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SENATE

{ REPORT
{ 105-410

CANADIAN RIVER PROJECT PREPAYMENT ACT

OCTOBER 12 (legislative day, OCTOBER 2), 1998.—Ordered to be printed

Mr. MURKOWSKI, from the Committee on Energy and Natural Resources, submitted the following

REPORT

[To accompany H.R. 3687]

The Committee on Energy and Natural Resources, to which was referred the Act (H.R. 3687) to authorize prepayment of amounts due under a water reclamation project contract for the Canadian River Project, Texas, having considered the same, reports favorably thereon with an amendment and recommends that the Act, as amended, do pass.

The amendment is as follows:

On page 4, lines 18 and 19, delete “shall have the right” and insert “may be permitted”.

PURPOSE OF THE MEASURE

The purpose of the legislation is to provide for the prepayment of repayment obligations for the pipeline and related facilities of the Canadian River Project in Texas and the conveyance of such facilities to the Canadian River Municipal Water Authority.

BACKGROUND AND NEED

The Canadian River Project is located in the northwest corner of Texas, providing municipal and industrial water for 11 cities and towns throughout the High Plains area. The primary purpose of the project is to supply water to the Texas cities of Borger, Pampa, Amarillo, Plainview, Lubbock, Slaton, Tahoka, O'Donnell, Lamesa, Levelland, and Brownfield. The principal structure is Sanford Dam on the Canadian River about 37 miles northeast of Amarillo. Additional features include 322 miles of pipelines, 10 pumping plants, and 3 regulating pools.

Beginning in 1900, the Geological Survey made several reports about ground water in the area. From 1935 to 1946, the Corps of Engineers made flood control and related investigations of the Canadian River. In 1941, the Bureau of Reclamation initiated an investigation of the Arkansas River Basin that included the portion of the Canadian River identified with the project. In a letter dated May 3, 1948, the Department of the Interior was asked to investigate and report on the possibilities of developing the water and related resources in the Texas Panhandle, with special attention to the area in the Canadian River Basin. Later, the Texas congressional delegation requested that the Bureau of Reclamation, as the Federal agency primarily responsible for water conservation activities, expedite its investigation and report upon the feasibility of developing the Canadian River as a source of municipal and industrial water in northwest Texas. A series of meetings was held and representatives of local interests were advised to submit estimated requirements on the understanding that they would be required to assume contractual obligations prior to project construction to pay for the water desired. The Bureau of Reclamation prepared a feasibility report in 1949. The Texas Legislature created the Canadian River Municipal Water Authority and authorized it to contract with the Federal Government under the Federal reclamation laws. A definite plan report was prepared by Reclamation in November 1960.

The Canadian River Compact Commission, composed of representatives from Texas, Oklahoma, New Mexico, and the Federal Government, was organized on June 30, 1950, in accordance with provisions of Public Law 81-491, granting the consent of the Congress to negotiations between the States for division of the waters of the Canadian River. The compact was ratified by the three States by May 10, 1951, and consented to in Public Law 82-345 in 1952. The project was authorized by Public Law 81-898 on December 29, 1950 (64 Stat. 1124). Section 2(c)(3) of the statute provides "that title to such portions of the pipeline and related facilities shall in like manner pass to the contract holder or its designee of designees upon payment to the United States of all obligations arising under this Act or incurred in connection with the project."

Construction of the Canadian River Project began with the award of a contract for Sanford Dam in February 1962. Continuation of construction involved award of many contracts for the aqueduct system, including various components such as segments of the pipelines, pumping plants, structures, building control systems, relocations, crossing agreements, and chlorination stations. Construction of the aqueduct system was sufficiently complete to initiate water deliveries in April 1968 and to transfer operation and maintenance responsibility to the Canadian River Municipal Water Authority on July 1, 1968. Subsequent completion of minor construction items was accomplished by the Canadian River Municipal Water Authority and the Bureau of Reclamation.

Unlike other project transfers considered by the Committee recently, transfer of the distribution system for the Canadian River Project is required under the initial authorization. This legislation provides for prepayment of outstanding indebtedness and clarifica-

tion of the facilities that will be transferred and access to other facilities that the United States will retain.

LEGISLATIVE HISTORY

H.R. 3687 was introduced on April 1, 1998 and referred to the House Resources Committee. A hearing was held on April 30, 1998. The measure was ordered reported amended on August 5, 1998. On August 7, 1998, the House Committee was discharged and the measure passed the House by voice vote. The Senate Energy and Natural Resources Committee has not held a hearing on this bill.

At the business meeting on September 23, 1998, the Committee on Energy and Natural Resources ordered H.R. 3687, as amended, favorably reported.

COMMITTEE RECOMMENDATIONS AND TABULATIONS OF VOTES

The Committee on Energy and Natural Resources, in open business session on September 23, 1998, by a unanimous voice vote of a quorum present, recommends that the Senate pass H.R. 3687, if amended as described herein.

COMMITTEE AMENDMENTS

During the consideration of H.R. 3687, the Committee adopted an amendment to clarify that the Secretary may permit the Authority to use facilities retained by the United States but that the Authority does not have a right to such use.

SECTION-BY-SECTION ANALYSIS

Section 1 provides a short title.

Section 2 provides a series of definitions.

Section 3 provides for the prepayment by the Canadian River Authority of outstanding obligations and for the transfer of Project facilities as provided under the 1950 authorization of the Project.

Section 4 provides for continued operation of the Project and use of certain facilities.

Section 5 provides generally for the termination of further repayment obligations by the Authority and future responsibility of the Authority for operation and maintenance of the Project.

COST AND BUDGETARY CONSIDERATIONS

An estimate of the cost of this measure has been requested from the Congressional Budget Office, but has not been received as of the date of filing of this report. When the estimate is received, the Chairman will have it printed in the CONGRESSIONAL RECORD for the advice of the Senate. The legislation provides for the prepayment, within one year, of \$34,806,731, which the Administration estimates to be the value of the remaining repayment obligations taking into account future credits to the Authority for costs incurred in operating non-reimbursable features of the Project. If the prepayment is made, revenues to the Federal Government in future years would be reduced by the amount of repayment obligations adjusted by credits for future costs incurred by the Authority on behalf of the United States.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out H.R. 3687. The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little, if any, additional paperwork would result from the enactment of H.R. 3687, as ordered reported.

EXECUTIVE COMMUNICATIONS

The Committee has not held hearings on this measure and has not requested formal Executive agency recommendations. The Commissioner of the Bureau of Reclamation, Department of the Interior, testified before the Subcommittee on Water and Power Resources of the Committee on Resources of the House of Representatives on April 30, 1998 on H.R. 3687. The pertinent portions of his testimony follow:

STATEMENT OF ELUID MARTINEZ, COMMISSIONER, U.S.
BUREAU OF RECLAMATION, DEPARTMENT OF THE INTERIOR

Thank you for the opportunity to appear today to provide the Administration's view on H.R. 3687.

H.R. 3687 authorizes the prepayment by the Canadian River Authority of the amounts due under Bureau of Reclamation contract number 14-06-500-485 for the Canadian River Project in Texas.

Mr. Chairman, we could support this legislation with technical amendments.

The Canadian River Project located in the northwest corner of Texas provides municipal and industrial water for eleven cities and towns throughout the High Plains. This project was authorized by Public Law 81-898 in December 1950. The Canadian River Project's principle structure is Sanford Dam, which is 8 miles west of Borger, Texas on the Canadian River. It also includes 322 miles of pipeline, ten pumping plants, several small regulating reservoirs at the high points of the system near Amarillo, Lubbock, and Borger, and the headquarters building in the town of Sanford. The Canadian River Authority has conducted all of the operation and maintenance activities for this project since 1968, and has more than adequately maintained the project facilities.

In addition to authorizing construction of the project, P.L. 81-898 directed that "title to such portions of the pipeline and related facilities shall in like manner pass to the contract holder or its designee or designees upon payment to the United States of all obligations arising under this Act."

Passage of H.R. 3687 will enable the Canadian River Water Authority to prepay the present value, as deter-

mined by the Secretary, of their contractual obligation to the United States, and pursuant to Public Law 81-898, receive title to the pipeline and the other related facilities.

It is important to note that Sanford Dam will continue to be owned by the United States and that Lake Meredith, which is the reservoir formed by the Sanford Dam, will continue to be administered by the National Park Service pursuant to PL. 101-628.

The facilities that would be transferred after the prepayment proposed in this legislation are good candidates for title transfer since there is no need for continued Federal involvement in the management or operation of these facilities. Transferring these facilities will allow Reclamation to redirect staff time to other important activities.

Mr. Chairman, we have worked closely with the Authority and believe that both the United States and the citizens of the communities served by the Project will benefit from this transaction. As such, we could support passage of this bill with two changes. First, Section 1(a) should be amended to add after Secretary of the Interior, "in consultation with the Secretary of the Treasury." Second, Section 1(b) should be amended by adding the following language: "Any funds paid by the District pursuant to this Section shall not be financed by the proceeds of obligations that qualify as federally tax-exempt obligations under Section 103 of the Internal Revenue Code as amended."

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill S. 736, as ordered reported.

