



Mid-West Electric Consumers Association

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FACT SHEET

Proposed Reallocation of Pick-Sloan Investment

The FY2010 Budget Request again proposes to reallocate Pick-Sloan irrigation costs. Budget details have yet to be submitted to Congress, so exactly what is intended is unclear. In past years, legislation has never been submitted to explain how reallocation would be implemented.

The last time this issue arose was in the FY 2008 Budget Request. Then, the Major Savings and Reforms in the President's 2008 Budget (p. 173) stated:

“The Budget proposes to re-allocate repayment of capital costs of the Pick-Sloan Missouri Basin Program. Power customers will be responsible for repayment of all construction from which they benefit, whereas to date they have only been responsible for a portion of it. This proposal will not impact services, and will ensure taxpayer investments are being repaid as intended through a modest increase in power rates to the program's beneficiaries. This increase could be phased in gradually over time and phased out when costs are repaid.”

Congress rejected this proposal then. Congress should reject this proposal today.

Mid-West opposes the proposal to reallocate costs associated with irrigation development and collect those costs from power customers through an accelerated repayment schedule.

- The proposal looks at only one aspect of a very complicated financial arrangement in the Pick-Sloan Missouri Basin Program. Cost allocations and repayment responsibilities and schedules are determined by the Pick-Sloan concept of “ultimate development.” Ultimate development recognizes the differing pace of development of Pick-Sloan authorized features, spreading those repayment obligations of irrigation costs over time. Reallocating irrigation costs contradicts “ultimate development” and affects more than irrigation and power costs.
- The proposal “cherry picks” one aspect of Pick-Sloan, a multi-state, multi-purpose development plan without addressing other equity issues. It is inequitable to focus on only two functions of ultimate development (power and irrigation) without a full examination of allocations for all project purposes.

- The proposal does not recognize that federal irrigation projects continue to be developed in the region and will require Pick-Sloan power. Power estimates needed for federal irrigation reflect authorized federal irrigation projects in the region. For example, the Dakota Water Resources Act (DWRA) is under construction. Upon its completion, the Bureau of Reclamation estimates that DWRA will require 80 megawatts of power, which will be provided by withdrawals from existing firm power customers.
- Pick-Sloan firm power customers are paying the lion's share of federal irrigation development under the Pick-Sloan Missouri Basin Program. Federal power users are responsible for repaying roughly 85% of Pick-Sloan irrigation investment, because those costs are deemed beyond the ability of irrigators' capability to repay.
- Federal firm power customers are already responsible for repaying \$725 million of already developed Pick-Sloan irrigation projects. For example, in 2012-13, Pick-Sloan federal power will be repaying \$65,000,000 of irrigation investment.
- Federal firm power customers also pay for the overwhelming majority of federal irrigation project's power costs. Pick-Sloan irrigation projects pay only 2 ½ mills/Kwh for their power. The firm power rate is 29.63 mills. The difference between the firm power rate and the irrigators' project pumping costs are repaid by firm power customers.
- The data in the proposal is over ten years out of date, and, thus, does not reflect current financial conditions.
- This year's budget proposal is virtually identical to the proposal in the FY2006 and FY2008 budget requests, which Congress considered and rejected.