

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON 25, D. C.

APR 10 1964

Dear Senator Jackson:

This responds to your request for the views of this Department on S. 2630, a bill "To amend the Act of June 12, 1948 (62 Stat. 382), in order to provide for the construction, operation, and maintenance of the Kennewick division extension, Yakima project, Washington, and for other purposes."

We recommend enactment of the bill if it is amended as suggested hereinafter.

S. 2630 would authorize the Secretary of the Interior to construct, operate, and maintain the Kennewick division extension, a 6,300-acre irrigation development of the Kennewick division, Yakima project, Washington. This would be accomplished through appropriate amendments to the Act of June 12, 1948 (62 Stat. 382) which authorized the Kennewick division. The bill provides that financial assistance from McNary Dam power revenues shall be available to repay costs allocated to irrigation which are beyond the ability of the water users to repay and which cannot be met from net power revenues of the Yakima project itself.

The existing Kennewick division serves about 19,000 acres of land. Section 6 of the Act of June 12, 1948 authorized the Secretary of the Interior to construct extra capacity in the division's main canal to provide for the future irrigation of approximately 7,000 acres of land in addition to the then proposed development, and to recognize the cost of providing such capacity as a deferred obligation to be paid at such time as the additional area was brought into the project. The main canal was constructed with extra capacity at a cost of \$341,000, which has since been carried as a deferred obligation.

The Kennewick division extension would utilize the capacity thus provided, together with additional works which would be constructed,

to deliver an irrigation water supply to the 6,300 acres of extension lands. Specific new works required are a hydraulic pump at the Chandler pumping plant to lift additional water into the main canal, through which the water would flow for 6.7 miles. There it would be diverted into the Kiona siphon, which would carry the water 5,800 feet across Badger Draw to the extension lands. Six relift pump plants, six main canals, a system of laterals and drainage works, and electrical transmission facilities to serve the pumping installations are the remaining new facilities required. Power and energy for irrigation water pumping for the extension will be made available from the Federal Columbia River power system at charges determined by the Secretary of the Interior.

Most of the lands of the Kennewick division extension are presently dry. About 100 acres of the best lands have been planted to dry land wheat. The balance supports only sage brush and native grasses used for livestock grazing. Under project development the primary land use expected would be for growing feed and general row crops. Lesser acreages of fruit and specialty crops -- grapes, sweet cherries, prunes, peaches, apricots, mint, and asparagus -- would also probably be produced. The soil and climate are well suited to all the foregoing crops.

The Kennewick Irrigation District has long been interested in full development of the irrigable lands in the area. The District supported development of the entire area when the Kennewick division lands were brought under irrigation. Nearly all the lands in the extension have been in the District for many years.

The Kennewick division extension is basically an irrigation development, but benefits to wildlife resources will also be realized. The Fish and Wildlife Service reports that irrigation of these lands will be beneficial to upland game birds. Opportunities to develop significant benefits to recreation, flood control, municipal and industrial water supply, or other purposes are not available.

The total investment in the Kennewick division extension would be \$5,250,400. This is made up of \$4,720,000 in construction costs,

\$341,000 in deferred costs of the Kennewick division attributable to enlarged main canal capacity and assignable to the division extension, and the extension's pro-rata share of storage costs of the Yakima project, \$189,000.

Of the foregoing cost, \$5,115,500 is allocated to irrigation and \$134,900 to fish and wildlife enhancement. The costs allocated to fish and wildlife enhancement would be nonreimbursable. Costs allocated to irrigation would be reimbursable without interest. The irrigators would return \$1,914,640 or 37.4 percent of the costs allocated to irrigation. The \$3,200,860 financial assistance required would be derived from power revenues. The Kennewick division's Chandler powerplant, which is a unit of the Federal Columbia River power system, would provide a portion of the financial assistance. The repayment schedules for the Kennewick division, including the Chandler powerplant, provide that its costs will be amortized before the end of the repayment period for the extension lands. Power revenues theretofore devoted to repaying Kennewick division costs would then become available for financial assistance to the extension. Under the bill the remaining financial assistance required would come from revenues derived from the disposition of power generated at McNary Dam.

Payout procedures now in effect for the Federal Columbia River power system, of which the McNary Dam is a unit, pool revenues from all units on a consolidated system basis; all financial obligations, including irrigation assistance as authorized, are met from the pooled system revenues. This procedure is generally similar to those employed in the Central Valley of California and the Missouri River Basin. All presently authorized major units of the Federal Columbia River power system will have been paid out before the Kennewick division extension repayment period expires and the financial assistance requirements for the extension will be only a small fraction of one year's net revenues from the power system.

To conform S. 2630 to the aforesaid payout procedure, the Federal Columbia River power system as a whole -- and not just the McNary Dam -- should be made the source of financial assistance. The words "from the McNary Dam project" should therefore be deleted from lines 11 and 12 on page 2.

Policies in effect at the time the Kennewick division was authorized required that all reimbursable project costs be repaid from revenues derived from the project. This required an overall repayment period of 66 years for the facilities built under the 1948 Act. S. 2630, which would authorize the Kennewick division extension by adding it to the authorization of the 1948 Act, would make the same repayment period applicable to the extension. We believe that this is appropriate even though current congressional policy is that reimbursable reclamation project costs shall be returned in full within 50 years. The extension water users will be using many of the same facilities, and will bear a prorated share of the district operation, maintenance and replacement costs as do other Kennewick division water users. It is equitable that their repayment obligation should run for the same number of years as other division water users. Irrigation water users make annual payments toward retiring irrigation cost allocations in accordance with their ability to pay. Thus, the effect of a longer repayment period is that the water users bear more of the irrigation costs.

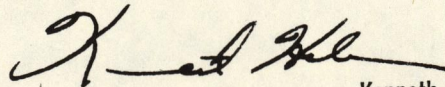
Section 5 of the Act of June 12, 1948 provides that one-fifth of the revenues derived from the interest component of power rates of the Kennewick division, Yakima project, may be applied toward repayment of Kennewick division irrigation costs assigned for return from power revenues. Under S. 2630 this arrangement would extend to the Kennewick division extension as well. The proviso appearing at lines 12, 13 and 14 on page 2 is intended to limit the availability of revenues derived as interest for financial assistance to revenues attributable to the Kennewick division power facilities (Chandler powerplant) and insure that revenues derived from the interest component of power rates of the McNary Dam project, which the bill contemplates as the source of supplementary financial assistance for the extension shall not be available for financial assistance to the extension. As we have indicated above, the source of supplementary financial assistance should be changed from the McNary Dam to the entire Federal Columbia River power system. To retain the availability as financial assistance of a part of the interest revenues from the Chandler powerplant -- from which the Bonneville Power Administration markets the power -- but limit the availability of interest revenues for that purpose to the Chandler powerplant, the

proviso should be changed to read as follows: "Provided, That section 5 of this Act shall apply only to revenues derived from the interest component of power rates of the Kennewick division, Yakima project."

A statement of personnel and other requirements that enactment of this legislation would entail is enclosed in accordance with the provisions of Public Law 801, 84th Congress.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,



Kenneth Holum

Assistant Secretary of the Interior

Hon. Henry M. Jackson
Chairman, Committee on
Interior and Insular Affairs
United States Senate
Washington, D. C.

Enclosure

KENNEWICK DIVISION EXTENSION, YAKIMA PROJECT, WASHINGTON

Estimated additional personnel and funds for construction
(in compliance with Public Law 801, 84th Congress) 1/

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>
<u>Executive Direction</u>					
<u>Administrative Services & Support</u>					
Clerical and Stenographic					
Subtotal--Administrative					
<u>Substantive (Program)</u>					
Engineering Aids & Technicians					
Subtotal--Substantive					
TOTAL POSITIONS					
2/ Total Estimated Additional Man-Years					
2/ Expenditure for Additional Man-Years					
Total Estimated Man-Years of Civilian Employment					
Total Estimated Expenditures:					
Project Personal Services					
All Other					
TOTAL ESTIMATED EXPENDITURES					

1/ Salary levels are those which became effective January 5, 1964.

2/ Data shown for additional man-years, and expenditures for additional man-years are estimated for recruitment outside the Bureau within the Regional area. Regional experience indicates that such recruitment is only necessary for the low-grade engineering and clerical positions (GS-3 and GS-4). The Region does not have available experience records on the net effect to recruitment requirements from outside the Bureau which may result from the transfer of career personnel between Regions to fill key positions.