Snake.

I directed our Idaho Water Office. I initiated and directed that project for 5 years down at Idaho Falls and helped kick off the watershed project on the South Fork Snake.

On the South Fork, like our other Western States where we operate, we really focus on the ground and trying to develop stakeholder partnerships that involve Federal-State resource agencies and, of course, the agricultural community, because we feel that those are going to be integral to protecting strong fisheries in the future.

On the South Fork, back in 2001, the commission kicked off a very aggressive scientific study called the Ecologically Based System Management Project. And the main concern is the Yellowstone cutthroat trout was petitioned for listing under the Federal ESA. And I think the Bureau and the other stakeholders in the basin, including the irrigation community and fisherman, were a little bit concerned about what the implications were in terms of additional regulatory constraints, and the stakeholder groups got together and started talking about the issue early.

By 2001 the Bureau had come up with this Ecologically Based System Management Project where they had a biological station—one of the foremost leaders in the world in terms of big river study and big river ecology—to take a look at the South Fork Snake. And I think the advantage of looking at the South Fork Snake is there is an area below a large Federal dam, where they still had some relatively intact living environment. And the study went on for 20 years and really didn't finish up—actually, I think it's still finishing up on some of the lower sections of the Snake where the other fork comes in. But some of the conclusions were that there were ways to manage Palisades Dam to protect and restore some of that river environment, and I think it's important to note that those conclusions were judged in the light of the fact that they really needed to operate—they specifically stated they wanted to operate within the existing river constraints and the water operation constraints and stream storage and operations.

But all that data dovetailed with good data from the Idaho Department of Fish and Game in terms of fish populations and hydrologic data, instead of the assessment that was being carried out by the Idaho State University. And what it involved was a change in operations in the winter to actually stay a little bit more warmer. We did not let as much water down, but then had that hold there for a strategic time period in the spring to release as fresher, which would then benefit the native Yellowstone cutthroat trout.

Now the importance of this as an informational point is that it is a little bit counterintuitive from a fishery standpoint. We've argued for years about the importance of waterflows. They're still important, but I think, in this context, more important is to have a little bit of flexibility in the winter and to move water a little bit creatively in the spring. And I think while this is early in the stages of implementation—we've actually implemented it for 2 years—we're going to look forward to fish population data in the future years to see if it is helping out. And this is not going to be an every-year occurrence. In fact, it is unusual that we have a lot of water like this year, as Senator Craig and Senator Thomas noted, we may not have as much flexibility. But the fact is the Bureau took a leadership role in developing this information in trying to get stakeholders together where they have not partnered as much in the past, such as the irrigation districts and District One in Idaho, the folks at Trout Unlimited, the Fork Foundation and then the State and Federal agencies. We've been able to move forward, and I think frankly it's one of the real success stories in the last few years, and I wanted to just highlight that.

There are a lot of ways out there, as the Bureau looks at the way it works, that we can work together to come up with creative solutions with a lot of different stakeholders. With the assumption that fishers and farmers can get together, I don't think that's always the case. I appreciate the opportunity, thank you.

[The prepared statement of Mr. Yates follows:]

PREPARED STATEMENT OF SCOTT YATES, DIRECTOR, WYOMING WATER PROJECT,
TROUT UNLIMITED

Mr. Chairman, Members of the Committee, I appreciate the opportunity to appear before you today to provide Trout Unlimited's views and perspective on the National Research Council (NRC) report entitled, "Managing Construction and Infrastructure in the 21st Century, Bureau of Reclamation" and Reclamation's action plan completed in response to the NRC's findings and recommendations.

Trout Unlimited (TU) is the nation's largest coldwater fisheries conservation organization dedicated to the protection and restoration of our nation's trout and salmon resources, and the watersheds that sustain those resources. TU has more than 160,000 members organized into 450 chapters in 38 states. Our members generally are trout and salmon anglers who give back to the resources they love by voluntarily contributing substantial amounts of their personal time and resources to fisheries habitat protection and restoration efforts on public and private land. The average TU chapter donates 1,000 hours of volunteer time on an annual basis.

My name is Scott Yates and I serve as Trout Unlimited's Wyoming Water Project Director, however, I am fortunate to have lived and worked in a few different places across the west. Prior to accepting my current position, I initiated and led TU's Idaho Water Project for four years including an overlapping six month stint as the interim Executive Director for the Henry's Fork Foundation, and recently gained useful private sector experience having worked for Portland General Electric in Oregon as the license manager for the largest hydroelectric project located wholly inside the State of Oregon—the Pelton Round Butte Project on the Deschutes River.

The mission of TU's Western Water Project is to conserve, protect and restore healthy flows in the coldwater fisheries of Colorado, Idaho, Montana, Utah and Wyoming. All of our activities are guided by two key tenants; 1) healthy rivers are a necessary part of the ecosystem and 2) restoring rivers strengthen adjacent communities. Some of our nation's greatest trout fisheries in the West are below federal dams, including blue ribbon trout fisheries on river systems like the Snake, Henry's Fork, Green, Beaverhead, Shoshone, North Platte, Gunnison, and numerous others.

As stated on its website, the current mission statement for the Bureau of Reclamation (Reclamation) is to manage, develop, and protect water and related resources in an environmentally-sound manner in the interest of the American public. Clearly, this broad mandate encompasses much more than "delivering water and generating power," the two historically prominent and primary purposes for large

Reclamation dams. In recent committee briefings and meetings, some still describe Reclamation's mission as limited to such activities and "whatever it takes" to accomplish water delivery and power generation. (See page 22 of NRC report). But the mission has broadened to include numerous other drivers, not the least of which includes protecting and restoring river resources.

TU believes the NRC accurately and poignantly described the underlying challenge for Reclamation, namely, that the agency must embrace change and adapt to the 21st century by recognizing that its mission encompasses more than just delivering water and producing power. Moreover, adapting to today's circumstances is not optional. As the NRC states in its report, Reclamation *must* (emphasis added) be responsive to several realities including environmental factors to thrive and survive into the future.

On page 10 of its report, NRC states that the "predominant workload has changed from new construction to O&M, repair, . . . modernization of aging infrastructure, . . . and environmental restoration and enhancement." As such, it is imperative that Reclamation transition into a pro-active river management agency, by developing and implementing programs and designing budgets to ensure river health needs are met.

Consistent with the NRC findings and recommendations, there are four key components to address as Reclamation transitions into the 21st Century: (1) strengthening outreach and diverse stakeholder participation; (2) policy consistency—improve consistency between national policy directives and programs and implementation at the regional, area, and local offices; (3) the need for either organic legislation or use of existing authority (i.e. the Fish and Wildlife Coordination Act) to expand the reach of Reclamation's technical services division in a coordinated and consistent way; and (4) retaining identifiable substantive environmental and natural resource protection measures when future proposals involving shifting operations and maintenance and construction to project beneficiaries or other outside sources.

I. STRENGTHENING OUTREACH AND DIVERSE STAKEHOLDER PARTICIPATION

As the NRC report states, upfront, ongoing and inclusive collaboration with diverse stakeholders will strengthen and enhance Reclamation's decisions and processes. In part, NRC Recommendation 1b states that Reclamation's stakeholders want close contact with empowered officials. Similarly, on page 95 of its report, NRC notes that "consideration of the effects of a project on environmental costs and opportunities to increase sustainability must become ingrained from the outset, not simply an add-on to business as usual." Upfront consideration of environmental issues in a collaborative way ensures far less controversy, increases the chance for multi-stakeholder buy-in, and hopefully, leads to final decisions that are more likely to be technically and legally defensible. From TU's perspective, collaboration must be broader than just project beneficiaries.

In some areas of the country, Reclamation already has a proven track record of conducting its business in this way. One example involves Palisades Dam on Idaho's South Fork Snake River. The South Fork Snake River is one of the West's great native trout fisheries, and is frequented by anglers from all over the country, including on an annual basis, by Vice President Cheney. However, federal and state resource agencies and other stakeholders such as TU and the Upper Snake River irrigation community have been grappling in recent years with the possibility that Yellowstone cutthroat (YCT) may be listed under the federal Endangered Species Act. The South Fork represents the last big river population of YCT in Idaho, but YCT numbers had dwindled in recent years and non-native but naturally reproducing rainbow trout threatened the genetic integrity of the South Fork populations.

During 2000 to 2001 Reclamation officials from the Pacific Northwest Region initiated the Ecologically Based System Management (EBSM) Project—a three-phase pilot study funded by Reclamation and conducted by the Flathead Lake Biological Station. The goal of the EBSM Project was clear—determine the hydrologic regimes necessary to provide a functioning South Fork ecosystem within the constraints of state water law and contractual obligations. The information generated by the Reclamation study was incredibly important in putting together the ecological picture for the South Fork, and dovetailed completely with excellent fish population data collected and analyzed by the Idaho Department of Fish and Game and critical hydrologic analysis by Idaho State University.

Perhaps the most impressive part of Reclamation's EBSM efforts involved the agency's ability to coalesce a diverse group of stakeholders regarding implementation of the EBSM flow recommendations. The agency was able to present complex findings in an organized and understandable manner, including recommendations that required creative operations during certain water years that challenged historic

assumptions about not only how water could be stored and delivered in the Upper Snake River system, but also about fishery needs and the relationship between native cutthroat year class production and survival and the hydrograph. The Reclamation accomplished re-operation of a major BOR dam with the support of non-traditional partners—and in doing so was able to both meet traditional water needs during drought years and expand flexibility regarding the timing and movement of water to benefit the struggling native cutthroat fishery.

I would argue that the South Fork Snake River effort is one of the most comprehensive and successful native trout restoration efforts in the West and Reclamation is right in the middle developing sound science, proposing dam operations that incorporate such principles while still fulfilling project purposes, and helping disseminate information and ensure multi-stakeholder participation and support. Reclamation's effort on the South Fork is also a good example of a federal resource management agency doing more than just sitting back and waiting for a species to be listed under the ESA prior to taking action. If Yellowstone cutthroat are not listed under the ESA, Reclamation's activities over the past five years will be one of the primary reasons.

II. POLICY CONSISTENCY—IMPROVING CONSISTENCY BETWEEN NATIONAL POLICY DIRECTIVES AND PROGRAMS AND IMPLEMENTATION AT THE REGIONAL, AREA, AND LOCAL OFFICES

With the focus TU places on river protection and restoration, it is often confounding for our Western Water Project offices when Reclamation river management or programmatic activities vary from project to project. Obviously, some of these differences are based on ecological conditions in a specific river system or on the water storage and delivery dynamics that either limit or constrain re-operation or management flexibility. Further, in some areas consensus amongst stakeholders is either non-existent or in the initial stages of fruition. There are some river systems, however, where the table has been set for creative management below a Reclamation dam and the agency has failed to take advantage. The Sun River in Montana is a good example of where Reclamation efforts have limited the success of a stakeholder group convened to assess both irrigation rights and obvious ecological river needs.

The Sun River's headwaters drain the pristine Bob Marshall Wilderness area below Glacier National Park. The Sun River joins the upper Missouri River near Great Falls, Montana. The Reclamation reservoir behind Gibson Dam, lies just beyond the Forest Service boundary, and serves two downstream irrigation districts. The Sun River has suffered from severe and chronic dewatering due to substantial irrigation water withdrawals for many decades. However, in recent years, productive discussions have begun among the irrigation districts and interested stakeholders, Trout Unlimited among them, on finding ways to restore flows to the Sun River and thereby protect and enhance the Sun's wild trout fishery.

These discussions have taken place through the Sun River Watershed Group and have focused on ways to meet federal Clean Water Act requirements—the Sun River is a Section 303(d) listed stream below Gibson Dam—by addressing the probable causes for river impairment including flow alteration and resultant thermal modification and habitat modification. The Sun River Watershed Group worked closely with DEQ to develop TMDLs that effectively address environmental and agricultural concerns. One of the most difficult issues in this process was finding cooperative ways to address the Sun's water quantity, or flow, problems.

While chronic low flows were identified as a limiting factor for both water quality and the Sun River fishery, river flows are an important source of irrigation water for basin farmers. The river is the site of a large Reclamation water project, which includes Gibson dam and reservoir, a secondary diversion dam, two smaller storage reservoirs, and numerous irrigation canals. The Reclamation project provides water to the Greenfields Irrigation District (GID) and the Fort Shaw Irrigation District (FSID). Several other major ranches have additional water right claims from the Sun River downstream of the Gibson reservoir. During drought years, the river barely contains enough water to satisfy the irrigators' water rights, and the riverbed is nearly run dry.

Despite assessing complex and historically contentious issues, the Sun River Watershed Group has maintained a diverse membership list that includes representatives of the Cascade, Lewis and Clark, and Teton County Conservation Districts; Reclamation; GID; FSID; DEQ; the Broken 0 Ranch; the USDA Natural Resources Conservation Service; Montana Fish, Wildlife and Parks; Pacific Power and Light; Trout Unlimited; the Medicine River Canoe Club; Missouri River Flyfishers; Audubon Chapter; and the Russell Country Sportsmen's Association. The Group also receives support from numerous local businesses and organizations, as well as all

three of Montana's Congressmen and has received numerous awards for finding innovative and cooperative solutions to environmental and agricultural problems.

The Group's diverse membership grappled with the hard issues of stream flows and water rights during the TMDL process. The Watershed Group came up with an approach for exploring flow restoration that was acceptable to all stakeholders, tied these flow restoration goals to thermal TMDL targets, and the Sun River TMDL was approved by the EPA last year. A first-step in the flow restoration goals is improving river winter flows below Reclamation's Gibson Dam, by taking a close look at reservoir operations and the current reservoir fill regime to determine whether some flexibility could be found in the operational regime to increase winter flows without jeopardizing the ability of Gibson Reservoir to fill with the spring peak flows due to snow-melt.

Unfortunately, Watershed Group momentum and efforts to assess reservoir operations have been stymied by a lack of cooperation from Reclamation. For nearly two years, Reclamation has been promising the Watershed Group and its stakeholders that it would re-run the reservoir operations model to determine if there was in fact some flexibility to increase winter flows. There is reason to believe that this flexibility does in fact exist, because the reservoir has never failed to fill in its 70-year history due to the large spring peak flows coming from the east side of the Bob Marshall Wilderness Area. In addition, the Sun River Watershed Group invested significant resources in a detailed review of flow regime and snow pack data that should aid Reclamation's model re-run. Nevertheless, Reclamation has consistently failed to meet its promise to re-run the reservoir operations model, and has been extending its deadline to do so in 6-month increments for nearly two years. Despite support from the Sun River Watershed Group, and despite a consensus recommendation from all stakeholders—including the two irrigation districts that the Reclamation project serves—Reclamation has still not come through.

When juxtaposed with successful Reclamation partnership efforts on the South Fork Snake River, there is little discernible excuse for the agency approach in the Sun River Basin. The agency needs to continually strive for transparency and consistency on reservoir reoperation issues, and take advantage of existing partnership mechanisms such as the Sun River Watershed Group. The South Fork Snake River example cited above is a good example of the agency identifying a programmatic vision that was coordinated at the Regional level and supported by staff at the area office and local staff levels and moving forward to achieve multiple and diverse river management goals. There is no reason a similar situation should not occur in the Sun River Basin.

III. THE NEED FOR EITHER ORGANIC LEGISLATION OR FLEXIBLE USE OF EXISTING AUTHORITY TO EXPAND THE COORDINATED AND CONSISTENT REACH OF TECHNICAL SERVICES DIVISION

TU recognizes the importance of Recommendation 1c in NRC's report stating that "[d]ecentralization has meant that some area and project offices housing a dedicated technical office are staffed by only one or two individuals. The committee is concerned about the effectiveness of such small units and whether their technical competencies can be maintained." This recommendation has obvious implications for project beneficiaries as it relates to increasing institutional capacity via outsourcing certain traditional Reclamation activities. However, the increased role for Reclamation technical field staff in addressing environmental issues must be preserved and even expanded in order for the agency to fulfill its expanded mission in the 21st century including assessing and addressing river health issues associated with its projects. This should include Reclamation either seeking additional statutory authority or utilizing existing legal mechanisms—such as the Fish & Wildlife Coordination Act—in order to fully address complex resource issues.

The Columbia River Basin is replete with examples of where Reclamation Water Conservation Field Service Program (WCFSP) representatives have made a difference regarding the design of fish passage or water use efficiency projects that benefits ESA-listed salmon and steelhead. The Federal Columbia River Power System (FCRPS) off-site habitat program is designed to meet Biological Opinion (BiOp) requirements for tributary stream flow and habitat improvements. However, while program funding for this ESA-driven program has been reasonable, the agency lacks full authority to accomplish program tasks. Reclamation technical staff is able to provide technical assistance such as up-front data collection, engineering, and design for specific projects but lack statutory authority to construct or provide financial assistance necessary to truly ensure BiOp obligations are met. At no cost, or some reasonable additional cost, to taxpayers, more could be accomplished with technical service programs with adequate authority.

Reclamation technical services programs have also had a positive impact outside ESA-listed salmonid drainages in the Snake River Basin. TU has developed a large-scale watershed restoration project in the Rainey Creek drainage—an important South Fork Snake River Yellowstone cutthroat trout spawning tributary. The key to project success has been the willingness of landowners to assess the fish migration and entrainment issues. Reclamation has provided funding from the Snake River Area Office via the Technical Assistance to States Program that enabled a WCFSP staffer to help assess Rainey Creek water use and management issues and identify cost-effective and technically-defensible solutions. Reclamation staff looked at all major diversion points and measured several of the key ditches for water loss and then developed a report entitled *Water Use and Efficiency Analysis for Rainey Creek—Idaho* that details mitigation measures to eliminate the fish barriers and improve stream flows in the Rainey Creek system.

These types of efforts by Reclamation staff are invaluable to non-profit conservation groups such as TU whose mission includes working on-the-ground with the agricultural community in high priority native and wild trout drainages to protect and restore habitat. Such efforts should not be limited to river basins where ESA-listed fish are present or to areas within a specific Reclamation project boundary. Reasonable and locally supported solutions in places like Rainey Creek—high priority restoration areas that are outside project boundaries but certainly located in a river basin with at least one Reclamation storage dam—should be encouraged. Such projects include water conservation, fish passage, and habitat improvement projects in off-Project tributaries that may alleviate the need for project water or at the least, reduce the overall conservation burden on dam operators and project beneficiaries. Reclamation needs the authority and consistent funding to explore these opportunities.

IV. TO THE EXTENT THAT RECLAMATION REORGANIZATION RESULTS IN SHIFTING RESPONSIBILITY FOR O&M AND CONSTRUCTION TO PROJECT BENEFICIARIES OR OTHER NON-GOVERNMENTAL ENTITIES, RECLAMATION MUST ENSURE THAT THESE ENTITIES FULFILL THE AGENCY'S CORE MISSION OF NATURAL RESOURCE MANAGEMENT AND PROTECTION.

In the event that, in response to the National Research Council's report, Reclamation's leadership decides to reorganize the agency in a way that greatly increases the outsourcing of technical work, it will be critical that the instruments used to achieve this outsourcing bind the entities doing this work in the future to fulfill both Reclamation's stewardship responsibility, and its core natural resource management mission. This will be necessary particularly where Reclamation considers transferring its own responsibilities to project beneficiaries who have no historical experience with being responsible for the conservation, protection or restoration of rivers or aquatic species.

The NRC report and Reclamation's response reveal at least three different examples of potential transfers of responsibility where assurance of the means, will and accountability for on-going stewardship will be important: title transfers, O&M, and performance-based construction standards.

A. Title Transfers

Reclamation should contemplate project ownership transfers only when doing so results in certain and sustained improvement in the ability to meet future needs of the west. We should not be satisfied with fundamental changes to the current system, such as change in ownership, unless there is a very substantial return on the enormous federal investment in Reclamation projects. Much of this return should be in the form of improved fish and wildlife benefits, both because they were harmed during construction and operation of Reclamation facilities, but more importantly, continued economic growth in the west demands restoration of river health.

Meeting this requirement has been particularly problematic with regard to title transfers because the project beneficiary who assumes ownership has rarely, if ever, had a mission which included ESA compliance or river restoration goals. Given that title transfers will, as a matter of course, dilute the project's federal nexus, there is a very real possibility that the new owner will not sustain any stewardship mission, absent explicit directives in the transfer instruments.

Reclamation's action plan includes the following action item—determine where opportunities exist for mutually beneficial transfer of title to project sponsors in order to eliminate Reclamation's responsibility and costs for those facilities, and encourage any that are appropriate. As Reclamation proceeds with this task, we urge its leadership adhere to the NRC's recommendation that open communication and an inclusive process are keys to moving forward in a successful way. This is imperative to

meeting the requirement that title transfers produce a return on the substantial federal investment in Reclamation projects.

B. Operations and Maintenance

Finding 5b in the NRC report states that the O&M burden for an aging infrastructure will increase, and that “long term sustainment will require more innovation and greater efficiency in order to get the job done.” This finding should not be used to justify haphazard and wholesale transfers of O&M. To the contrary, Reclamation’s action plan set forth key issues that must be addressed prior to contemplating any future transfers of O&M, including:

- How much O&M of our reserved works can be beneficially outsourced while maintaining the core capabilities necessary to ensure the agency remains a smart buyer of services and effectively fulfills its mission responsibilities; and
- How can we ensure that Federal responsibilities such as environmental, recreation and cultural resources are met? (See page 10 of Reclamation Action Plan).

Similar to title transfers, Reclamation must proceed cautiously when contemplating O&M transfers or outsourcing. Project beneficiaries do not have a mission that includes river restoration and we cannot lose that key component of Reclamation’s mission. Any O&M transfers must include provisions to retain the stewardship and resource protection and restoration components of Reclamation’s mission.

The NRC report and Reclamation’s response suggest that Reclamation is poised to ramp up its outsourcing of operation and maintenance responsibilities for existing projects and facilities. While TU appreciates that outsourcing may be cost-effective at some level, and may not threaten a loss of core competencies within the agency, it is important that Reclamation only proceed with such outsourcing on a case-by-case basis, after a complete review of all of the costs of this strategy. In a thorough cost assessment, Reclamation must include third party benefits and costs, such as those associated with river restoration. Operating Reclamation facilities on the South Fork Snake and Sun rivers demonstrates that there may be significant positive benefits to reoperation of such facilities. But, with non-federal operators, they may be unlikely to identify, explore, or seek to achieve such benefits absent explicit language in their contracts providing either requirements or incentives to do so.

C. Performance-based construction standards

Trout Unlimited believes that there is no reason for Reclamation not to move to performance-based standards for contractors who are constructing and/or rehabilitating federal facilities. However, because of the broad nature of Reclamation’s mandate, it will be imperative that Reclamation provide uniform policy guidance regarding the scope of such standards. For example, performance based standards must incorporate environmental compliance and resource protection measures. Given the nature of Reclamation’s mission, performance based standards could provide bonuses to contractors who go “beyond compliance,” who incorporate green building standards, who incorporate energy efficiency components into their work and whose work ultimately allows for river and fishery restoration.

Thank you again for the opportunity to testify today. I look forward to answering any questions you may have.

The CHAIRMAN. Very interesting. As you know, we’re approaching noon, and you’ve all been here a long time. I think this is one of the more constructive hearings we’ve had, and I hope that we can continue it forward. I don’t know where the momentum will come from, but I hope it comes from within the Bureau as they push to try to accomplish what they set forth. You can rest assured we will watch through our oversight and we will pursue vigorously seeing to it that significant changes in the way you do business occur so that you can remain a viable organization in a changing environment. Thank to all of you who came so far to help us today, we greatly appreciate it, and your testimony will certainly be very valid and used. Thank you very much.

The committee stands in recess.

[Whereupon, at 12:03 p.m. the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

RESPONSES OF LLOYD A. DUSCHA TO QUESTIONS FROM SENATOR DOMENICI

Question 1. Generally, do you feel that Reclamation's Action Plan is a good first step towards meeting the challenges it is currently facing? If not, what would you suggest?

Answer. I consider the Action Plan an excellent first step. All the issues raised by the NRC committee have been addressed. It will take some time to develop the details and even more time to implement the changes. I should note that the NRC report recommended that implementation of the action plan undergo an independent review.

Question 2. Mr. Duscha, as you are aware, many complaints from Reclamation customers focus on the cost of Reclamation services as compared with those of the private sector.

In general, do you believe that Reclamation is overstaffed? If so, where is it overstaffed?

Answer. The NRC committee did not review the personnel complement in sufficient detail to draw any firm conclusions on staffing. In the committee's review, the regional and area offices did not appear to be overstaffed; however, there was concern that TSC might be overstaffed. The committee recognized that additional study was needed to determine appropriate complements. The committee provided a list of criteria that should be considered by Reclamation as it assesses the staffing levels.

Question 3. In undertaking the report, did you find successful examples of Reclamation outsourcing?

Answer. The answer is somewhat dependent on the definition of outsourcing. Traditionally, Reclamation outsources its construction activities to the private sector, as well as operation and maintenance of Reclamation-owned facilities to local water contractors. Observations indicated that most other outsourcing was for the more routine support services. In the case of Parker Dam generator rehabilitation, the committee observed successful outsourcing of engineering and a combination of in-house and outsourced rework. The engineering in this case was outsourced at the request of the power customers. The committee also heard that there were instances of outsourcing at TSC.

Question 4. Did you find instances in which Reclamation projects were "over-engineered," adding to the total cost to Reclamation customers?

Answer. Over-engineering is a term often overused without context. A rightful determination of over-engineering would require detailed review of specific projects, which was beyond the committee's scope. Many charges of over-engineering emanate from a difference in understanding of the respective responsibilities of the involved parties, and in viewing a short-term solution versus a life-cycle approach. The committee did review correspondence regarding the design of an outflow for the Carter Lakes reservoir. In this instance, Reclamation's more conservative approach increased the cost of the project but seemed to be justified.

Question 5. Did you find instances in which Reclamation cost estimates were "padded" in order to ensure that the ultimate costs were not above original cost estimates?

Answer. Presumably, you are referring to estimates of engineering costs. The committee did not review such estimates. Customers claimed that TSC was more expen-

sive and that they added unneeded staff to the project. This would be difficult to verify.

Question 6. How did costs of those services undertaken by Reclamation compare with similar services undertaken by the private sector?

Answer. The committee did not make such comparison. A detailed study covering a representative sample of projects would be needed.

Question 7. You recognize in the NRC report that O&M, field data collection, drilling operations, routine engineering, and environmental studies should be “more aggressively outsourced.”

What did you find was the greatest impediment to increasing work outsourcing by Reclamation?

Answer. The report did not address impediments, but it appears to me that inertia and overcoming an attitude that the private sector and other outside interests have lesser capabilities were factors.

Question 8. What activities should not be outsourced?

Answer. Reclamation should continue to manage its high risk facilities against physical and operational failure. This requires the requisite management and technical competence, which can only be maintained with institutional, hands-on experience. Overextending outsourcing can erode these capabilities, and once the core competencies are lost, they are difficult to regain.

Question 9. Based on the fact that few, if any, large construction projects are undertaken by Reclamation, should any capabilities necessary for construction of large facilities be retained in Reclamation? If so, for what purpose?

Answer. In many instances, the repair and modernization of existing facilities require the same or greater level of engineering and construction expertise as required for new construction. This is especially true for safety of dams and hydropower facilities.

Question 10. There is, from my perspective, a double-edged sword with respect to outsourcing. While Reclamation customers want cheaper services, we want to make sure that private-sector services are performed competently.

How can Reclamation ensure that outsourced activities are performed competently?

Answer. As mentioned previously, Reclamation will need to develop and maintain the requisite managerial competence to manage private contractors. To develop such individuals will require maintaining some technically challenging work for in-house execution. The committee noted that additional detailed study is needed to determine the appropriate size and configuration of the TSC, and that such study should be undertaken by Reclamation and be subject to external peer review.

Question 11. With respect to the TSC, the NRC report states that you “question the size” of the TSC.

What do you believe would be the optimal size of the TSC?

Answer. The committee noted that additional detailed study is needed to determine the appropriate size and configuration of the TSC. The committee suggested criteria that could be used but noted that such a study should be undertaken by Reclamation and be subjected to external peer review.

Question 12. Do you have any suggestions on how to make the TSC more cost efficient?

Answer. The process for making TSC more cost efficient should begin with creating a properly sized and configured organizational structure that is consistent with the needs of the bureau and its customers. It will need a cadre of individuals with multi-functional capabilities and a nimble organization that is adaptable to change.

Question 13. The NRC report found that Reclamation and its customer are facing numerous challenges with respect to aging infrastructure, primarily with finding ways to meet the financial burden that this poses.

From your perspective, do you believe Reclamation recognizes the need for more appropriations to be made available to perform more O&M on existing facilities?

Answer. I believe Reclamation recognizes that additional resources are required to overcome a maintenance backlog. A large part of the O&M expenditures are reimbursable by the beneficiaries in the year expended. Such repayment schedule causes hardship occasionally for large, non-routine expenditures.

Question 14. Did you identify any other financing mechanisms that can be made available to Reclamation customers to address the costs associated with aging infrastructure?

Answer. The committee did not identify any extant mechanisms that would be available to Reclamation customers. In the private sector, the term recapitalization is used in reference to repair and replacement of major components as a facility

ages. In the Federal government sector, a mechanism may possibly be to provide a low cost loan to the beneficiary, to be repaid with interest over time.

Question 15. To what extent can operations and maintenance be transferred from Reclamation to beneficiary districts in order to free up money within Reclamation for other purposes? Which types of projects should be transferred?

Answer. Responsibility for operation and maintenance expense of Reclamation facilities is defined by statute and authorization. Having beneficiaries perform some of the Reclamation O&M does not reduce Reclamation's total obligation as the beneficiaries will be reimbursed for their effort. On the other hand, the beneficiaries may want to accept responsibility for reimbursable O&M under the belief that they can accomplish it at less cost and in shorter time. Outside of the major hydroelectric facilities and high risk dams, the operation and maintenance functions could be transferred.

Question 16. The NRC report found that Reclamation needs to promulgate Reclamation-wide policies and directives in order to promote consistency and accountability within Reclamation.

To what extent can Reclamation reinstate the Reclamation Instructions that were retired at the end of Fiscal Year 2005?

Answer. The committee was led to believe the Instructions were retired in 1993. Although much of the material may still be pertinent, they will have to be rewritten to reflect an empowered decentralized organization and a higher degree of outsourcing.

Question 17. The NRC report found that there are significant problems facing Reclamation's work force.

What suggestions do you have for Reclamation to maintain institutional knowledge in the face of the number of projected retirements?

Answer. One approach is to arrange transitional assignments that pair upcoming retirees with potential replacements. Another approach is to require that retiring employees prepare a historical record of past events and decisions they believe can impact the future; such as, known risk decisions that should be periodically reevaluated.

Question 18. How do you suggest that Reclamation foster collaborative skills among its existing workforce and new employees?

Answer. Successful collaboration is largely driven by developing the proper cultural attitude. Although there are training courses that can aid in behavioral recognition and help instill intrinsic skills, it is important that top management demonstrate their continual commitment to the principle.

RESPONSES OF LLOYD A. DUSCHA TO QUESTIONS FROM SENATOR BINGAMAN

Question 1. In your view, does Reclamation have sufficient resources to carry-out the many responsibilities it is being asked to address in the 21st Century? What is your opinion on the most serious issue facing Reclamation in the future?

Answer. On an overall basis and on the premise that its infrastructure inventory will not expand markedly, I believe Reclamation has sufficient resources to discharge its many responsibilities. However, continued pressures on limiting resources could have an effect in the long run.

Question 2. The NRC focuses a lot of attention on the Denver Technical Service Center (TSC). Reclamation has asserted, though, that the TSC is competitive with private engineering firms and that water users only pay for TSC costs if its services are required for work on the water users' particular project.

Do you agree with Reclamation's response regarding the TSC? Is the cost of the TSC services the primary concern or is it that it competes with the private sector?

Answer. I am unaware of any direct response from Reclamation on this issue. Comparing engineering costs is difficult as each project has its own peculiar scope and complexity and there are no established benchmarks. The committee did hear from Reclamation customers that TSC costs more than private sector services. The TSC hourly rates presented the committee did not appear to be out-of-line with the private sector; however, this does not account for any differences in relative productivity. Competition with the private sector was not a validation factor.

Question 3. Your testimony states that Reclamation needs "to evaluate their inventory of assets and manage them more aggressively over the life cycle."

Did the NRC find serious problems with the condition of Reclamation's infrastructure? Is there a concern among stakeholders that a significant number of structures are not being properly maintained?

Answer. The committee did not undertake an examination of all facilities. The committee did observe inconsistent evaluations of Reclamation's asset management by its customers, but did not see any facilities that were not being adequately main-

tained. Aggressive management will require consistent, detailed condition assessments followed by planning that addresses the needs and available resources and establishes priorities.

Question 4. You note that Reclamation needs clear, detailed policy directives that will help guide its decentralized management style.

Can you provide some examples of situations where different Reclamation offices have implemented inconsistent policies?

Answer. The committee's observation was based on reports from customers, particularly the Family Farm Alliance. The committee believed that the problems encountered at Animas-La Plata were in part due to a lack of clear directives. As another example, the Carter Lake Dam outflow control decisions seemed to be ad hoc. Reclamation personnel acknowledged a need for more detailed central policy and standards. This shortcoming is not uncommon under decentralization.

RESPONSES OF H. DIANE SNYDER TO QUESTIONS FROM SENATOR DOMENICI

Question 1a. The NRC report states that O&M, field data collection, drilling operations, routine engineering, and environmental studies should be "more aggressively outsourced where objectively determined to be feasibly and economically beneficial."

Do you agree with this statement?

Answer. Yes. Reclamation should probably still be in charge of O&M for their large federally owned facilities which are unlikely to be transferred to local sponsors. This can be viewed as an inherently governmental function. Also, planning of locally sponsored / owned projects, operation and maintenance of locally sponsored / owned projects, planning and design of projects that are not necessarily "routine", and value engineering. The private sector is particularly flexible and adept at developing projects that are sensitive to the local context and innovative.

Question 1b. Which additional activities do you believe should be outsourced?

Answer. Essentially all non-governmental functions, e.g. design, construction, etc. They can perform oversight.

Question 1c. Are there any activities that should not be outsourced?

Answer. Yes, those activities that are inherently governmental (appraisal level planning) and activities related to NEPA, NHPA, etc. Also, ACEC suggests that Reclamation is well positioned for long-range planning activities, research (such as the hydraulic research lab in Denver and brackish water development), possibly technical support / oversight on locally sponsored and owned projects, and operation and maintenance of large scale federally owned facilities with a national interest.

Question 2. Do you believe that Reclamation work is generally of the same quality of work performed by a competent engineering firm?

Answer. It is difficult to make a blanket statement in this regard. It has been our experience that Reclamation's quality of work is determined by various regions and area offices. Generally, Reclamation work is inferior to private consultants work as noted in ACEC's written testimony. In general, I would say it takes longer and it is less efficient to get to the same place with Reclamation's work.

Question 3a. A common complaint from my constituents is that Reclamation services could almost always be performed cheaper by the private sector.

Is it your experience that Reclamation costs are higher than those found in the private sector for similar services?

Answer. Yes.

Question 3b. If so, to what do you attribute these higher costs?

Answer. There is a basic lack of accountability and a lack of proper budget oversight by Reclamation. Several factors which contribute to higher costs for work performed by Reclamation included: (1) federal wages are generally higher than private wages in certain areas; (2) additional overhead in the form of multiple layers of management and support personnel; and (3) less emphasis on getting deliverables out in a timely manner. Time is money and delays are particularly felt on the construction side.

Question 3c. In your experience, have you found instances in which Reclamation projects were "over-engineered," adding to the total cost to Reclamation customers?

Answer. Yes, Reclamation is more entrenched in national policies and procedures (even if some of those have sunset) that are not as sensitive to the local context or flexible with respect to the specific project being planned and designed. This can result in a project that takes longer to develop and implement. Time is often the most critical cost element in a project (3 to 10% annual increases in cost). To be fair to reclamation staff, with Reclamation Instructions sunset they are put in the position of having to develop policy and procedures on a project by project basis—particularly

when they are not the project owner but are tasked with providing input 1 oversight because federal funds are involved.

Question 4. In your experience, have you found instances in which Reclamation cost estimates were “padded” in order to ensure that the ultimate costs were not above original cost estimates?

Answer. ACEC does not have any direct experience with this. However, we do know that other projects under Reclamation’s control have experienced significant cost escalation over time resulting in intense scrutiny of Reclamation’s procedures—a factor that influences their input and oversight of projects that are not directly under their control.

RESPONSE OF H. DIANE SNYDER TO QUESTION FROM SENATOR BINGAMAN

Question 1. Your testimony provides several examples of situations where public and private funding has been used for project studies that Reclamation rejected as not meeting its standards.

Does Reclamation have clear standards and criteria for feasibility studies and cost estimates that are useful to private engineering firms doing work on water projects?

Answer. ACEC understands our members that have worked with Reclamation is that the organization does not have clear procedures and standards for feasibility studies and cost estimates. The NRC report states Commissioner Daniel P. Beard in a memo in 1993 stated:

In order to ensure that this approach to implementing instructions and technical is followed, all existing guidance will be sunset at the end of fiscal year 1995 unless affirmatively retained, or revised and reissued prior to then.

The report continues to state that even though in 2005 Reclamation started a web-based manual the process has been slow and inadequate. However, the directives and standards in the web-based version of the Reclamation Manual are not as comprehensive as the older “Reclamation Instructions.” The current Directive/Standard for feasibility studies (CMP 05-02) is vague, and the documents that should address cost estimates (BGT series) are of little value.

Also, a pattern has evolved where Reclamation projects are being developed on a case by case basis due to the lack of (1) clear standards and criteria (Reclamation Instructions having sunset) and (2) a clear role for Reclamation’s involvement in projects that they are not the lead on. One of the biggest issues we have faced with Reclamation is due to this lack of a clear role for Reclamation in locally sponsored projects. If the project is not “theirs” they are less interested in seeing it move ahead.

One recommendation made by the NRC and endorsed by ACEC is the need for a centralized acquisition policy within the Bureau of Reclamation’s headquarters, however, still providing enough flexibility for the different regions and district offices to function.

RESPONSES OF THE FAMILY FARM ALLIANCE TO
QUESTIONS FROM SENATOR DOMENICI

Question 1. You mention in your testimony that Reclamation should pursue more title transfers and transfers of operational and maintenance responsibilities to beneficiary districts.

In general, have you found a willingness of Reclamation to pursue title transfers?

Answer. The Alliance has found that, while Reclamation policy is to pursue title transfers, Reclamation practice discourages transfers.

Reclamation appears to support transferring title to those that can demonstrate capability to continue operating the project. Transfers are seen as a benefit to the federal government because of the loss of liability and future financial responsibility for non-reimbursable purposes as non-reimbursable OM&R. Further, such transfers will produce an immediate positive revenue flow to the Treasury, avoid long term federal operation and maintenance costs, and transfer the ongoing liability and responsibility for the project from the federal government to local interests.

Although policy makers within the Administration, at the highest level, have supported transfers, lingering bureaucracy has proven to be a significant impediment. Several of our members who have participated in title transfers have identified the cumbersome NEPA (National Environmental Policy Act) and National Historic Preservation Act (NHPA) processes as primary reasons for difficulties. In some areas, our members have observed that much of the resistance associated with title transfer NEPA and NHPA issues comes from internal staff at the Bureau of Reclamation.

Question 2. Are your members generally in favor of assuming operational and maintenance responsibilities from Reclamation?

Answer. Family Farm Alliance members are generally in favor of assuming operational and maintenance responsibilities from Reclamation. Local entities throughout the west have begun to operate and maintain federal projects under contract with the Bureau of Reclamation, with almost uniformly better results at lower cost. Many local entities believe that taking over federal facilities through title transfers will serve the twin goals of strengthening local control and downsizing the federal government to sustain a balanced federal budget. Efforts to transfer the ownership of federal water facilities to those water user entities that desire to obtain title should also be encouraged.

Question 3. How would you suggest streamlining the title transfer process?

Answer. Last year marked the second time in the past decade that the Family Farm Alliance canvassed its membership to assess Reclamation's transfer process and identify ways to improve it. Here are some of the priority ideas offered up by some of our members in 2005:

- *Pass simple, brief and specific legislation that would exclude title transfers from NEPA, unless there is clear evidence suggesting that project operations will change.* Something must be done to address the unwieldy NEPA process that currently applies to title transfer processes. Many in the water user community have argued that NEPA should not apply to some transfers. They strongly believe, that, because a transfer project does not change how a project is operated, a NEPA categorical exclusion should apply.
- *Reclamation and Congress should investigate NHPA impediments to title transfer and suggest or support, as may be appropriate, language that would modify the requirements of Section 106 in such instances.* Part of the justification for this enormous expenditure of time and money is based on Section 106 regulation, 36 CFR Part 800.5(a) (2) (viii), that defines transfers of property out of Federal ownership or control as adverse effects if the agency transferring the property determines that there are inadequate legally enforceable restrictions or conditions to ensure long term preservation of the property's historic significance.
- *Develop generic legislation authorizing title transfer based on a district's capability to assume ownership and continue with a viable project.* The condition of the projects is a major issue in making the determination to move forward with title transfer.
- *Legislate timelines which force Reclamation to make progress at certain milestones for specific projects.* New Mexico water users ultimately had success using this approach.

Question 4. A common complaint of Reclamation customers is that the costs of Reclamation services are often "significantly higher than reasonably anticipated costs."

To what do you attribute this statement?

Answer. This statement derives primarily from the documented first-hand experiences of our members from throughout the West. The Family Farm Alliance in 2005 specifically asked irrigation districts and organizations of farmers to provide examples of: 1) poor or exemplary project management by Reclamation; 2) management of Reclamation projects by non-federal authorities; and 3) instances where Reclamation is operating beyond its traditional mission. This effort led to the development of nine individual case studies for irrigation districts served by six Reclamation projects in five Western states. The final report that summarizes our findings is entitled "The Bureau of Reclamation's Capability to Fulfill Its Core Mission: The Customer's Perspective", and was presented to the National Research Council Board on Infrastructure and the Constructed Environment, Committee on Organizing to Manage Construction and Infrastructure in the 21st Century in June of 2005.

We support our statement based in part on case studies included in this report. Consider the following examples:

- The Northern Colorado Water Conservancy District (District) since 1999 has been working to complete a project that would add an outlet to Carter Lake Reservoir. The objective of the District has been to complete this project by April 2007 in the most cost-effective manner possible with a total cost not to exceed \$10 million. Significant cost overruns (in some cases as much as 77 percent) have occurred on the pre-design phases of this project. According to the District, these cost overruns are related to the management of the project, as is demonstrated by the fact that as many as 17 Reclamation employees attended a meeting to discuss a project that is relatively small in scope and not extraordinary from an engineering and policy perspective.

- The Pershing County Water District (Nevada) was critical of Reclamation's cost estimates for transfer-related work that were significantly higher than estimates prepared by qualified consultants.
- The Santa Ynez Water Conservation District (District) serves rural agricultural, domestic and commercial customers on 10,850 acres in Santa Barbara County, California. Over the past nine years, the District has been faced with the challenge of absorbing unanticipated expenditures caused by Reclamation cost overruns on the Cachuma Project. These cost overruns have been significant and, in the District's opinion, avoidable. For example, Congress allocated \$41.5 million for the Bradbury Dam Seismic Strengthening Project, based on a report submitted by Reclamation. The construction cost for the project was completed 15% below the budget amount. Yet, amazingly, total costs were 18% over budget, caused entirely by an 82% overrun in the Contract Administration and Design & Specification functions. The latter cost more than doubled, from \$2.5 million to \$6.24 million.
- In the mid 1990's, Hermiston Irrigation District participated in a safety of dams update to its facilities in northeastern Oregon. Included in that update process was a requirement by Reclamation to install a new backflow structure. Despite objection from the District to Reclamation's proposed design—which the District felt was not acceptable from an operations standpoint—Reclamation proceeded with final design and construction of the facility. As predicted by the District, numerous operational problems over the next three years led to a revised design of the structure, which the District was required to pay for as part of the safety of dams expense. Importantly, 55 percent of the price tag was attributed to engineering costs generated by Reclamation staff.

Although not covered specifically in our case study report, we have all heard concerns expressed about the costs of the Animas-La Plata Project, which were approximately 50% over prior estimates. I believe two other witnesses who submitted testimony at your May 23, 2006 hearing—Mr. Bennett Raley and Ms. Diane Snyder—have addressed this issue in further detail.

Question 5. How do you suggest we reduce the costs associated with Reclamation services?

Answer. We have recommended several means of reducing costs associated with Reclamation services, and these are included in our written testimony. They include the following:

- Reclamation should develop and implement a transition plan to achieve an agency with "right-sized" design, estimating and construction management staff;
- Reclamation adopts a policy that contractors who pay for 50% or more of specific work can elect to use irrigation district personnel or private consultants for design, procurement, construction, and contract and construction management;
- Reclamation proposes reductions at Technical Service Center that are real and not achieved by reassignments to the Regions or reclassifications of existing job categories;
- Standards for construction and O&M are based on an assessment of the relative risk, consequences of failure, marginal return, and subject to appeal to policy level officials;
- Reclamation moves to use "performance-based" instead of "design-based" standards for any work which is paid for in part by contractors, and emphasize use of "off-the-shelf" components, as opposed to redesigning projects.
- Reclamation does not perform design, construction, and procurement work unless the Commissioner certifies that there is a substantial likelihood that Reclamation can perform the work at issue at a cost equal to or less than if outsourced (based on a defined Reclamation project cost).
- Reclamation requires reporting/tracking for projects that monitor actual Reclamation costs, as well as providing for advance notification to contractors and Congress that there is a material risk that Reclamation will exceed defined Reclamation project costs.

In summary, fundamental fairness requires that when a water user is paying for work in advance or through repayment mechanisms, that water user should have the option to have the work executed in the manner that provides the most return for the investment. Qualified districts or water user organizations should be provided with the option to perform or contract with qualified private contractors any work on federal facilities that does not fall within the category of "essential governmental functions" so long as appropriate standards are met.

Question 6. How do you suggest that Reclamation maintain appropriate oversight of outsourced work to ensure that it is performed in a competent manner?

Answer. I believe Bennett Raley's observations on this issue, as identified in his July 19, 2005 letter to NRC Committee Chairman Mitchell, best apply here. Reclamation must be able to 1) account for all funds associated with these projects and ensure that they are spent for authorized purposes, and 2) ensure that the work is performed in a manner that meets applicable engineering or other standards.

Reclamation will need a strong construction management program that includes both fiscal and engineering components. However, these components should be deployed to set standards in advance, monitor compliance, and report on results. Performance of these functions does not mean that Reclamation employees must design projects, serve as the "general contractor," perform research, or serve as the day-to-day construction manager. Qualified water districts and the private sector can perform each of these functions under Reclamation supervision.

Reclamation itself already hires outside consultants to assist it in dam safety peer reviews, and some of the outside consultants were trained by Reclamation. There are many highly qualified engineers that work elsewhere in the profession.

Question 7. You propose a reduction in the staff of the TSC. How do you reach this conclusion? What, from your perspective, would be the optimal size of the TSC?

Answer. The optimal size of the Technical Services Center (TSC) can be ascertained by developing and implementing a transition plan to achieve an agency with "right-sized" design, estimating and construction management staff. We believe that a review of the list of programs and activities that are carried out from the TSC would reveal a number of functions that may fall outside of the definition of "management" or an "inherently governmental activity" associated with Reclamation. Much of this work is important, legally mandated, and involves many people who are respected professionals. However, we believe other federal agencies, the private sector, and universities can also perform much of this work.

The Family Farm Alliance believes that Reclamation can propose reductions at the TSC that are real and not achieved by reassignments to the Regions or reclassifications of existing job categories. This conclusion is based on findings from the aforementioned 2005 case study report, and is bolstered by comments that we heard at a Reclamation stakeholder meeting held in Denver this past April. At that meeting, stakeholders expressed concerns regarding the TSC being overstaffed and assigning too many people to projects. The Family Farm Alliance and other customer representatives in Denver stated their wishes to see the TSC staffed to maintain core capabilities at the leanest levels.

Question 8. In your testimony, you mention the need for Reclamation to do a better job of soliciting comment from customers and stakeholders. How do you propose improving stakeholder and customer involvement in decision making?

Answer. Reclamation should revise the customer interaction process to include written procedures for customer input on current financial circumstances of all Reclamation infrastructure, including cost invested, repayment status, O&M cost allocation, design life, facility condition, etc, and a documented means through which Reclamation used (or didn't use) this input.

At Reclamation's April 27, 2006 National Stakeholder's Meeting on *Managing for Excellence*, held in Denver (noted in our response to question #7, above), it was clear that customers were interested in gaining a better understanding of Reclamation's business model, particularly how costs are charged, accounted for, allocated, reported, billed, etc. Most importantly, customers want to understand what they are being billed for. This information could be provided through workshops held with regional constituents on charging and allocation processes.

Stakeholders are frustrated that their input to budget formulation seems to go unused and that they are not provided feedback on status of budget requests. For example, Reclamation has not always been responsive to their questions regarding costs/charges and needs to communicate more readily with customers.

We would like to provide more input on O&M planning and budgeting. Since the budgeting process prohibits Reclamation from sharing information, water customers would like to provide more input early in the budget development process to assist in making decisions regarding requested funds.

We would like this outreach to be more consistent across the West. Several area offices have been more successful at integrating customer outreach in O&M Planning and the Budget Process. The processes used at these offices should be applied elsewhere as a model or best practice.

The funds requested from Congress for long-term planning should extend beyond O&M Planning to also include rehabilitation and eventual replacement costs. Multipurpose costs should be explained upfront in more detail, and districts would like some control over how multipurpose costs are spent.

RESPONSES OF THE FAMILY FARM ALLIANCE TO
QUESTIONS FROM SENATOR BINGAMAN

Question 1. Reclamation asserts that its customers do not pay for the services of the TSC unless it is used for planning, design, and construction activities related to the customer's project. Do you agree? If customers are given the option to use other engineering services for projects in which the customers pay 50% or more of the cost, would the FFA still be concerned about the staffing levels at the TSC?

Answer. Based on discussion at Reclamation's April 27, 2006 National Stakeholder's Meeting on *Managing for Excellence* (held in Denver), it is clear that Reclamation believes stakeholders have little understanding of the TSC, including how it is funded and its size, function, workload, and operating practices. At the Denver meeting, we were told by a TSC employee at that meeting that roughly 80% of TSC staff time can be linked directly to specific project work. It appears that the actual billing rate utilized is developed to reflect the 20% "non-direct charge" nature of this work.

We believe that continued cooperation and educational exchange opportunities between Reclamation and its customers, similar to the approach laid out in *Managing for Excellence*, will lead to a mutual understanding of this matter. Whether Reclamation's customers are paying only for project-specific TSC services or not, customers are definitely concerned about perceived excessive TSC charges being racked up on those specific projects. As the *Managing for Excellence* action plan is implemented, the optimal size of the TSC can be ascertained by developing and implementing a transition plan to achieve an agency with "right-sized" design, estimating and construction management staff.

Question 2. Please provide a more detailed explanation of the use of "performance-based" standards instead of "design-based" standards.

Answer. When we use the term "design-based" standards, we are referring to the actual design and construction of facilities. A "performance-based" approach refers to the appropriate role of establishing performance or other standards to meet minimum engineering requirements. It is well accepted that Reclamation should be responsible for establishing appropriate design standards for work on federally owned structures. However, we also believe that it would be helpful to make recommendations regarding the manner in which these design standards are established, and a process for resolving disagreements between Reclamation engineers and qualified non-Reclamation engineers regarding the appropriateness of particular standards.

There is a perception with some western water users that Reclamation "over-designs" project elements based on an institutional philosophy that assumes that facilities should be designed using the most conservative design standards. While this approach may be appropriate for federally funded work and for work with public safety issues, it is not necessarily appropriate for work funded by water users that does not present serious public safety risks. In some cases, certain districts (unlike Reclamation) may be willing to take on liability associated with less robust designs on non-critical projects.

These issues can quickly move beyond engineering criteria to fundamental policy decisions that undermine balancing of risks in an environment where financial resources are limited. Greater opportunities may exist for innovation and efficiency and should be considered when analyzing engineering standards. One suggestion would be to provide for a quick "mini-peer review" involving outside consultants that project sponsors could utilize for disputes¹

RESPONSES OF SCOTT YATES TO QUESTIONS FROM SENATOR DOMENICI

Question 1. Do you believe that environmental restoration activities should be a focus of Reclamation or do you feel that these activities are better carried out by other federal agencies?

Answer. Yes, environmental restoration activities should be a core component of the agency's management of its own projects. We do not mean to imply that Reclamation should usurp other federal agency's roles and responsibilities. Rather, with regard to operation of Reclamation projects, no other agency has the authority to determine appropriate mitigation for Reclamation projects absent Endangered Species consultation authority with either NOAA or the Fish and Wildlife Service.

According to the agency's website, Reclamation's mission is to "develop, manage, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public." As such, it seems clear that

¹Bennett Raley letter to Dr. James K Mitchell dated July 19, 2005, pp. 9-10.

Reclamation would be unable to achieve its mission without engaging in environmental restoration activities, especially as they relate to ongoing impacts from Reclamation projects. The NRC report states that Reclamation needs to focus on “sustaining its facilities, infrastructure, and resources, as well as responsibly managing the environment” (page 23). In other words, Reclamation needs to take an active role in addressing environmental challenges created, in part, by the agency’s projects.

As a practical matter, Reclamation personnel are best suited to guide and conduct environmental restoration activities related to Reclamation projects because of their first-hand knowledge of each project and its impacts. The Bureau has programs in place, such as the Water Conservation Field Services Program, that include engineering and environmental staff members that are able to identify partnership and restoration opportunities in river drainages with Reclamation projects. Such programs should be fully funded and directly identified and vested as a core program for the agency so that important restoration goals and objectives are met.

Question 2. From your perspective, has Reclamation done an adequate job of soliciting comment from the environmental community? If not, how would you improve their relationships with the environmental community?

Answer. Unfortunately, Reclamation has not always engaged a diverse array of stakeholders in a meaningful way. This is a programmatic issue for Reclamation in terms of developing and institutionalizing broader consultation strategies, but it also implicates the agency for lack of consistency agency-wide. It is important to note that informal consultation and soliciting input from stakeholders such as TU goes beyond formal decisions that involve compliance with broad federal environmental statutes such as the CWA, ESA, or NEPA. This is particularly important in light of the fact that the agency has managed to largely insulate itself from NEPA compliance. For instance, Reclamation water delivery contracts are subject to renewal only once every 40 years. Even then some contracts are not subject to NEPA if Reclamation determines that no “significant changed circumstances” exist.

The bottom line is that Reclamation regional and area offices often make operational proposals or take various actions that do not always invoke substantive or procedural laws or regulation, but still have prospective impacts. Some Reclamation offices are better than others at identifying such situations, but the agency is far from consistent in working with TU and other members of the environmental community on a broad spectrum of issues, not just when required by the law to do so.

One way to improve communication and collaboration with stakeholders, including conservation organizations, would be for Reclamation leadership in DC to clearly provide direction to the regional and area offices to engage non-traditional partners on operational and other Reclamation issues that could impact river management or health. This would include existing direction that Bureau staff participate in watershed restoration efforts underway in project basins, such as creating and implementing TMDLs to manage water quality impacts below Reclamation dams. Not only would Reclamation’s pro-active engagement better comply with federal Clean Water Act requirements, but it would provide an opportunity for the Bureau to improve its relations with diverse stakeholders. Reclamation leadership should make it clear that staff time spent on such watershed restoration activities (and compliance with federal law) is expected, encouraged, and will be rewarded.

In addition to focusing Reclamation staff in general terms on watershed activities and existing multi-stakeholder efforts to assess and identify water management issues and solutions, the agency could also better utilize existing authority, such as the Fish and Wildlife Coordination Act consultation provisions, to engage the environmental community and other local participants. The statute provides an underutilized framework, and therefore a built-in starting point, for setting up and establishing guidelines for Reclamation to engage the public regarding agency activities and water management issues.

Question 3. Do you believe that Reclamation has adequate staff to engage the environmental community and the appropriate state and federal agencies in making decisions regarding project operations?

Answer. The answer to this question varies widely from region to region and state office to state office. For example, as discussed in more detail in my written testimony regarding the Sun River, Reclamation officials in Montana cite lack of staff as the reason they have not completed a reservoir operations model re-run for two full years that has been requested by the multi-stakeholder Sun River Watershed Group as a way to begin implementation of the EPA-approved TMDL on the Sun River. At the same time, the Pacific Northwest Regional staff has been able to cover a tremendous amount of ground in Oregon, Washington, and Idaho in response to both issues related to dam operations and field-based partnerships to restore important tributary habitat. The difference between regions may not necessarily involve

understaffing or limited resources, but merely the lack of support and clear direction from Washington, DC that collaboration and communication with diverse stakeholders would improve the situation.

RESPONSES OF SCOTT YATES TO QUESTIONS FROM SENATOR CRAIG

Question 1. I see in your written testimony you have recommended that the Bureau should also look into 3rd party costs and benefits. The water that is spread over these projects covers critical wildlife habitat that have advocacy groups and critical farm ground that supports communities. Therefore, how would you propose those 3rd party cost/benefits be calculated and who is the "3rd party"? Also, for your group to receive greater "benefits," would you be willing to pay for those project upgrades?

Answer. A mitigation duty exists for Reclamation because of the adverse impacts to water quality and fish and wildlife habitat caused by its projects. Federal law already largely defines the extent of this duty, such as compliance with the Endangered Species Act, Clean Water Act TMDLs and state water quality standards. Current project beneficiaries need to pay for actions necessary to meet these mandatory mitigation duties just as rate-payers pay for mitigation requirements at FERC-licensed hydro dams.

On the other hand, the costs of conservation benefits that are over and above mandatory mitigation requirements may need to be paid for from some type of payment pool created by all benefiting parties. Discussions over the past few years amongst stakeholders in the Henry's Fork drainage have focused on identifying creative operational strategies to reduce drought year impacts on the phenomenal wild trout fishery below Island Park Dam. Much like on the South Fork Snake, these groups have been successful in identifying scenarios during dry years where water can be moved downstream in the winter and earmarked in American Falls Reservoir—this has resulted in increased fishery flows during the critical winter time period for fish and additional power generation with little increase in risk for Reclamation or the irrigators regarding meeting storage rule curves or contractual delivery obligations.

At the same time, TU and others have thrown out additional scenarios that would involve more water during the winter time period and a corresponding increased risk that the reservoir will not refill. The idea in this case would be to create a fund whereby the risk for such a strategy does not fall on irrigators, but rather a fund is created to reimburse irrigators if such operations result in water not being stored and delivered pursuant to contractual obligations. Obviously, this is a difficult topic and there is not yet consensus in the Henry's Fork watershed regarding such an alternative. But creating a drought pool where, under certain circumstances, Reclamation and the irrigation community would be indemnified for taking additional water management risks is one example of where conservation groups would be willing to seek private, state, tribal, and federal funding sources to provide increased resource benefits.

Question 2. At this point, has there been a change in Bureau of Reclamation priorities because of this study? If so, what has moved up on the priorities and what has suffered?

Answer. It is too early to tell. Reclamation's action items set forth in its plan responding to the NRC report will not be complete until December 2007. However, our initial conversations with the agency reflect an urgency to work with stakeholders regarding the issues and recommendations identified in the NRC Report. Most importantly from TU's perspective, the agency appears willing to intensify efforts to engage conservation groups, along with traditional project beneficiaries, as the agency reflects on its approach and assesses possible organizational and institutional change regarding how it manages Reclamation projects and water in the West.

RESPONSE OF SCOTT YATES TO QUESTION FROM SENATOR BINGAMAN

Question 1. In your review of Reclamation's Action Plan do you believe that it is giving appropriate consideration to the conservation and protection of water and related resources as a core part of its mission in the future? If not, how do you think that mission can be enhanced within Reclamation?

Answer. Some parts of the action plan give appropriate consideration to conservation and protection, some parts do not, and some parts are too broad to be able to assess whether or not the agency contemplated conservation and protection.

Some parts of the action plan are too broad at this point to determine whether or not the agency is giving appropriate consideration to conservation and protection. For example, one action item identified in the plan related to major repair challenges reads "[d]evelop processes or measuring tools to determine whether a major

repair project is warranted.” One way to enhance Reclamation’s conservation and protection mission would be to include consideration of water and natural resources impacts as part of such processes developed by agency officials.

Other parts do not sufficiently address conservation and protection. The action plan states that determining and achieving the appropriate level of future construction is a key assessment that must be considered in looking to the agency’s future. The plan defines future construction to include major repairs of existing infrastructure and salinity control projects. Unfortunately, neither the functional areas to be evaluated nor the benchmarks set forth in the plan for future construction mention consideration of impacts to water and related resources. A clear identification of consideration of such resources would strengthen the action plan.

On the other hand, some components of the plan appropriately consider conservation and protection. For example, the plan sets forth key issues that must be addressed prior to contemplating any future transfers of O&M including how to ensure that Federal responsibilities such as environmental, recreation and cultural resources are met.

With respect to better enhancing the conservation and protection mission overall within the agency, Trout Unlimited strongly recommends that the Committee either provide additional statutory authority to the agency to do so or require the agency to vigorously use existing legal mechanisms, such as the Fish and Wildlife Coordination Act. Reclamation has proved a valuable partner in numerous tributary habitat restoration projects in the Pacific Northwest, but the agency should identify how to expand their reach throughout the West to fund actual construction costs throughout mainstem and tributary reaches in watersheds where Reclamation dams exist.

RESPONSES OF THOMAS F. DONNELLY TO QUESTIONS FROM SENATOR DOMENICI

Question 1. Mr. Donnelly, you state in your testimony that Reclamation customers frequently complain about the administrative costs associated with Reclamation services.

Why do you believe costs for Reclamation services exceed those found in the private sector?

Answer. I can’t say with any degree of certainty that Reclamation’s costs of services are significantly greater than the private sector. All of the complaints that our member have voiced are antidotal. However, on some recent projects (i.e. Animas-La Plata) excessive administrative costs have been applied to the projects. For more detail, I would refer the Committee to former Assistant Secretary of the Interior Bennett Raley. Regardless, this issue should be addressed by the Bureau of Reclamation as part of the “Managing for Excellence” process.

Question 2. Do you believe that this is a result of overstaffing at Reclamation?

Answer. Again, we are hopeful that the “Managing for Excellence” process will include a critical assessment of the Bureau’s future staffing needs. We are concerned that the Bureau has maintained capabilities which were required for their construction mission of the past, but are no longer necessary for their maintenance mission of the future.

Question 3. In your testimony, you mention the hardship that current annual repayment schedules impose on Reclamation customers and the need to ease that burden.

Have you encountered situations in which your members are not able to meet their O&M obligations?

Answer. Yes, but for a number of reasons. On single purpose irrigation project, particularly in the northern tier States where there is only one growing season, project beneficiaries have struggled for years to meet their annual O&M obligations. When rehabilitation of project facilities becomes necessary it is often deferred because the beneficiaries can not repay the cost within the year they are incurred.. When this happens deferred maintenance often becomes critical maintenance. This is a huge issue in the context of the Bureau’s aging infrastructure.

Question 4. How do you suggest that we meet this need? What alternative financing mechanisms do you propose to help Reclamation customers meet the O&M costs allocable to them?

Answer. It is important to distinguish between routine operation and maintenance costs and modernization and rehabilitation needs. Often the Bureau is forced to blur that line because they have no available option. Over the past two years, we have engaged in discussions with Bureau representatives concerning this problem. Unfortunately, the Bureau of Reclamation is tremendously restrained with what it can offer as a solution by the Administration’s Office of Management and Budget and consequently, unable to think “outside the box.” Recently, the Bureau has discussed

with us the possibility of a program of loan guarantees as a solution. In some instances, loan guarantees can work, but loan guarantees do not offer a comprehensive solution. We believe there are a number of potential solutions, some using existing authority and others requiring new program authorization. Modernization and or rehabilitation of these projects could be accomplished through various means: project specific authorization (amendment of original authorization or new authorization) and appropriations, a congressionally authorized U.S. Bureau of Reclamation modernization and rehabilitation program, an infrastructure revolving fund or use of the existing Reclamation Fund. A restructuring of the Reclamation Fund, established under Section 1 of the Reclamation Act of 1902 (32 Stat. 388; 43 U.S.C. § 391), is an example of a potential solution using existing authority. The “Fund” currently has approximately \$4.5–5.0 billion in it. In reality, it was envisioned to address both new project construction and the modernization and rehabilitation of the existing infrastructure.

Question 5. Have you conducted a preliminary assessment of Reclamation infrastructure repair needs? If so, what is your estimate?

Answer. We are in the process of conducting a survey of project facilities Westwide to determine the scope of the aging infrastructure problem as it relates to Bureau of Reclamation facilities. To date we have only received between 20 and 30 responses. Most of the responses are from projects in the Pacific Northwest. We are hopeful that the information we gather through this survey combined with information the Bureau possesses on its projects can be combined to provide Congress with a “blueprint” of aging infrastructure funding needs over the next several decades.

At this time, we can not provide the Committee with an accurate estimate.

Question 6. You mention in your testimony that your organization has been asked to participate in the promulgation of Reclamation’s Action Plan.

Generally, do you believe that Reclamation has solicited stakeholder and customer perspectives in responding to the NRC report?

Answer. I believe that the leadership of the Bureau of Reclamation and the Department are making every effort to include the Bureau’s customers in addressing the recommendations in the NRC report.

Customer input is being actively sought and I am confident will be seriously evaluated.

RESPONSE OF THOMAS F. DONNELLY TO QUESTION FROM SENATOR BINGAMAN

1. Do you think that Reclamation’s mission in future should include an active role in helping municipalities, Indian tribes, and other rural communities address their future water needs, or should Reclamation be limited to focusing its attention on existing water and power infrastructure?

Answer. [None given.]

[Responses to the following questions were not received at the time hearing went to press.]

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, May 30, 2006.

Hon. LYNN SCARLETT,
Acting Secretary, Department of the Interior, Washington, DC.

DEAR MADAM SECRETARY: I would like to take this opportunity to thank you for sending Mr. William Rinne to testify before the Senate Committee on Energy and Natural Resources on Tuesday, May 23, 2006, to give testimony regarding the National Research Council report, *Managing Construction and Infrastructure in the 21st Century* Bureau of Reclamation and the U.S. Bureau of Reclamation Report, *Managing for Excellence: An Action Plan for the 21st Century*.

Enclosed herewith please find a list of questions which have been submitted for the record. If possible, I would like to have your response to these questions by Monday, June 12, 2006.

Thank you in advance for your prompt consideration.

Sincerely,

PETE V. DOMENICI,
Chairman.

[Enclosure.]

QUESTIONS FROM SENATOR DOMENICI

Reclamation's Action Plan, identifies 41 "action items" that, according to Reclamation, require thorough analysis and decision making.

Question 1. When will you complete analysis required to implement the Action Plan?

Question 2. When will you complete implementation of the Action Plan?

Question 3. Do you believe that any legislation is needed in order to implement this plan?

Mr. Rinne, I am particularly concerned with Reclamation's ability to maintain its existing infrastructure. Reclamation facilities represent a public investment of approximately \$250 billion. Additionally, many rely on water and power that the facilities provide. The average Reclamation facility is over 50 years old. Some Reclamation facilities are over 90 years old. In many instances, these facilities have exceeded their original operational lives. Meeting increasing operations, maintenance and rehabilitation obligations in light of budget cuts will prove especially challenging for Reclamation and its customers. For this reason, we need to ensure that costs passed on to customers provide Reclamation customers with the greatest value.

Question 4. Do you believe that OMB appreciates the increasing budgetary burden that O&M obligations on these facilities will impose on Reclamation? If so, how does the Administration justify a proposed cut of 13 percent to Reclamation's budget for FY2007?

Question 5. In general, how do you plan to meet increasing O&M obligations and protect the federal investment in Reclamation projects?

As you are aware, Reclamation customers are responsible for repaying O&M costs annually. The NRC report found "some water customers already find full payment of O&M activities difficult and major repairs and modernization needs . . . cannot be met under the current repayment requirements."

Question 6. Have you encountered situations where customers are not able to meet their O&M costs obligations? If so, have you explored any options for helping them meet his burden? If so, what?

Question 7. Are you concerned that if adequate sums are not made available for O&M obligations, that it would put the structural integrity of some Reclamation facilities at risk?

As you are aware, some overhead costs within Reclamation are passed on to its customers. Many customers claim that "overstaffing" within Reclamation is the reason costs are much higher than they would be in the private sector. However, the NRC report also recognizes the need to maintain "core competencies" in order for Reclamation to be a smart purchaser of private sector services.

Question 8. How do you plan to address the claims of customers that overstaffing exists within Reclamation and that the overstaffing results in excessive costs to Reclamation customers?

Question 9. Do you plan to undertake any outreach efforts to justify the need for Reclamation's workforce and the cost associated with the current workforce?

Question 10. Based on the fact that few, if any, large construction projects undertaken by Reclamation, should capabilities necessary for construction of large facilities be retained in Reclamation?

Of great concern to me is the problem of attrition which is currently facing Reclamation. The NRC report recognizes that, because of the aging workforce, a large number of staff will be retiring soon.

Question 11. How do you plan to recruit employees to address problems with attrition within Reclamation, including the retention of institutional memory?

Question 12. How do you plan to remain competitive with the private sector in order to attract new employees?

Question 13. Do you believe that Reclamation has adequate training programs underway in order to ensure that new and existing employees have the collaborative skills they need?

It is my understanding that services undertaken by the TSC have been benchmarked against similar services undertaken by the private sector.

Question 14. What have you found in these benchmarking activities? Have you found that TSC services are generally more expensive than comparable services in the private sector?

The NRC report states that while it does not question the need for the TSC, it does question the size.

Question 15. Do you agree that the TSC employs too many people? If so, do you believe that fact significantly contributes to the cost of TSC services?

Mr. Rinne, the FY2003 Omnibus Appropriations Act contained a provision requiring Reclamation to use the private sector for 10 percent of its planning, engineering

and design work in fiscal year 2003, and 10 percent in each subsequent year until the level of work is at least 40 percent.

Question 16. Has Reclamation complied with this statutory mandate?

Question 17. What is the current amount of outsourced work in these areas?

According to OMB Circular A-76, "commercial activities should be subject to the forces of competition." The Circular also states that "the government shall perform inherently governmental activities."

Question 18. What activities would you define as "inherently governmental" and which activities do you believe should be subject to the forces of competition?

Question 19. Do you agree with the NRC report's finding that Reclamation could outsource more?

The NRC report states that O&M, field data collection, drilling operations, routine engineering, and environmental studies should be "more aggressively outsourced where objectively determined to be feasibly and economically beneficial."

Question 20. Do you agree with this statement? How do you plan to determine which services can be outsourced more "aggressively outsourced"?

Former Assistant Secretary for Water and Science, Bennett Raley, who requested the NRC report, found "construction functions can almost always be performed cheaper and more efficiently by districts or private companies." I have heard similar complaints from Reclamation customers as well.

Question 21. Is it your experience that Reclamation costs are higher than those found in the private sector for similar services? If so, to what do you attribute these higher costs?

Question 22. Generally, do you believe that increased outsourcing would result in cost savings to Reclamation customers?

The NRC report recognizes that some technical capabilities need to be retained within Reclamation so that it can remain a smart purchaser of private sector services.

Question 23. How do you plan to determine what level of technical capabilities need to be retained? Should these technical capabilities be retained at the TSC, regional, area or project offices?

Mr. Rinne, a frequent complaint I hear from Reclamation customers is that they often do not feel included in decision-making processes and it is not clear how Reclamation makes decisions. Based on the NRC report, it appears that many of the complaints that customers and stakeholders have with Reclamation would disappear if Reclamation included them in the decision-making process and were more transparent in their operations.

Question 24. Do you agree with the NRC report that providing for stakeholder involvement will make it easier for Reclamation "to obtain buy-in from sponsors and stakeholders"?

Question 25. What successful models within Reclamation can you point to regarding stakeholder involvement?

The Reclamation Action Plan states "it is critical that we maintain and strengthen our capability to work with our many stakeholders."

Question 26. What additional skills do you believe need to be fostered among Reclamation employees in order to improve relationships with customers and stakeholders?

Question 27. How do you plan to foster these skills?

At the end of Fiscal Year 2005, then-Commissioner Beard retired a comprehensive set of policy statements and procedural directives call "Reclamation Instructions." This resulted in a lack of policy guidance. Although a new Reclamation Manual has been developed, the NRC states that "it is incomplete."

According to the National Water Resources Association the retirement of the Reclamation Instructions had a "profoundly negative effect on the organization."

Question 28. Do you agree with the NWRRA's statement?

Question 29. Do you believe that the revocation of the Reclamation Instructions resulted in a lack of consistency within Reclamation and a lack of accountability among Reclamation employees?

The NRC report recommends that Reclamation "should promulgate policy guidance, directives and how-to documents."

Question 30. Do you agree with this statement?

Question 31. To what extent can the Reclamation Instructions be reinstated?

Question 32. Do you agree with the finding of the NRC report that Reclamation should "establish a structured project management process" with respect to cost estimating? When will Reclamation's directives on cost estimating be implemented?

QUESTION FROM SENATOR CRAIG

Question 1. As recognized in the NRC report, rehabilitation costs are becoming increasingly burdensome to our water users. Can you tell me how the Bureau intends to fix this problem and what the time frame may be?

QUESTIONS FROM SENATOR BURNS

In your report, “Managing for Excellence” you highlight several questions surrounding major repair challenges. This includes how do you help customers finance their share of major repair projects?

Question 1. What progress have you made on finding workable solutions to the “major repair challenges” you face?

In recent years, the Sun River Watershed Group in Montana, a group that includes the irrigation districts and other interested stakeholders, has come together to explore ways to restore flows to the Sun River and thereby protect and enhance the Sun’s wild trout fishery. The river is the site of a Reclamation water project, which includes Gibson dam and reservoir, a secondary diversion dam, two smaller storage reservoirs, and numerous irrigation canals. The Reclamation project provides water to the Greenfields Irrigation District (GID) and the Fort Shaw Irrigation District (FSID). Several other major ranches have additional water right claims from the Sun River downstream of the Gibson reservoir. During drought years, the river barely contains enough water to satisfy the irrigators’ water rights, and the riverbed is nearly run dry.

Recently, the Watershed Group came up with an approach for exploring flow restoration that was acceptable to all stakeholders, tied these flow restoration goals to thermal TMDL targets, and the Sun River TMDL was approved by the EPA last year. A first-step in the flow restoration goals is improving river winter flows below Reclamation’s Gibson Dam, by taking a close look at reservoir operations and the current reservoir fill regime to determine whether some flexibility could be found in the operational regime to increase winter flows without jeopardizing the ability of Gibson Reservoir to fill with the spring peak flows due to snow-melt.

It is my understanding that some time ago Bureau representatives agreed to re-run the reservoir operations model to determine if there is some flexibility to increase winter flows. The Sun River Watershed Group invested significant resources in a detailed review of flow regime and snow pack data that should aid Reclamation’s model re-run.

Question 2. Does the Bureau plan to re-run the reservoir operations model and share the results with the Sun River Watershed Group? If yes, please tell me when this will occur. If no, please elaborate as to why.

QUESTIONS FROM SENATOR BINGAMAN

The NRC testimony references the budget constraints that Reclamation has to deal with.

Question 1. In your view, has Reclamation’s mission expanded beyond what it can effectively manage given its budget constraints? Is there room for making the organization more efficient, thereby increasing its capacity for on-the-ground activity that will benefit communities west-wide?

As I noted in my opening statement, there has been much frustration in New Mexico due to Reclamation’s lack of clear standards for project planning and cost estimates. Moreover, we continually hear Reclamation testimony before this Committee objecting to various projects and activities on the grounds that the engineering studies and cost estimates provided by the proponents do not meet Reclamation’s feasibility study standards. The ACEC testimony on Panel 2 provides some examples.

Question 2. Does Reclamation have clear standards for feasibility studies? Does it have clear standards for developing cost estimates? How is this whole issue being addressed in the Action Plan?

Concerns have been raised that title transfers or O&M transfers, in which the federal nexus is diminished, could result in the loss of attention on the restoration of river health in a number of areas.

Question 3. Is the Action Plan looking at this issue? Is there a way to engage in title and O&M transfers while still ensuring that environmental issues will continue to be addressed?

Question 4. Is the Action Plan looking at the role of the National Historic Preservation Act in title transfers?

NRC’s testimony recommends that Reclamation formulate comprehensive O&M plans to help develop fair and affordable repayment schedules.

Question 5. Is such a plan in the works? If so, when do you expect to finish it? How does Reclamation currently handle payment for large rehabilitation projects such as dam safety repairs? Does Reclamation anticipate needing new authority in the future to help it address the issue of paying for the upkeep of aging infrastructure?

Please provide a detailed explanation of the process by which Reclamation assesses annual O&M charges to its customers.

Question 6. Is all O&M, including large-scale rehabilitation/repair projects, required to be paid back on an annual basis?

Question 7. How are repairs paid for pursuant to Reclamation's Dam Safety Program?

Trout Unlimited's testimony expresses concern about Reclamation's failure to participate in the Sun River Watershed Group's request for model runs to assess new reservoir operations that might improve watershed health.

Question 8. Why hasn't Reclamation been willing to model alternative reservoir operations?

APPENDIX II

Additional Material Submitted for the Record

STATEMENT OF BENNETT W. RALEY

Mr. Chairman, Members of the Committee, thank you for your gracious invitation to testify today. I am particularly grateful that you have taken the time to consider the important issue of how the Bureau of Reclamation should prepare itself to serve the American people in the 21st Century. I have attached to my remarks a copy of a July 19, 2005 letter to the Chairman of the National Academy of Sciences Committee on Managing Construction and Infrastructure in the 21st Century Bureau of Reclamation, which I would request be submitted for the record along with these remarks. This letter recounts some of the history that led to the request to the National Academy for a review of the structure and focus of Reclamation.

We have now seen Reclamation's initial response to the Report of the National Academy. I believe that Reclamation's "Managing for Excellence" represents a good faith and serious first step by the agency to respond to the challenges identified by the National Academy. I think that it is worth noting that this response was directed by Deputy Secretary Scarlett and Assistant Secretary Limbaugh. As this Committee knows, the fact that a response was directed by senior officials in Interior signals that the outcome of this process is likely to be reviewed and approved at the most senior levels in the Department and will not simply be left to the agency. That is a good thing, as change is never easy, and particularly so when the needed change threatens long-held institutional biases.

I also participated in the first meeting between Reclamation and some of its stakeholders, which was held on April 27th in Denver. Assistant Secretary Limbaugh opened the meeting, and Reclamation was represented by a solid team of senior management and staff. Based on the comments from the Reclamation participants at this meeting, I believe that many in Reclamation understand the seriousness of this effort and the need to make meaningful changes in Reclamation's institutional structure. Reclamation participants in the meeting were open and willing to participate in an iterative discussion of the issues. This willingness to engage in a frank discussion allayed to a great degree the fear that Reclamation's "outreach" would consist of staged presentations that avoided the difficult issues. The prospects for success will be greatly enhanced if Reclamation continues to engage in a meaningful discussion of the issues with stakeholders.

However, the test of success will be whether Reclamation emerges from this process as a more realistic, more efficient, and more transparent entity. Reclamation must be more realistic, which means that it must recognize that it is time for it to evolve from an institution that believes that it must have the capability to do everything associated with the planning, design, operation, and maintenance of Reclamation Projects. Times have changed, and other entities have emerged that are fully capable of taking an enhanced role in all aspects of Reclamation Project operations subject to Reclamation oversight that is narrowly tailored to protect inherently governmental functions and responsibilities. Reclamation must also recognize that continued shift towards user-funded construction will require a corresponding shift away from Reclamation-dominated decision-making for those projects. These changes will require institutional courage, as they inherently involve downsizing or eliminating existing offices and programs.

We should soon be able to assess whether Reclamation has the institutional courage that will be required if it is to step aside where others can do work that it has traditionally done. On April 10, 2006, Assistant Secretary Limbaugh requested that Reclamation identify five examples in each Region of opportunities for Reclamation to create new or enhance existing partnerships that could be pursued as a part of its *Managing for Excellence*. A copy of this request is attached to my testimony. Reclamation's response to this request will be very telling. If the response is timely and includes proposals for partnerships that represent a meaningful change from the

status quo, it will be a meaningful sign that Reclamation is indeed serious about affecting change. If, on the other hand, the response is delayed for months, or is characterized by either meaningless “fluff and stuff” or suggestions that are clearly impossible to implement, we will have cause to conclude that meaningful and realistic changes must be driven from sources external to the agency.

I can report one positive response to Assistant Secretary Limbaugh’s request. On April 21, 2006, Acting Commissioner of Reclamation William Rinne requested that the Northern Colorado Water Conservancy District consider taking over responsibility for several power facilities that are a part of the Colorado-Big Thompson Project. A copy of this request is attached to my testimony. Reclamation and the Northern Colorado Water Conservancy District have had a number of meetings to discuss this proposal, and intend to provide a plan for consideration of this proposal to the Commissioner and Assistant Secretary by July 16, 2006. These discussions have included representatives of the Western Area Power Administration and the preference power beneficiaries of the Colorado-Big Thompson Project. Reclamation is to be commended for its initiative in proposing that the Northern District take additional responsibility for C-BT Project operations. While it is premature to conclude that these discussions will result in the actual transfer, the initial discussions have been positive and have not identified any insurmountable barriers. The complexity of these discussions is increased by the fact that the related issue of customer funding for costs associated with power facilities is also being discussed. Assistant Secretary Limbaugh has assured the participants that while a change in current appropriations-based funding is of interest to the Department, a change from the current method of funding these costs is not a required element of a transfer of additional responsibility for project operations and maintenance to project beneficiaries. I have also attached a copy of a concept paper that describes the Northern District’s perspective on this matter.

If Reclamation’s response to Assistant Secretary Limbaugh’s April 10, 2006 request contains concepts like that proposed by Acting Commissioner Rinne regarding the Colorado-Big Thompson Project, and if Reclamation moves forward to actually implement a number of these proposals, it will have demonstrated that it indeed is serious about the response to the challenges outlined by the National Academy.

I also suggested that Reclamation must become more efficient. This suggestion is based on the fact that, as the Family Farm Alliance has pointed out on a number of occasions, stakeholders view Reclamation’s design and construction work to be too expensive and too slow. These conflicts are likely the result of Reclamation’s attempt to preserve capabilities that are in excess of what is required for it to fulfill its inherently governmental functions. There are too many examples of excess staffing of meetings and delays and overruns for the design of facilities to discount the problems as isolated incidents. Simply put, the single most important reform element that Reclamation could and should adopt is to provide that except in cases where the proposed facility involves a substantial and risk to public health and safety, an entity that provides 50% or greater of the costs has the option to have planning, design, procurement, and construction performed by qualified non-federal parties subject to Reclamation oversight. A policy that allows dissatisfied stakeholders to elect to not use Reclamation services for construction services will provide internal incentives for Reclamation to be more efficient, as it will, as an institution, quickly understand that poor quality service will result in a continued decline in its role in construction activities. Conversely, cost effective and timely services will likely result in more work for Reclamation employees. This simple mechanism will probably do more to cure Reclamation’s problems at its Denver Center than anything else. However, Congress will have to watch carefully or it will find that projects funded by scarce federal funds may not receive the same level of effort to ensure efficiency.

As for the third area where Reclamation must change, “more transparency” means developing a greater capacity to track and report costs, whether paid by federal taxpayers or water and power project beneficiaries. Reclamation has continued to improve in this area, but much remains to be done before it can report in a timely fashion where it spends federal and non-federal funds.

I have previously articulated “10 Tests for Success” to be used to assess whether Reclamation’s “Managing for Excellence” will result in meaningful change or simply join the long list of studies and reports that gather dust in Interior offices and elsewhere:

1. Reclamation adopts a policy that project beneficiaries who pay for 50% or more of specific work can elect to use District personnel or private consultants for design, procurement, construction, and contract and construction management.

2. Reclamation uses “performance based” instead of “design based” standards for construction work.
3. Standards for construction and O&M used by Reclamation are based on an assessment of the relative risk, consequences of failure, marginal return, and subject to appeal to policy level
4. Reclamation adopts GPRA Goals that require transfer of O&M for an increasing percentage of Reclamation facilities to project beneficiaries.
5. Reclamation adopts GPRA Goals that establish minimum percentage of planning, design, procurement, construction and contract management to be performed by project beneficiaries or outsourced.
6. GPRA Goals incorporated into SES Performance Reviews.
7. ABC Accounting at Project level available to Project beneficiaries by job classification and specific task—“Transparency”.
8. Reclamation adopts Scenario 2 or Scenario 3 from NRC Report.
9. Total Reclamation Workforce is reduced by other than the rate of attrition—“Rightsizing”.
10. Reductions at the Denver TSC are real and not achieved by reassignments to the Regions or reclassifications of existing job categories.

I would invite this Committee to modify and improve on this list (I do not claim it to be something I thought of, as much of it reflects thoughts of others)—it is essentially intended to provoke discussion and to create an expectation of real change. I also believe that it is important that we recognize what these measures would do and not do. These measures are intended to preserve Reclamation’s role in supervising federally owned water projects—they can be implemented without the need for a transfer of title and would not affect, in any way, the requirements or application of federal laws such as the National Environmental Policy Act and the Endangered Species Act. These measures would allow Reclamation to focus scarce human capital resources on “inherently governmental” activities that cannot and should not be delegated to local project beneficiaries. Finally, they would not conflict with the need for Reclamation to preserve technical capabilities required for circumstances when Reclamation will be the lead for construction activities, nor would they conflict with the enhancement of Reclamation’s construction management activities. However, it is only fair that I note that the discussion with Reclamation representatives at the outreach session in Denver persuaded me that No. 9—downsizing by more than the rate of attrition, is not necessarily an appropriate goal. As for the rest, I am waiting for Reclamation or others to agree, disagree, or come up with a better list.

In today’s fiscal reality, it is in the best interests of everyone for Reclamation to devote scarce federal dollars to tasks that others cannot perform, and for Reclamation to be able to supervise and provide accountability for public funds that are invested in federal projects while maximizing the role of other competent entities in the operation, maintenance and rehabilitation of the irreplaceable investment in water supply infrastructure in the West.

Reclamation has a long and proud history of excellence. I am very proud to have been associated with Reclamation in my career. None of my remarks should be construed to be a criticism of Reclamation employees, or for that matter of Reclamation itself. The need for change does not mean that what came before was wrong or misguided. Sometimes, as is the case with Reclamation today, institutions must change to meet the evolving needs of the people they serve.

Thank you for your patience with me today.

BENNETT RALEY,
Centennial, CO, July 19, 2005.

Dr. JAMES K. MITCHELL, Sc.D., P.E.,
Geotechnical Engineer, Virginia Tech University, Blacksburg, VA.

Re: Organizing to Manage Construction and Infrastructure in the 21st Century Bureau of Reclamation, Project Identification Number: BICE-J-04-01-A

DEAR DR. MITCHELL: I was the Assistant Secretary for Water and Science, Department of the Interior from July 17, 2001 to December 3, 2004. I thought it might be of some interest if I relayed to the Committee the history of and reasons for the request for a Review of Reclamation by the National Research Council, as well as some observations on the issue before the Committee. Of course, I no longer speak for the Department and the thoughts expressed in this letter are mine alone.

By way of introduction, I have been around Reclamation and western water issues for 38 years, almost 25 of which have been spent working as a lawyer for water

users and water districts with an ongoing relationship with Reclamation. I have also worked on United States Senate staff on two occasions, and have served as a Special Assistant Attorney General for a western state in connection with matters that are closely related to federal Reclamation law and projects.

In summary, I agree with a letter recently sent by the Family Farm Alliance to United States Senator Pete Domenici that stated that “the Bureau of Reclamation must focus on fulfilling its core mission of delivering water and power in accordance with applicable contracts, water rights, interstate compacts, and other requirements of state and federal law. Essential components of the core mission are: 1) providing for the operation and maintenance of existing facilities that are likely to remain in federal ownership; and 2) providing for the rehabilitation and replacement of infrastructure that is likely to remain in federal ownership. Inherent in this definition of core mission is the need to prioritize the expenditure of federal funds and other resources of the Department of the Interior.” It is critically important that Reclamation position itself to achieve this goal in the most cost-effective manner possible.

The world has changed since 1902, and many water users are no longer dependant on the federal government to finance and construct complex water supply projects or facilities. Were it not for the unfortunate fact that the federal government has retained title to far more Projects and facilities than was originally envisioned by the Reclamation Act, water users would proceed independently with the planning, design, construction, and operation of many facilities that replace, modernize, and enhance existing Projects. If Reclamation is to achieve the goals outlined by the Family Farm Alliance, it must accept the reality that the Reclamation role in construction projects that are primarily funded by water users should be limited to the development of design standards, supervision of work to ensure that the design standards are met, and accountability for public funds expended for these projects. Reclamation must also recognize that water districts and the private sector have engineering and other capabilities that are equal to or exceed those remaining within the agency and which can perform project design, contracting, construction, and related functions in a more cost efficient manner.

BACKGROUND

Let me start with by observing that the request did not derive from a desire to have the Committee engage in a wide-ranging discussion of what the mission of the Bureau of Reclamation should be in coming decades. The Department had defined the “core mission” of Reclamation as “delivering water and power” in accordance with legal requirements of state and federal law. That definition, when combined with the strategic planning and budget processes of the Department, provided Reclamation with direction from the Administration regarding its mission. This definition of “core mission” was intentionally pragmatic and limited in scope in order to avoid “mission creep” and to provide a basis for a disciplined focus and prioritization of Reclamation resources and efforts. This definition of core mission was further explained internally and externally by observing that the existing and foreseeable budgets of Reclamation would not likely be adequate to provide for the operation, maintenance and replacement of existing facilities, meeting the mandatory requirements of Biological Opinions issued under the federal Endangered Species Act, and funding measures security measures required by the post-11 September environment. The challenge to those who wanted to spend money on other aspects of the Reclamation Program not included within core mission was to justify taking funds away from these priorities for another objective.

In addition, Secretary Norton’s Water 2025 Initiative defined the role of Reclamation from a substantive or philosophical perspective. See <http://www.doi.gov/water2025/>. Certain aspects of Water 2025 may be relevant to your Review. Water 2025 intentionally avoided the classic approach of a “sweeping study” combined with a “grand pronouncement” of a government program to solve western water conflicts. Water 2025 instead focused on the demographic, hydrographic, and fiscal realities that will shape western water policy for coming decades, and identified pragmatic “tools” that can be implemented to minimize or avoid water supply related crises that will otherwise occur in the next 25 years. These tools—water conservation and increased efficiency, markets, collaboration (specifically long-term biological opinions under the ESA), technology (specifically ocean and brackish groundwater desalinization), and system optimization were selected because of their capacity to be implemented and make progress in an environment characterized by very limited federal funds and an absence of public and political support for the construction of new infrastructure that would increase the available water supply on a programmatic or large scale basis.

It may be of interest to note that the success of Water 2025 does not depend on the maintenance or expansion of the Reclamation Program at or beyond current levels. This assumption was a reflection of the reality that the Reclamation budget is unlikely see a substantial and sustained increase regardless of which party controls the legislative or executive branches of the federal government.

I have no doubt that the Committee would be capable of producing a thoughtful and provoking analysis of what the Reclamation mission should be in the future. However, unless that vision is accompanied by the implementation of a parallel political strategy, it is likely that such an effort will join other similar attempts over the years as they gather dust on agency shelves. In my view, the Committee will provide a great service if it instead focuses its talents on the more mundane but critically important issue of assisting Reclamation in reorienting its program to deal with the fact that fiscal and political realities indicate that its role in the 21st century will not be a reprise of its role in the 20 century.

The request for the Review evolved from the consideration of a number of factors. First, President Bush has defined Presidential Management Initiatives that are to be implemented by all federal agencies. See <http://www.whitehouse.gov/omb/budget/fy2002/mgmt.pdf>. Two PMI's, Human Capital Management and Competitive Sourcing were particularly relevant. The focus on Human Capital Management was not particularly threatening to Reclamation, as it recognized the challenges associated with its aging work force that was developed to meet the demands of a prior era and the difficulty of recruiting for an agency with a static mission. However, as was likely the case for all federal agencies, the PMI on Competitive Sourcing was viewed as a threat to existing personnel and programs. Second, senior Department officials had requested that all bureaus identify existing programs that could be cut or eliminated. Not surprisingly, this request was viewed with great suspicion, and the response was at best slow and begrudging. This attitude was captured by the response to a question regarding what existing programs and capability were necessary to fulfill Reclamation's "core mission"—the reply was that "it is all core mission." Likewise, the instinctive response to budget pressures was to preserve all programs and capabilities by allocating whatever shortfall was at issue across all programs in order to avoid "zeroing out" lesser priorities. Third, a review of the reasons for Reclamation's discovery that the costs of the Animas-La Plata Project were approximately 50% over prior estimates concluded that one of the contributing factors was that Reclamation did not have an effective "construction management" program in place. This failure was not solely the fault of Reclamation, as senior management in Interior (myself included) did not focus on the fact that 1994-5 "sunsetting" of the Reclamation Instructions was not replaced by a comparable system that provided for a chain of command, responsibility, and authority over construction management activities. Members of Congress who were very unhappy with the Animas-La Plata experience were made aware of this Review and there is likely some expectation that it will address some of the issues presented by that experience. I assume that you have been fully briefed on this issue, its potential relevance to your work, and expectations that may exist in Congress in this regard.

A reflection on these factors resulted in several intermediate-level conclusions—it was unreasonable to expect Reclamation (or any other agency, for that matter) to provide a coldly analytical assessment of what aspects of its existing program were not essential to fulfilling a limited core mission (in part because of the unavoidable strategic and tactical "gaming" aspects of the development of the budget inside Interior, inside the Administration, and in Congress); it was unreasonable to expect Reclamation to provide a dispassionate assessment of what aspects of its core mission must be performed by Reclamation personnel and what aspects of its core mission could be performed by others; and the private sector was likewise not particularly well suited to an objective review of these issues. The National Research Council Board on Infrastructure and the Constructed Environment was then identified as an organization that could provide this type of review and analysis because of its perceived ability to act independent of any self-interest and provide a disciplined response to the requested Project Scope.

PROJECT SCOPE

The Office of the Assistant Secretary for Water and Science drafted the Project Scope¹ to enable the Committee to focus its efforts on the question of what capability Reclamation needs in order to fulfill its core mission. The inclusion in the Project Scope of an explanation of the "essential components" of Reclamation's core

¹ See <http://www4.nas.edu/weber.nsf/5c50571a75df494485256a95007a091e/09caed00ca8dce0b85256f8d00601302?OpenDocument&Highlight=0,reclamation>.

mission was an attempt to provide a tiered hierarchy of needs that the Reclamation Program must meet under any foreseeable combination of political and fiscal scenarios. I use the term "Reclamation Program" here as an intentionally broad term that can encompass activities performed by Reclamation employees as well as activities performed by others in connection with Reclamation Projects or activities.

The three tiers of this hierarchy reflect the base case for the Reclamation Program, starting with the definable and unavoidable reality of operating and maintaining existing projects, moving to the foreseeable, but less predictable need to rebuild existing infrastructure, and concluding with the likely, but even less predictable need to provide for new project construction. The philosophy reflected in this hierarchy is that the first priority of the Reclamation Program should be to maintain the capability required by the essential components or base case for the future of the Reclamation Program, and that the development and maintenance of additional capabilities should clearly be subordinated to the need to protect priority capabilities. Implicit in this formulation of Project Scope is a concern that an attempt by Reclamation to develop and maintain capabilities beyond those required for the base case will, in a limited budget environment, put at risk Reclamation's ability to fulfill its core mission in an effective manner.

ISSUES FOR CONSIDERATION BY THE COMMITTEE

Reclamation is unique in that it has a greater degree of "user funding" for its programs than do other federal agencies.

One might assume that everything that Reclamation currently does is in fact essential for it to perform its core mission. However, I am of the opinion that there is great risk to Reclamation if this position prevails.

As the Committee has already heard, Reclamation is somewhat unique among federal agencies because much of its work is funded directly or indirectly by its water and power customers. Some of this work is funded directly by the users, and Congress funds some of it subject to the requirement that water and power users repay the federal treasury over time. Consequently, there is a far greater degree of sensitivity to and scrutiny of Reclamation staffing decisions than exists for other federal agencies. This level of sensitivity and scrutiny is likely to intensify in coming years as the relative proportion of federal dollars invested in water supply infrastructure decreases and results in a correspondingly greater burden on already scarce non-federal funding sources. This trend will mean that there will be a greater proportion of direct funding by users and a relative decrease in Congressional funding subject to repayment obligations. This trend is of great importance to the matter before the Committee, as it is one thing for an agency to justify the maintenance of human capital or other program resources when it is the dominant fiscal force or when the costs of doing so are born by taxpayers, and quite another thing to attempt to preserve or build a program or when the costs are paid by specific project proponents who do not want to pay for the maintenance of additional capacity.

Any attempt by Reclamation to maintain internal capability beyond that required by the base case and for which the water and power users are willing to pay is likely to at a minimum create political and other tensions between Reclamation and its constituency, and may result in direct intervention by Congress on behalf of those who are being asked to pay for the additional capacity. Moreover, attempts to shield this capacity from these pressures by funding the additional capacity through non-reimbursable sources are not likely to succeed in the long term because of the operation of administration and congressional funding caps and the inability of Reclamation to prevent excess capacity from being billed to reimbursable accounts. Concerns regarding Reclamation's ability to provide engineering and related services in an effective manner are surfacing with increasing frequency with both water users and Congress. There are several recent cases of attempts by water users to seek legislation that would mandate a role for qualified districts and private consultants, and a senior Senator recently circulated of legislation that would fund projects through the Reclamation budget but require that Reclamation contract with the Corps of Engineers to do the work.

On numerous occasions over the past 6 months I have had the opportunity to talk to water district representatives about their perceptions of the broad issue of Reclamation costs and overhead. Several unmistakable patterns characterize these conversations:

- With a few exceptions, water managers that work with Reclamation like and respect their Area and Regional Offices. I also have a high personal regard for all of the Regional Directors, and while I have not met or worked with all of the Area Offices, most of them are very capable. In addition, I grew to appreciate the talents and hard work of a large number of Reclamation employees

throughout the agency, and appreciate my having the opportunity to serve with them.

- Water users complain bitterly about virtually all aspects of the work performed by the Denver Technical Services Center. To quote a recent conversation “as soon as Denver got involved costs skyrocketed and the work ground to a halt.” I want to make it clear that in my personal opinion this problem is not Mike Roluti’s fault, nor am I directing criticism at individual employees within the Denver Technical Services Center. The Denver Center is an institutional problem that is beyond the capacity of the direct supervisor or individual employees to fix.
- Water users believe that Reclamation has lost substantial components of the engineering and other construction-related expertise that it once had as an inevitable result of retirements, reductions in funding and the dearth of new federal Reclamation Projects, and the emergence of a cadre of highly qualified engineering personnel within water user districts and the private consulting sector. However, water users are unwilling to pay for or otherwise support the reacquisition of this capacity within Reclamation because they believe that the strictures and limitations inherent in the use of federal agencies will mean that design, procurement, and construction functions can almost always be performed cheaper and more efficiently by districts or private consultants under appropriate Reclamation supervision.

Although water users complain bitterly about the cost of and services provided by the Technical Services Center, most are unwilling to complain publicly because of a fear of retaliation by Reclamation, and a concern that their Area Offices and Regional Office will feel compelled to defend the Denver Center. However, both the number and substance of these discussions lead me to conclude that the dissatisfaction with the Denver Technical Services Center is widespread and substantive in nature. It is also worth noting that neither I nor others who have been exploring this issue have found water users that thought that the Denver Center was great and who did not want the option to do the work themselves or via qualified consultants. That does not mean that there is not, somewhere, a District that is very happy with the Technical Services Center or which does not want to have the option to use non-federal capacity—I just have not found them.

While I do not have hard data to support this conclusion, I believe that there is a particularly pernicious dynamic at work that almost guarantees that the Technical Services Center will lurch from one conflict to another. Simply put, the official line is that the TSC is “self funded.” In order to preserve the appearance of a need for the capacity at the TSC, Reclamation as an institution has a strong incentive to force work to TSC in order to maintain high utilization rates. Several recent examples of Reclamation’s attempt to force water users to use TSC provide a basis for this conclusion. However, because it also appears that there is not enough work to really keep all of this capacity working in an efficient manner, I fear that unused capacity tends to be assigned or drift to whatever project can bear the costs.² When water users become aware of excess staffing or unacceptably high project cost estimates, Reclamation responds by “bargaining down” the cost of the work under scrutiny, at times by significant margins. Reclamation’s routine willingness to reduce the cost of most projects that come under scrutiny provides strong evidence of a practice of overstaffing or over-estimating for projects in general. Stated another way, since Reclamation is not a profit-making entity, it cannot be achieving these reductions by taking a lesser profit, and must be reducing its costs by either eliminating excess staffing or having other projects subsidize the cost of the project under scrutiny.

I do believe that the TSC has been able to manage the costs of specific projects when under scrutiny and significant pressure. However, I am fearful that the result is that the unutilized capacity shifts to a project not under scrutiny and the problem is replicated elsewhere. Thus, a *de facto* policy of “overstaff until caught because we have to show full utilization” means that one projects’ gain in cost control results in the shift of costs to less vigilant projects until they too come under scrutiny. The consequence of this destructive cycle is a loss of confidence in Reclamation.

One aspect of the institutional problems associated with the TSC is that it appears to operate outside of the normal Reclamation chain of command. Area Managers and Regional Directors are responsible to water users for costs associated with

²It may well be that the problem of overstaffing is the collective result of well-intentioned TSC employees who want to contribute, want to be productive, and as a consequence show up to work on whatever projects are at hand. This dynamic can explain numerous examples of TSC staffing or involvement in a project that would not be accepted in the private sector because of the need to be price competitive, make a profit, and satisfy cost conscious clients.

their respective offices. However, the TSC reports to the Commissioner outside of the Area Office/Regional Director structure. It appears that Area Offices and Regional Directors do not directly control staffing and other decisions that affect costs associated with work performed by the TSC on Projects that are otherwise within their jurisdiction. This mismatch between responsibilities and control over work may well put an Area Manager, who must deal with water users on a daily basis, in the impossible position of attempting to control costs in a parallel component of Reclamation that is perceived to be directly responsible to the Commissioner.

I do not believe that it is in Reclamation's long-term interests to continue a political battle with its constituents in order to preserve or enhance capacity because the battle will damage Reclamations' credibility with water users and with Congress.

The critical issue before this Committee is to identify which capabilities must Reclamation maintain within the agency and which capabilities can be provided by qualified non-Reclamation entities.

The importance of defining the capabilities that should be maintained within the Reclamation Program turns on the answer to the question of what capabilities must be performed by Reclamation and which can be performed by qualified non-Reclamation entities. If Reclamation maximizes the use of non-Reclamation capabilities, it can add or eliminate capabilities using other federal agencies such as the Corps of Engineers or qualified non-federal contractors as needed. In this scenario the capacities of the Reclamation Program can fluctuate with actual demands for which appropriate funding is provided. Capacity that is maintained or added because and only for so long as someone wants it and will pay for it, whether that person be Congress or a water user, is unlikely to be controversial. If, however, Reclamation attempts to maintain internal capacity beyond the minimum required to meet anticipated needs, the question becomes far more important, as any over-estimate of the capacity required will be difficult to correct and become either a source of conflict with water users or a drain on available non-reimbursable fiscal resources.

I strongly believe that Reclamation should adopt the approach of tailoring its personnel needs and internal program components to maximize the use of non-Reclamation capacity. This conclusion is not based on a belief that Reclamation personnel are somehow less qualified than the alternatives. This conclusion is directly based on the unique nature of Reclamation as a user-funded agency. This reality makes it imperative that Reclamation be able to tailor its capacity to user demands and available funds far more quickly than is required for other federal agencies.

At a programmatic level, I would suggest that there are two broad areas and one specific program that define the appropriate role for Reclamation employees, and that activities outside of these areas should be presumed to be appropriate to be performed by non-Reclamation entities. The two broad areas that should be performed by Reclamation employees are management of Reclamation Projects and construction management, and the specific Program is the Safety of Dams Program. This conclusion is consistent with conclusions reached in *Outsourcing Management Functions for the Acquisition of Federal Facilities (2000)*, Commission on Engineering and Technical Systems:

The committee reviewed federal legislation and policies related to inherently governmental functions—a critical determinant of which activities federal agencies can and cannot outsource. An *inherently governmental function* is defined as one that is so intimately related to the public interest that it must be performed by government employees. An activity not inherently governmental is defined as *commercial*. The committee concluded that, *although design and construction activities are commercial and may be outsourced*, management functions cannot be clearly categorized.

<http://www.nap.edu/books/0309072670/html/3.html>. (Emphasis added). While the scope and focus of the inquiry of the Commission was not identical to that of this Committee, the context was similar enough to make its conclusion relevant here.

Management of Reclamation Projects. As is recognized by the above quote, within the broad category of management of Reclamation Projects there is a range of circumstances that should govern the level of management that is required to be performed by Reclamation personnel. For example, some water Districts have financial, managerial, engineering, and other capabilities that rival that of Reclamation (in some cases because the District personnel were previously Reclamation personnel). Other Reclamation Projects may require a far more extensive Reclamation presence because of conflicts relating to Project operations, sheer Project complexity, or a lack of capacity within the local District.

Consequently, the capacity required for Project “management” will vary widely between Reclamation Projects. This variance is likely already captured to some degree and reflected by staffing levels within the existing Regional and Area Offices. The Denver TSC does not and should not perform “management” functions, as this would be both inefficient and inconsistent with Reclamation’s “line authority” approach. Similar conclusions can be reached about other aspects of Reclamation’s Denver Service Center. While well intended and the home to many fine Reclamation employees, the Denver Service Center does not fit well within the strong “line authority” structure of Reclamation. Simply put, the chain of command for Reclamation runs from the Commissioner to the Regional Directors to the Area Offices. Notwithstanding this clear line of authority that is followed in theory and practice, the Denver Service Center is staffed by an inordinate number of Senior Executive Service employees who have, over time, had a very difficult time finding a comfortable “fit” or role within the Reclamation management structure.

A review of the list of “Programs, Initiatives, and Activities” that are largely carried out from the Denver Service Center includes a number of functions that may well fall outside of a careful definition of “management” or an “inherently governmental activity associated with Reclamation, including; the Building Seismic Safety Program, aspects of the Cultural Resources Program, DataWeb, the Fisheries Applications Research Group, substantial aspects of the Geotechnical Engineering Groups, the History Program, aspects of the Hydroelectric Research and Technical Services Program, aspects of Infrastructure Services, substantial aspects of the International Affairs Office, the entire JobCorps Program (regardless of whether Reclamation is fully reimbursed for its costs), the Materials Engineering and Research Lab, all aspects of the Museum Property Program not mandated by federal law, the Remote Sensing and GIS Program, the Science and Technology Program, aspects of the River Systems and Meteorology Group, aspects of the Research and Natural Resources Program, the Science and Technology Program, aspects of the Sedimentation and River Hydraulics Group, the entire Technical Services Program except for the Dam Safety Group, aspects of the Water Resources Research Laboratory, and aspects of the Water Resource Services Program. See, <http://www.usbr.gov/main/programs>.

I realize that there are overlaps and other inconsistencies within this list, but it is what Reclamation uses to describe its Programs. Much of this work is important, some of it is required by statute, many of the people involved are very, very good, and some of them are (or at least were) personal friends. However, the value of this work and the people that perform the work does not make these programs essential management functions or an “inherently governmental activity”, nor does existence of a statutory requirement require that the work be performed by, as opposed to supervised by, Reclamation employees. Other federal agencies, the private sector, and universities can also perform much of this work. I would be very surprised if a careful and objective review of the existing capacity of the Denver Service Center did not conclude that a minimum of 30% was either not required to fulfill Reclamation’s core mission or could be performed on an as-needed basis by non-Reclamation entities.

Construction Management. The Animas-la Plata experience highlighted the consequences of the decision 10 years ago to sunset the Reclamation Handbook without creating a replacement structure for the management of construction projects. Reclamation will be responsible to the public, to Congress, and to water users for a wide array of construction activities in the future. These activities will include both the replacement of the infrastructure completed over the past century as well as the construction of new components and facilities. While there is no inherent reason why Reclamation must perform research, design, contracting, and construction work, it must be able to 1) account for all funds associated with these projects and ensure that they are spent for authorized purposes, and 2) ensure that the work is performed in a manner that meets applicable engineering or other standards. Simply put, I believe that under any foreseeable future scenario Reclamation will need a strong construction management program that includes both fiscal and engineering components. However, these components should be deployed to set standards in advance, monitor compliance, and report on results. Performance of these functions does not, absent a statutory requirement, mean that Reclamation employees must design projects, serve as the “general contractor,” perform research, or serve as the day-to-day construction manager. Qualified water districts and the private sector can perform each of these functions under Reclamation supervision. I also recognize that in some unique cases, like the Animas-la Plata Project, the number of participating entities and tribal trust aspects of the Project make it appropriate for Reclamation to serve in a more expansive role than would otherwise be

the case. However, these unique cases will not characterize the role of Reclamation in the future.

I have heard on occasion that the existence of dam safety or other aspects of particular projects require that Reclamation personnel perform all of the design work. This assertion is not persuasive, as there is no rational reason why the fact that a professional engineer is employed or not employed by Reclamation is relevant to the exercise of his or her professional engineering judgment. Reclamation itself hires outside consultants to assist it in dam safety peer reviews, and some of the outside consultants were trained by Reclamation. The quality of the engineer is determined by education, intelligence, and experience, not employment status. This position inappropriately confuses the appropriate role of establishing appropriate performance or other standards to meet minimum engineering requirements with the actual design and construction of the facility. To be blunt, the assertion that Reclamation is uniquely qualified to design structures that have public safety implications is not credible and does a great disservice to the many highly qualified engineers that work elsewhere in the profession.

I believe that it is well accepted that Reclamation should be responsible for establishing appropriate design standards for work on federally owned structures. However, I would suggest that it would be helpful for the Committee to make recommendations regarding the manner in which these design standards are established, and a process for resolving disagreements between Reclamation engineers and qualified non-Reclamation engineers regarding the appropriateness of particular standards. In particular, I and others have at times perceived that Reclamation reflexively “over-designs” project elements based on an institutional philosophy that assumes that facilities should be designed using the most conservative design standards. While this approach may be appropriate for federally funded work and for work with material public safety issues, it is not necessarily appropriate for work funded by water users that does not present serious public safety risks. These issues can quickly move beyond engineering criteria to fundamental policy decisions that implicate the balancing of risks in an environment where financial resources are limited. One suggestion would be to provide for a quick “mini-peer review” involving outside consultants that project sponsors could utilize for disputes. However, the success of this approach would require Reclamation to welcome such a review instead of viewing it as a personal or professional attack.

The Safety of Dams Program. While an intellectual case can be made for considering the Safety of Dams Program to be just another engineering exercise, I believe that the unique nature of this program justifies the maintenance of the required expertise within Reclamation. Public safety is directly affected by this Program, and unlike other aspects of the Reclamation Program, there is a need for Program-wide uniformity. This Program also has significant national security implications. However, the Horsetooth Reservoir case study previously submitted to the Committee by Mike Applegate reveals that while the Safety of Dams Program may be technically strong, it may also have serious management flaws. Simply put, the fact that even after a roughly 50% reduction in costs as a result of Reclamation’s Value Engineering Program, the non-construction costs were equal to approximately 70% of the construction costs. This is far above any standard ratio in the industry. Moreover, the unexplained reduction of project costs from \$77 million to \$56 million creates credibility issues for the SOD Program. Finally, the inability of Reclamation to provide a final accounting for project costs 18 months after completion of the project borders on being deeply troubling. While my trust in Reclamation is substantial, any government program that cannot or will not provide a public accounting for how it spent \$56 million of public funds is one bad actor away from a disaster. Reclamation can and should provide greater transparency and accountability for its expenditures of public funds.

Thank you for considering these comments.

Sincerely yours,

BENNETT W. RALEY.