

**Statement of Estevan López, Commissioner  
Bureau of Reclamation  
U.S. Department of the Interior  
before the  
Committee on Natural Resources  
Subcommittee on Water, Power and Oceans  
U.S. House of Representatives  
on  
HR 1107, the Bureau of Reclamation Transparency Act  
June 25, 2015**

Chairman Fleming and members of the Subcommittee, I am Estevan López, Commissioner at the Bureau of Reclamation (Reclamation). I am pleased to provide the views of the Department of the Interior (Department) on HR 1107, the Bureau of Reclamation Transparency Act. The Department supports HR 1107.

HR 1107 is a reintroduced version of bipartisan legislation previously introduced by Senators Barrasso and Schatz during the 113<sup>th</sup> Congress. The prior bill was numbered S. 1800, was also titled the Bureau of Reclamation Transparency Act, and Reclamation testified on the bill in February of 2014. Reclamation appreciates the constructive work conducted with the sponsor's offices and this Subcommittee to develop a number of specific changes to the bill consistent with our 2014 testimony. These changes were all incorporated into the current version of HR 1107. Reclamation recognizes the value in obtaining additional information on the status of our infrastructure. The bill is consistent with a draft Infrastructure Investment Strategy and process Reclamation has initiated proactively, which I will briefly summarize here.

For the past year, Reclamation has been developing a draft Infrastructure Investment Strategy (Strategy) for assessing and reporting on infrastructure investment needs for Reclamation's approximately 4,000 unique assets. The Strategy builds upon Reclamation's ongoing asset management planning and budget processes, including the existing major rehabilitation and replacements (MR&R) database. Much of the initial focus of this Strategy has been on "reserved works"; facilities constructed, owned, and operated by Reclamation, as opposed to "transferred works", which are those facilities that were built and are owned by Reclamation, but which are operated and maintained by water and power customers pursuant to contracts.

Consistent with the directives in HR 1107, Reclamation's Strategy process will focus on: improving data collection, analysis, and reporting on the condition of Reclamation-owned infrastructure; categorizing potential investments according to relative importance and urgency; and collaboration with water and power customers in planning for these investments.

Based on arrangements originating with Section 6 of the Reclamation Act of 1902, over two-thirds of Reclamation's facilities are transferred works, managed by non-federal project beneficiaries. These operating entities provide valuable input to the formulation of Reclamation's annual asset management activities. At present, Reclamation's annual budget requests include estimates of the appropriated funds needed for maintenance conducted by Reclamation at its facilities. The estimates in the budget request do not include the amounts

funded by non-federal beneficiaries for their maintenance of Reclamation facilities. Reclamation's budget documents, delivered to Congress annually and posted online, are developed over a multi-step 18-month process that begins at the field office level where managers consider the condition of the facilities under their jurisdiction, safety considerations associated with facilities' condition, and – very importantly – the ability of operating partners to fund the work identified pursuant to the terms of their contract and requirements of Reclamation Law. Investments in MR&R are analyzed and prioritized at the field, regional, and bureau levels based on criteria such as: Engineering Need; Risks and Consequences of Failure; Efficiency Opportunities; Financial Feasibility; and availability of Non-Federal Cost Share.

During this process, Reclamation categorizes the information that will go into its budget requests using its Programmatic Budget Structure (PBS). The PBS uses two of its five primary categories to show the budget request for Operations and Maintenance (O&M) activities: 1. Facility Operations, and 2. Facility Maintenance and Rehabilitation. It should be noted that in addition to the appropriated funds in these two categories, a substantial portion of O&M activities is paid for directly by water and power users with their own funds or project revenues.

The Facility Operations category includes items and activities that are necessary to operate Reclamation facilities to produce authorized project benefits for water supplies, power, flood control, fish and wildlife, and recreation. This category includes not only facility operations by Reclamation at reserved works, but also Reclamation's oversight of the operations of facilities performed by water user entities at transferred works. Facility Operations includes all routine or preventive maintenance activities. Routine maintenance is defined as recurring daily, weekly, monthly, or annually, and most tasks performed by Reclamation maintenance staff are included in this category. Also included in this category are routine safety and occupational health items, including those for workplace safety inspection and hazard abatement. The amount budgeted under this category for each facility is the funding necessary to perform routine O&M activities. On an annual basis, each region, along with centralized program management staff, determines the appropriate budget level to support staffing and other resources necessary at each facility for continued operations to deliver authorized project benefits.

The second category, Facility Maintenance and Rehabilitation, addresses the needs over and above the resources in Facility Operations, and corresponds roughly to the concept of MR&R. The Facility Maintenance and Rehabilitation category includes major and non-routine replacements and extraordinary maintenance of existing infrastructure. This category also includes activities to review and conduct condition assessments (facility O&M and dam safety inspections), as well as funding necessary for the correction of dam safety deficiencies (dam safety modifications), the implementation of security upgrades, and building seismic safety retrofits. Consequently, most of the budgeted items under this category are related to site-specific facility needs.

After Reclamation's field offices identify MR&R activities in their jurisdiction that require appropriated funds, they are evaluated at the regional level where these are compared to the needs and priorities of other activities and facilities in that region. There are five regions within Reclamation. The regions' PBS allotments for Facility Maintenance and Rehabilitation each year are then evaluated at the next level of internal review, with Reclamation's Budget Review

Committee (BRC) process. A given year's BRC is working in advance of a budget request two years into the future, and is comprised of senior management from across the agency, providing the maximum breadth of relevant experience and program knowledge. Each region presents its priorities to the BRC, which evaluates the MR&R needs and priorities against those of other regions in order to ensure that Facility Maintenance and Rehabilitation activities reflect Reclamation's greatest overall need and agency priorities. No urgent maintenance issues necessary to the safe operation of a facility are deferred in the budgeting or facility review processes. The end result is a budget request that has been prioritized and vetted across the organization, concurrent with input from the Department and Reclamation leadership.

For the purpose of reporting asset condition to the Federal Real Property Profile to meet requirements of the Executive order 13327, "Federal Real Property Management," and to better understand upcoming needs, Reclamation develops and annually updates estimates of MR&R needs. This effort, which informs the annual budget process, represents an outlook of Reclamation's best estimate of reported deferred maintenance, and identified extraordinary maintenance, dam safety modifications, repairs, rehabilitation, and replacement activities at a point in time looking forward five years, regardless of funding source, for all assets. The estimated total in 2012 amounted to \$2.5 billion over five years (fiscal years 2013-2017)<sup>1</sup>. It is important to note that a substantial portion of projected needs to address the rehabilitation of aging infrastructure (roughly \$1.2 billion of the \$2.5 billion estimate) will be financed directly by our water and power customers. Cost estimates associated with these identified needs range from "preliminary" to "feasibility" level, and should not be collectively assumed to be at one particular uniform level of detail. Variability in the MR&R estimates from year to year may be the result of additional information received from the estimating source (i.e., Reclamation field offices and non-federal operating entities), changes in field conditions, further evaluations conducted, and work priorities, thus impacting the inclusion or deletion of specific identified needs within a particular year, or from year to year.

As stated in prior testimony before the Senate, one of the main challenges Reclamation faces in securing funding for the identified near-term needs as well as longer-term MR&R needs is the varying economic strength of our operating partners. Given the requirement under Reclamation Law for the repayment of maintenance costs either in the year incurred or over time, Reclamation must work in collaboration with our water and power partners that must repay these investments. For some of these partners, the cost-share requirements associated with MR&R work are simply beyond their financial capabilities. Like any organization tasked with constructing, operating, and maintaining a wide portfolio of assets, Reclamation has to prioritize its actions to maximize the benefits derived from its investment of both federal and non-federal funds. Given the substantial economic and financial interest of Reclamation's non-federal partners, the development of cost estimates for maintenance requirements on reserved and transferred works is both collaborative and dynamic. We acknowledge there are tradeoffs associated with decisions to fund one identified need versus another, but Reclamation's annual budget request reflects our best effort to balance those constantly evolving needs associated with all elements of our mission.

---

1

[www.usbr.gov/assetmanagement/Asset%20Inventory/FY%202012%20Reclamation%20Asset%20Management%20Plan.pdf](http://www.usbr.gov/assetmanagement/Asset%20Inventory/FY%202012%20Reclamation%20Asset%20Management%20Plan.pdf)

The requirements of HR 1107 would complement the processes described above, and the bill makes allowance for the valuable input from operating partners that is central to Reclamation's asset management program.

This concludes my written statement. I am pleased to answer questions at the appropriate time.