

Monthly Briefing

A Summary of the Alliance's Recent and Upcoming Activities and Important Water News

President Signs Site Security Bill

New Law Includes Cost Caps Advocated By The Alliance

President George Bush on May 8 signed into law the Consolidated Natural Resources Act, which includes provisions advocated for by the Family Farm Alliance to cap reimbursable site security costs at

Another Alliance-Backed Measure Is Signed

—Please see Page 3

federal hydroelectric facilities. “This is a victory for Western water and power users who want certainty when it comes to paying their share of security related costs,” said Alliance Executive Director Dan Keppen (OREGON).

(Continued on Page 2)



Salmon supplies are so short that the West Coast season is cancelled.

West Coast Salmon Are Given House Panel Scrutiny

Environmentalists, Anglers, Scientists Dominate Oversight Hearing

The House Natural Resources Subcommittee on Fisheries, Wildlife and Oceans, chaired by Madeline Bordallo held an oversight hearing on May 15 regarding the recent Pacific salmon collapse.

The hearing was originally titled “A Perfect Storm: How Faulty Science, River Mismanagement, and Ocean Conditions Are Impacting West Coast Salmon Fisheries,” but was renamed simply: “Oversight Hearing on Management of West Coast Salmon Fisheries” after several Committee members protested that the original title was provocative and biased.

The Subcommittee heard testimony from two panels of witnesses, mostly composed of fishing interests and scientists representing environmental agencies. The Subcommittee

(Continued on Page 4)

Monthly Briefing's Inside Stories For May

- ‘Produced Water’ Bill Signed Into Law, *Page 3*
- Farm Bill Clears Congress, *Pages 6-7*
- Snake River Wild, Scenic Bill, *Pages 8-9*
- Upper Snake River Biological Opinion, *Page 9*
- San Joaquin River Restoration Bill, *Pages 11-12*
- Alliance Boosts Loan Guarantee Program, *Page 13*
- Financing Aging Water Infrastructure, *Page 14*

Site Security: Alliance-Backed Provisions Included

(Continued from Page 1)

However, during 2005, Reclamation attempted to designate some of these costs as reimbursable. Congress that year did not agree with Reclamation and the incremental security costs remained non-reimbursable.

IN 2006, Reclamation proposed that all of the incremental security costs identified as operation and maintenance (O&M) costs be reimbursable. Congress subsequently limited the reimbursable portion of the incremental security O&M costs for 2006 to no more than \$10 million Reclamation-wide.

In 2007, Reclamation initially determined that all O&M costs associated with the incremental post-9/11 security costs would be reimbursable.

"This means these costs can be expected to increase over time as original capital equipment needs replacement," said Bob Stackhouse (CALIFORNIA), General Manager of the Central Valley Project Water Association (CVPWA).

A LEGISLATIVE EFFORT involving the Family Farm Alliance, CVPWA and others was launched in 2006. The Alliance and partnering groups became actively involved in trying to set reimbursability and oversight guidelines for these increased security costs. More than a half-dozen water and power organizations throughout the western United States participated in this effort, with the Colorado River Energy Distributors Association (CREDA) taking the lead.

In June 2006, the Alliance advocated for the inclusion of CVPWA staff on a witness panel to testify before the House Subcommittee on Resources regarding the increasing site security costs.

The Subcommittee was receptive to the comments provided by the participating water and power contractors and requested that legislation be drafted by the Coalition for consideration by the House of Representatives.

IN RESPONSE to this request, the Coalition drafted evolving legislation that ultimately accomplished the following:

- Limit the reimbursability of the incremental Site Security O&M costs to that proposed by Reclamation for fiscal year 2008, indexed each fiscal year after fiscal year 2008 according to the previous year's Consumer Price Index.
- Codify that capital expenditures for post-September 11, 2001 Site Security costs will remain permanently non-reimbursable
- Require that all post-September 11, 2001 costs for facility modification, upgrade, or replacement of such facility fortifications shall be non-reimbursable
- Require that once a Reclamation facility is identified for a site security measure, the Secretary of the Interior shall (1) provide written notice to the project beneficiaries, (2) provide project beneficiaries an opportunity to consult with Reclamation on the planning, design and construction of the site security measure, and (3) consider cost containment measures recommended by the project beneficiaries.
- Require that the Secretary annually report to the House and Senate on site security actions and activities undertaken under the Act for each fiscal year with a summary of federal and non-federal expenditures for the fiscal year and information relating to a five-year planning horizon for the program, detailed to show pre- and post- September 11, 2000 costs for security activities.

THE SITE SECURITY provisions were included in a bipartisan bundle of 62 individual bills signed by President Bush on May 8.

"Today is a great day for public lands across much of America," said Senator Jeff Bingaman (NEW MEXICO), chairman of the Senate Energy and Natural Resources Committee. "This new law encompasses lands and activities in more than 30 states and the District of Columbia, and I'm pleased that President Bush has signed it into law."

(Continued on Page 3)

'Produced Water'

Bush Signs Alliance-Backed Bill Into Law For Recovery, Reuse

In the arid West, every drop of water counts. Recovering usable water from sources contaminated by oil and gas drilling operations could significantly help our farmers, ranchers and recreational users, not to mention the habitats of many plants and animals.

On May 8, 2008 President Bush signed a measure sponsored by U.S. Senator Ken Salazar, the ["More Water, More Energy, Less Waste Act of 2007,"](#) (S. 1116) which could lead to the clean-up and usability of "produced" water from oil and gas drilling and coal-bed methane extraction. The President signed the bill which was a part of the Consolidated Natural Resources Act of 2008.



Patrick O'Toole

FAMILY FARM ALLIANCE

President Patrick O'Toole (WYOMING) played a key role in advocating for this legislation in Wyoming and Colorado.

The Alliance co-sponsored an April 2006 conference on produced waters in Fort Collins (COLORADO), along with the Bureau of Reclamation, National Institutes for Water Resources, Ruckelshaus Institute of Environment and Natural Resources (WYOMING), and the U.S. Geological Survey (USGS). Mr. O'Toole was a featured speaker at that event.

"Initially, the water produced from coal-bed methane operations looked like a temporary trend that would not last for long," Mr. O'Toole said. "We're now seeing an expansion of produced water, both in terms of time of production and volume, and it seems to be increasing as time goes on. This has the potential to be a win-win solution for ranchers and fuel producers."

THIS BIPARTISAN BILL is co-sponsored by Senators Jeff Bingaman (NEW MEXICO), Pete Domenici (NEW MEXICO) and Mike Enzi (WYOMING) and it would direct the Department of Interior to evaluate the feasibility of recovering and cleaning "produced water" – groundwater contaminated when it is brought to the surface dur-

ing oil and gas drilling or coal bed methane extraction – for use in irrigation and other purposes.

The bill would also authorize a grant program to test "produced water" recovery technologies. The grants would help fund pilot projects for this technology in Colorado, Utah, Wyoming and New Mexico, plus one additional site in Arizona, Nevada or California.

"EVERY DAY, TWO MILLION gallons of 'produced water' are wasted in this nation, unfit for any use," said Senator Salazar. "Recovering that water could help lift a huge burden off the backs of farmers, ranchers, communities and recreation users. We owe it to them and to future generations to test the feasibility of this technology."

The House companion (H.R. 902) to the "More Water, More Energy, Less Waste Act of 2007" is sponsored by Rep. Mark Udall (COLORADO) and was passed by the House in March 2007. The Senate Energy and Natural Resources held a hearing on the bill in [April 2007](#).

The full legislative text of the "More Water, More Energy, Less Waste Act of 2007" can be viewed at <http://salazar.senate.gov/images/pdf/070416water.pdf>.

Site Security

(Continued from Page 2)

Senate Energy Committee's staff says the legislation contains roughly an equal mix of Democratic bills, Republican bills and bills with bipartisan sponsorship that is "illustrative of the Senate Energy Committee's long-standing record of moving bills out of committee and to final enactment".

THE ALLIANCE AND OTHER parties involved with this legislation view it as a great success, worth the time and effort invested over the past several years.

"We have met our objective of limiting the reimbursable site security costs and providing for greater oversight by project beneficiaries and Congress of site security activities and costs," said Mr. Stackhouse, who also serves on the Family Farm Alliance Advisory Committee.

Salmon: West Coast Decline Discussed By Panel

(Continued from Page 1)

took testimony for approximately three and a half hours, and the written statements of all witnesses are available at: <http://resourcescommittee.house.gov>.

CHAIRWOMAN BORDALLO began her opening statement by declaring the salmon collapse to be the result of the “failure” of the National Oceanic and Atmospheric Administration (NOAA) to issue workable biological opinions for the Snake-Columbia, Klamath Basin and Sacramento River systems.

She said that salmon stocks must be healthy enough to withstand occasional changes in ocean conditions and climate. Chairwoman Bordallo further stated that salmon stocks in the West have been declining for the past several years due in large part to human causes. She asserted that NOAA (through the National Marine Fisheries Service) has failed to account for environmental changes that have and will affect salmon, and concluded by stating that NOAA needs to demonstrate leadership in rebuilding salmon stocks.

An unusually large number of non-Subcommittee Members – all Democrats from Western states – participated in the hearing. Many of the witnesses selected by the Democrats pointed to agricultural diversions, runoff and dams as key factors contributing to the low Pacific Coast salmon numbers.

IN THEIR OPENING STATEMENTS, Ranking Fisheries Subcommittee Republican Henry Brown (SOUTH CAROLINA) and Ranking Water and Power Subcommittee Republican Cathy McMorris Rogers (WASHINGTON) both expressed frustration over the original title of the hearing, and stated that it should not be taken as a predetermined decision as to what was the cause of the salmon failure.

Rep. McMorris Rogers suggested that the influence of striped bass in the California Bay-Delta should be examined in order to discover whether it is having serious impacts on the salmon population.

“Instead of engaging in finger-pointing and singing the same bitter tune against agriculture and energy, I really hope witnesses and this Subcommittee will use this opportunity to work together,” Rep. McMorris Rogers concluded.

This article was prepared with information developed by Kelly Sawyers of The Ferguson Group.

Subcommittee Member William Sali (IDAHO) asserted that he was very disappointed by the tone of the hearing. He noted that the current fishery closure is due to Central Valley populations, but several of the witnesses had been asked to address conditions in the Columbia-Snake system.

He said the hearing was intended to exploit the salmon problem to advance “an extreme agenda of breaching dams.”

Rep. Sali called the hearing a “blatant politicization of science” and concluded by stating no studies suggest dam removal would be beneficial, and that such action would in fact significantly raise carbon emission levels by displacing hydroelectric generation and barge transportation.

THE HEARING CONSISTED of two panels of witnesses. Subcommittee Members directed most of their questions to Rodney McInnis, the Southwest Regional Coordinator of the National Marine Fisheries Service (NMFS) at NOAA.

He testified that the “abundance forecasts” for 2008 salmon stocks were generally very low for the entire West Coast, but especially for California Central Valley fall-run Chinook salmon. He then stated that NMFS scientists found that poor ocean conditions from 2003 to 2005 were the most likely cause of the rapid decline in salmon stocks.

Most of the non-government witnesses were from the West Coast fishing industry and were selected by the Democrats in control of the subcommittee. Republican committee members selected James Litchfield and Jason Peltier to testify.

TESTIFYING ON BEHALF of Northwest RiverPartners, an alliance of farmers, electric utilities and large and small businesses in the Pacific Northwest,

(Continued on Page 5)

Salmon: Fish ‘Experienced An Oceanic Desert’

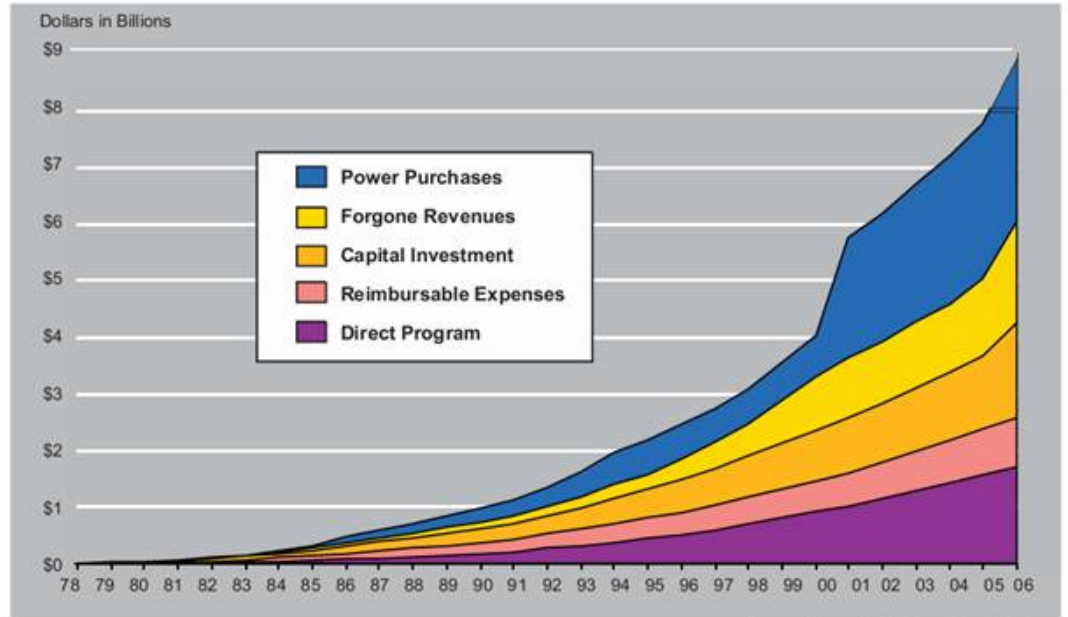
(Continued from Page 41)

Mr. Litchfield advocated for not removing the dams on the Columbia and Snake Rivers, and pointed to recent reports to back his position.

“Even if the dams were removed, it would only potentially help four of the 13 listed fish in the Columbia River Basin,” Mr. Litchfield testified.

FURTHER, HE stated that Congress would have to appropriate funds to pay for the estimated \$1 billion costs of removing the four public dams in the Columbia and Snake rivers.

The management challenge, said Mr. Litchfield, is to first recognize when ocean conditions are poor for salmon survival and then to reduce human caused



Source: Bonneville Power Administration

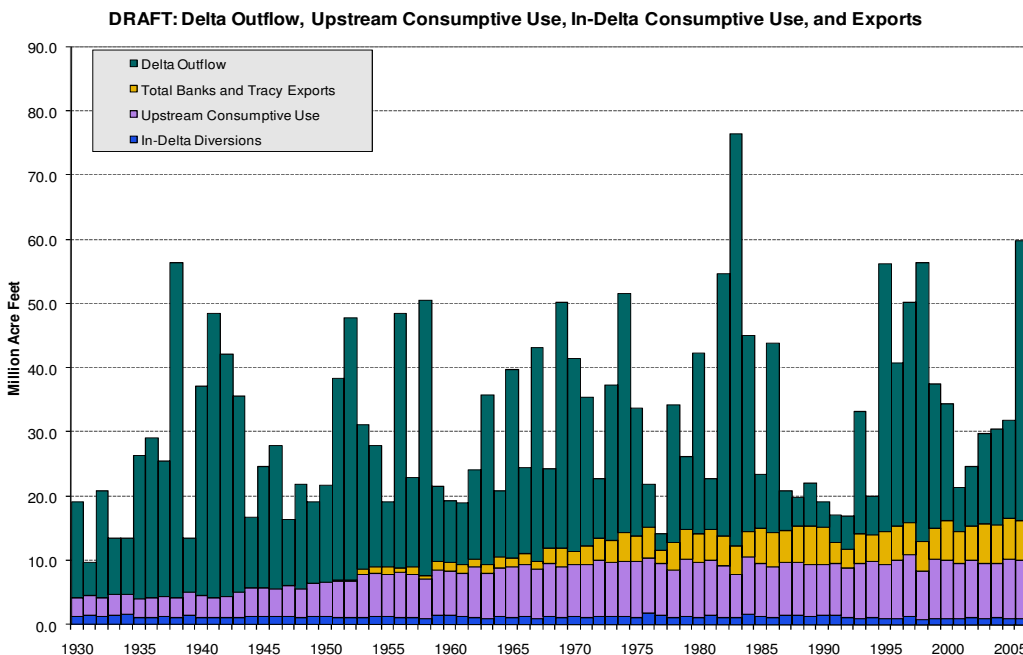
Northwest ratepayers had invested about \$9 billion by the end of 2006 in fish and wildlife recovery efforts since the passage of the Northwest Power Act in 1980.

mortality as much as possible during that time.

He testified that “2005 was a particularly poor year for ocean conditions. Juvenile salmon entering the ocean that year experienced an oceanic desert.

Knowing this could help us to recognize that there are likely to be reductions in salmon populations for the next several years following poor ocean conditions and that fish harvest is likely to need to be reduced.”

MR. PELTIER testified that in the last 15 years, more than \$1 billion has been invested in habitat improvements, primarily focused on salmon stressors, in the Delta region, and more than 46 million acre-feet of water from the Central Valley Project (CVP) has been prioritized for fishery improvements. He



California’s Delta pumping export diversions and upstream uses have remained very steady over the years, according to this chart presented by Jason Peltier during his testimony.

(Continued on Page 7)

Farm Bill Clears Congress

Measure Contains Elements Of Water Program Advocated, Supported By Family Farm Alliance

The farm bill that passed both the House and the Senate with veto-proof margins earlier this month contains a new water program that will allow irrigation districts to receive cost-share funding to enhance agricultural water supplies.

“The farm bill is the single most important piece of legislation for improving the quality of life and economic vitality of our rural communities,” said Senator Tom Harkin (IOWA), Chairman of the Senate Committee on Agriculture, Nutrition and Forestry.

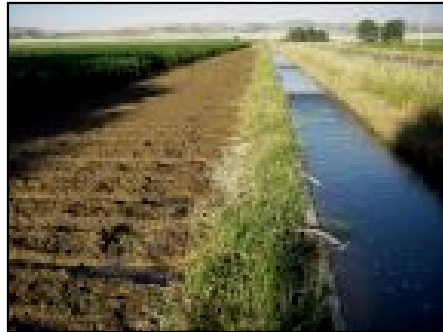
“It is also a food, agriculture, conservation and energy bill that is of critical importance to every American and which has very significant consequences and ramifications around the globe.”

THE BOARD of Directors at the 2007 Family Farm Alliance annual meeting identified the 2007 Farm Bill as a priority legislative issue to monitor and engage on.

In addition to the Regional Watershed Enhancement Program (RWEF), the Alliance has monitored disaster assistance and conservation provisions of the emerging Farm Bill since early 2007. The Alliance last year formally supported the Bush Administration’s RWEF proposal.

“We have worked with a broad coalition of agricultural, municipal and conservation groups to advocate for provisions that protect and enhance irrigated agriculture in the West,” said Alliance Executive Director Dan Keppen (OREGON).

INCLUDED in the Bush Admini-



A familiar scene across the West: A field being irrigated from a canal.

stration’s proposal for reauthorizing the Farm Bill was the creation of the RWEF.

The program, as proposed by the administration, aimed to coordinate funding for large-scale water conservation projects to improve water quality and conservation through partnerships with: state governments, non-governmental organizations, local units of government, water districts, and producer organizations.

‘We worked closely with Congressional committee staffers to advance our concerns in a way that would not conflict with other existing groundwater and surface water conservation programs’

–Dan Keppen, Family Farm Alliance

“The goal was for projects to benefit ‘working agricultural land’ and fish and wildlife habitats,” said Mr. Keppen.

The Alliance was one of the first

partners in a RWEF coalition that has grown to include nearly two dozen national agricultural, environmental, municipal and commodity groups.

“We worked closely with congressional committee staffers to advance our concerns in a way that would not conflict with other existing groundwater and surface water conservation programs,” said Mr. Keppen.

RWEF – NOW re-named the Agricultural Watershed Enhancement Program (AWEP) – made it into the bills passed by the House and Senate last week.

“For the most part, the program is as we had envisioned - a grant program run by the Secretary of Agriculture,” said Mr. Keppen.

“However, we were very disappointed to learn that the final package developed by the conferees includes a provision that the Alliance and others in our coalition – including several national conservation organizations – vigorously opposed last year.”

That language – which encourages converting agricultural lands to the production of less water-intensive commodities or dryland farming – was included in the conferees’ proposal, even though the Alliance and the coalition fought hard last year to keep it out of House and Senate versions of the bill.

However, Keppen pointed to some other positive developments that the Alliance advocated for that were included in AWEP:

- Agricultural producer associations and irrigation districts are

(Continued on Page 7)

Farm Bill: Alliance Wins Some Provisions It Advocated

(Continued from Page 6)

eligible to partner with the U.S. and receive funding for projects that enhance agricultural water activities on a regional basis.

- Higher priority may be given to proposals from partners that include high percentages of agricultural land and producers in a region; significantly enhance agricultural activity; and assist producers in meeting a regulatory requirement that reduces the economic scope of the producer's operation.
- "Eligible agricultural water enhancement activity" includes the use of a water impoundment to capture surface water runoff on agricultural land if the agricultural water enhancement activity is located in an area that is experiencing or has experienced exceptional drought; and will capture surface water runoff through irrigation ponds or small, on-farm reservoirs.
- Any agricultural water enhancement activity

conducted under the program shall be conducted in a manner consistent with State water law.

The U.S. Department of Agriculture is authorized by the new Farm Bill to carry out AWEP for the amounts of \$73,000,000 (Fiscal Year 2009 and FY 2010), \$74,000,000 (FY 2011), and \$60,000,000 for FY 2012 and each fiscal year thereafter.

THE BILL includes a disaster assistance program to assist farmers who lose their crops, livestock or trees or suffer from shallow losses due to disasters such as floods or drought.

The program complements the existing crop insurance program by providing additional assistance to farmers based on loss of crop revenue for their whole farm operation.

The additional payments are based on their level of losses compared to a benchmark proportional to their level of crop insurance coverage purchased at the beginning of the crop year.

Salmon:

(Continued from Page 5)

said CVP water and power contractors have contributed nearly \$500 million to support environmental restoration efforts.

"**THE STATUS QUO** cannot and will not stand and we face a choice," Mr. Peltier testified. "Either we take action to address the ecosystem and water management infrastructure problems or the system will collapse and we will move directly into an environmental and economic disaster."

Peltier – who works for Westlands Water District (CALIFORNIA) and is a member of the Family Farm Alliance Advisory Committee – also responded to a previous statement by Rep. George Miller (CALIFORNIA) and explained that water intake by

'Either we take action to address the ecosystem and water management infrastructure problems or the system will collapse and we will move directly into an environmental and economic disaster'

—JASON PELTIER, *Westlands Water District*

agricultural interests is actually heavily regulated in the region. He emphasized the agricultural community's work on the Delta Conservation Plan, and invited the fishing interests to take part as well.

REP. JIM COSTA (CALIFORNIA) submitted for the record a letter from the Modesto Irrigation District.

It provided data on salmon tracking and predation, which stated that "the preliminary data suggests that predation by non-native species is

having a significant impact upon salmon and other important native species in the Bay-Delta Estuary."

Rep. Costa concluded by saying that it is important for fishing and farming interests to cease blaming one another for the problems and begin to work together on finding solutions.

HE URGED the appropriate subcommittees to conduct joint field hearings to further investigate possible solution to problems in the Delta.

Controversial Snake River Wild, Scenic Bill Passes Senate Panel

A bill designating 442 miles of the Snake River as a Wild and Scenic River was reported out of the Senate Energy and Natural Resources Committee on May 7 over the vehement opposition of Idaho Senator Larry Craig and Idaho water users, who claim that the measure could put Idaho water rights at risk.

The bill, the Snake Headwaters Legacy Act of 2007, seeks to apply the wild and scenic federal designation to a portion of the Snake River below Jackson Lake Dam (WYOMING).

SENATOR CRAIG offered two amendments to the bill which he said would retain the current balance that federal agencies maintain in protecting the

Snake River’s character, along with the rights and water delivery needs of Idaho water users. The amendments were defeated, mainly on party-line votes.

“The Snake River is a unique anomaly to the West,” Senator Craig told the committee in describing what he said is a typical Western water rights fight. “It starts in Wyoming, but its water belongs to Idaho and is Idaho’s most significant water source.”

Senator Craig said the river’s water flow, especially the timing of water delivery, would be impacted by the proposed Wild and Scenic designation which is con-

‘The Snake River is a unique anomaly to the West; it starts in Wyoming, but its water belongs to Idaho and is Idaho’s most significant water source’
—SENATOR LARRY CRAIG

(Continued on Page 9)



Water bound from Wyoming to Idaho thunders into the Snake River through Jackson Lake Dam.

Coalition Likes Upper Snake Biological Opinion, Cautious About Future Challenges

Officials with the Coalition for Idaho Water say the group is pleased with a new salmon recovery biological opinion that deals with the operation of Upper Snake River dams and reservoirs released by the federal government earlier this month.

But the Coalition says it still anticipates challenges to the “Bi-Op,” as it is commonly known, from radical environmental groups bent on tearing out the four lower Snake River dams and taking Idaho water for salmon recovery.

“We are pleased with the new Upper Snake BiOp but we will remain cautious and continue to participate in the litigation now in Federal court to protect the sovereignty of Idaho’s water,” said Norm Semanko, a Coalition spokesman.

BIOPS ARE A REQUIRED element of the Endangered Species Act. The Upper Snake Biop, one of three released by the federal government, establishes standards that federal agencies must meet to keep from endangering the survival of more than a dozen different salmon runs. The recent BiOp release signals the end of the period during which a federal judge ordered that previous biological opinions be rewritten.

“The new Upper Snake biological opinion continues the essential components of limiting the amount of water coming from Idaho for flow augmentation, adherence to state law, and acquisition of water only from willing sellers. The term of the opinion is through 2034 which clearly provides continued,

long-term certainty for Idaho water users,” Mr. Semanko said.

However, Mr. Semanko also warned that Idaho water users need to remain vigilant for renewed attacks by groups whose aim is the removal of the four Snake River dams.

“**THE BALL IS NOW** in the environmentalists’ court. As they have in past, we fully expect them to challenge the new biological opinion, including operation of Bureau of Reclamation dams and reservoirs in Idaho, and to seek to take more water from Idaho, regardless of the impacts on our economy and way of life, Mr. Semanko noted.

Copies of the BiOp are available on the Coalition internet web site: www.idahowater.org.

Wild River: Bill For Snake Opposed By Idaho Users

(Continued from Page 8)

sidered by Congress to protect scenic rivers from development that would change their unique nature.

“Sustaining that designation on this section of the Snake River would require more water that would be denied to Idaho at a time of peak water usage for Idahoans,” he said.

IDAHO WATER USERS support Senator Craig’s opposition to this bill.

“All water stored behind Jackson Lake Dam in Wyoming is owned by water users in Idaho,” said Norm Semanko, executive director of the Idaho Water Users Association (IWUA). “From Twin Falls to Idaho Falls and all surrounding areas, farmers, ranchers and other water users rely heavily on water stored in Jackson Lake.”

Senator Craig and IWUA also warned that passing legislation that changes the Snake River’s designation, but does not clarify and protect Idaho water rights, would invite a challenge in the 9th Circuit Court of Appeals which has typically ruled against users in water rights issues.

Senator Craig told the committee that Idaho’s Attorney General had expressed concerns to him that the legislation could result in expensive litigation for the State if it did not include express protections for Idaho water rights and consistent water management.

SEMANKO IS ALSO concerned that the Wild and Scenic designation, if enacted, would lead to more litigation in Idaho.

(Continued on Page 10)

Wild River

(Continued from Page 9)

“Such pressures already exist to some extent, but these designations would give them new legal standing,” said Semanko. “Citizen suits by environmental groups will ensure that this happens if the designations below the dam are approved through enactment of this bill.”

IWUA and Senator Craig believe the bill can be amended to address their concerns.

“It is only the stretch below Jackson Lake Dam – a small portion of the total river miles included in the bill – that stands to adversely impact water users in Idaho,” said Semanko. “To adequately protect Idaho-owned storage water supplies in Jackson Lake, the proposed designations below Jackson Lake Dam need to be removed from the bill.”

APPARENTLY, Senator John Barrasso (WYOMING), who led the push for the Snake River wild and scenic bill before the Senate Energy Committee, had previously addressed similar concerns made by Wyoming irrigators prior to the committee hearing.

Mr. Semanko and others are hoping that Senators Barrasso, Craig and others can work together before the bill moves forward and agree upon compromise language to address the Idaho irrigators’ concerns.

“All we need is an assurance that flows will not be required below the dam, the same as in the Hells Canyon designation bill in 1975,” said Semanko.

SENATOR CRAIG said he regretted having to oppose the legislation which was a priority of the late Wyoming Senator Craig Thomas, a personal friend, but he concluded, “I must oppose it out of absolute necessity for Idaho water users.”

Thank You

To Our New And Renewing Members!

RECENT SUPPORT

APRIL 2008

CHAMPION (\$Over \$5,000)

Santa Cruz Water and Power Districts Association (AZ)

ADVOCATE (\$1,000 - \$5,000)

Panoche Creek Packing (CA),
West Coast Community Bank (CA)

DEFENDER (\$500 - \$1,000)

Paramount Farming Inc. (CA), Nebraska Water Users Association, Fertilzona-Casa Grande LLC (AZ), Heart Mountain Irrigation District (WY), Little Snake River Conservancy District (WY), Lower Tule River Irrigation District, CA, Netafim USA (CA), The Irrigation Association (VA)

PARTNER (\$250 - \$500)

Milner Irrigation District (ID), Marathon Farms (AZ)

SUPPORTER (\$100 - \$250)

Curtis, Goodwin, Sullivan & Schwab (AZ), Campbell Brothers Farms (CA), Lost River Ranch, Central Arizona Project, Thomason Tractor Company (CA), Elephant Butte Irrigation District (NM), North Side Canal Company (ID), Horsley Farms, Inc. (OR), Trout Unlimited (MT)

The Family Farm Alliance is grateful for the generous support that continues to be provided by members and donors from throughout the West.

**For membership information,
please visit www.familyfarmalliance.org
or call (541) 850-9007**



We Couldn't Do It Without You!

Senate Committee OKs Strengthened San Joaquin River Restoration Bill

Federal legislation needed to implement San Joaquin River Restoration and Water Management Goals has been advanced by the U.S. Senate Energy and Natural Resources Committee.

The Committee voted 15-7 on May 7 to approve SB 27, which would implement a 2006 settlement ending 19 years of litigation over the operation of Friant Dam and San Joaquin River near Fresno

Defense Council (the litigation's plaintiffs), and the United States Government, Interior Department and U.S. Bureau of Reclamation. Reclamation administers the Central Valley Project, and operates and maintains Friant Dam.

THE NEW PROVISIONS address Friant Division water supply concerns by detailing ways and means of minimizing or ultimately eliminating Friant supply losses used for restoration.

The bill maintains the original elements needed to authorize Reclamation to implement restoration projects along more than 150 miles of the San Joaquin River downstream from Friant Dam. However, it also includes important revised financial responsibility details, including a different form of Friant Division contract.

FRIANT DISTRICTS THAT HOLD contracts for use of federal Central Valley Project water from the Friant Division and San Joaquin River will accelerate payment of their construction obligation to the federal government. They will do so by converting their existing water service contracts to repayment contracts with specified conditions.

(Continued on Page 12)

'It's up to Congress to determine where the bill goes from here but this news was a major step forward'

—RONALD D. JACOBSMA, *Friant Water Users Authority*

(CALIFORNIA). The settlement provides for the restoration of a native salmon population below Friant Dam and revival of flows in reaches that have mostly been dry for a half century.

"We have full consensus among our member water districts in supporting the bill and appreciate the backing from the federal legislators such as California Senator Diane Feinstein and Representatives Jim Costa, George Radanovich, and Dennis Cardoza" Friant Water Users Authority (FWUA) Consulting General Manager Ronald D. Jacobsma (CALIFORNIA) said. "It's up to Congress to determine where the bill goes from here but this news was a major step forward."

THE SENATE COMMITTEE added important new provisions to the bill that expand on changes made to the House companion legislation (H.R. 4074) when it was approved by a House committee last November.

The San Joaquin River Restoration settlement was signed in September 2006 by the Friant Water Users Authority and its member agencies, an environmental and fishing coalition headed by the Natural Resources



Friant Water Authority
The Friant-Kern Canal, winding through the Sierra Nevada foothills northeast of Fresno.

San Joaquin River: Senate Committee Gives Nod

(Continued from Page 11)

The result will make much more of the settlement's funding available during the construction phase of the Restoration Program and partially addresses Pay-Go rules, a pay-as-you-go approach to new programs adopted in 2007 by Congress. New federal legislative proposals must either be "budget neutral" or offset with savings derived from existing funds. The new contracts would be permanent and remove Friant contractors from certain provisions of Reclamation law.

"It has been a very intense period balancing the needs and desires of several parties with high stakes in water supplies and river restoration," said Mr. Jacobsma. "With many good ideas and significant help from the settlement's backers in Congress as well as many others, we have legislation that is stronger and we believe more likely to move through Congress and be signed by the President."

THE MOST SIGNIFICANT CHANGE to the Settlement implementation legislation was including a great deal more specificity and detail around the Settlement's Water Management Goal.

"Friant from the start has had water supply and cost certainty for our users first and foremost in mind," Jacobsma said. "We continue to believe that the Settlement's assurances of set and certain amounts of water, along with ways of eventually getting it back, are a far better path to take than putting the salmon restoration issue back in the hands of a federal judge in Sacramento."

With Friant's historic San Joaquin River supply from the U.S. Bureau of Reclamation's Central Valley Project expected to be reduced an average of 15% -20%, a Water Management Goal (co-equal to the Restoration Goal) of getting water back to Friant users was made a part of the original Settlement. Additional details emerged as new and amended provisions in the bill.

IF THE BILL BECOMES LAW in its current form, Jacobsma said Friant Division officials believe about half of Friant's long-term water contract supplies lost to fishery restoration under the Settlement

can be recovered in the near term. Limited recirculation of water released for restoration picked up downstream and brought back into the Friant system could provide part of the recovery.

Improvements to the Friant-Kern and Madera canals to restore their original design flow capacities (decreased over the years by ground subsidence and other factors) would be a significant contributor.

So would new and expanded local groundwater storage programs around the Friant Division. Additional water recovery from an expanded recirculation program (as provided in the settlement) is currently under evaluation and may be dependent upon environmental issues in the delta.

To Contact Us

TELEPHONE:
(541) 850-9007

REGULAR MAIL:
P.O. Box 216,
Klamath Falls, OR 97601

EXECUTIVE DIRECTOR
DAN KEPPEM'S E-MAIL:
DanKeppen@clearwire.net



Visit Us On Line!

Our Expanded Website Is At

www.familyfarmalliance.org

Alliance Leading Charge To Launch Loan Guarantee Program

Over one year has passed since President Bush signed into law a program that would help Western water managers finance the repairs of critically needed water infrastructure.

Still, the U.S. Bureau of Reclamation has been stymied in its efforts to implement this program by staff

The Challenge Associated With Financing Aging Water Infrastructure
— Please see related story, next page

members working for the Office of Management and Budget (OMB).

The Family Farm Alliance is leading the charge to make loan guarantees available to Western water users.

THE ALLIANCE ON MAY 2 transmitted a letter and white paper to Congressional water committees that was supported by five other water organizations, including the Association of California Water Agencies, Central Valley Project Water Association, National Water Resources Association, Oregon Water Resources Congress, and Western States Water Council.

The six page white paper was prepared to rebut incorrect arguments and conclusions reached by OMB in a memo that was sent to the Department of the Interior in April.

Congress sought to address the situation by creating an innovative loan guarantee program to help local agencies meet their financial obligations for the repair and rehabilitation of federal water supply facilities.

THE RURAL WATER Supply Act of 2006 – legislation supported by the Alliance in the last Congress – authorized a loan guarantee program within Reclamation that would leverage a small amount of

appropriated dollars into a large amount of private lender financing available to qualified Reclamation-contractor water districts with good credit.

“In essence, Congress authorized Reclamation to co-sign a loan to help their water contractors meet their contract-required, mandatory share of rebuilding and replacement costs of federally-owned facilities,” said Alliance Executive Director Dan Keppen.

“Given this scenario, it is incredible that Reclamation loan guarantees, a long-awaited critical financing tool for water users across the West, are now being

‘This is not what Congress intended; OMB’s conclusions are wrong and are driven by a desire to prevent implementation of the program’

—DAN KEPPEN, *Family Farm Alliance*

held up because of incorrect interpretations of clear Congressional direction by OMB.”

The OMB memo concluded that Reclamation can carry out the loan program only if it is willing to siphon large amounts of funding away from other programs and needs within its budget.

“THIS IS NOT WHAT Congress intended,” said Mr. Keppen. “OMB’s conclusions are wrong and are driven by a desire to prevent implementation of the program. Reclamation must be allowed to proceed with implementation of the loan guarantee program as Congress intended it to function.”

A copy of the OMB memo, the Alliance white paper, and coalition letter to Congress can be found at www.familyfarmalliance.org.

The Challenge: Financing Aging Water Infrastructure

There is a growing recognition of the problem of aging public infrastructure across the nation.

Federal water supply systems are critically important to Western communities, farms, and the environment. These facilities are an essential component of the nation's food-production system and their operation helps ensure our ability to provide reliable and secure food for our own citizens and the rest of the world.

THE PROBLEM with fixing aging public infrastructure is financial.

There are not enough federal dollars to go around for burgeoning repair needs.

Yet, in the case of U.S. Bureau of Reclamation (Reclamation) water facilities, most of the rebuilding of this federal water infrastructure is paid for by the end users who contract with Reclamation for their water supplies.

Reclamation estimates that \$3 billion will be needed from project users in the near-term to provide for essential repairs and rehabilitation of facilities.

THIS IS WHERE the problem begins. Under its legal authority, Reclamation must treat expensive, major rehabilitation and replacement projects as operation and maintenance costs (O&M) that must be paid for by the water users both in advance, and in the year in which the costs are incurred.

For some of these projects, it is not uncommon for annual O&M bills for these rehab projects to be thousands of times larger when compared to previous years, with little time for water users to prepare.

With the federal government holding title to these facilities, water users can not easily obtain financing to meet their O&M obligations, nor can they simply pass along huge increases in costs to their water customers in such a short period of time.

AS A RESULT, in most of these cases, the unthinkable happens: these vital rehabilitation and replacement projects are delayed or dropped, leaving the facility in badly decomposing or unsafe condition



Last winter's levee break in the Truckee Canal that resulted in extensive flooding within the western Nevada community of Fernley has placed a spotlight on the nation's need to rehabilitate rapidly aging water infrastructure.

for future generations to deal with, and setting up the perfect storm of facility failure and resulting damages to property and person.

In the past, Reclamation offered its water users direct loans to cover their share of these major expenses, allowing them to finance over many years their contractual share of these costs over time.

HOWEVER, these direct loans have been discontinued, as mounting

pressures on the federal budget have redirected funds that were traditionally dedicated to these loan programs.

Currently, Reclamation does not have any active program that provides either loans or a budget line for the water user share of these rapidly increasing costs, even under hardship conditions.