EVAPORATING PROSPERITY: HOW FEDERAL ACTIONS ARE DRIVING UP WATER AND POWER COSTS, THREATENING JOBS AND LEAVING ARIZONANS HIGH AND DRY

OVERSIGHT FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON WATER AND POWER

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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OVERSIGHT FIELD HEARING IN PHOENIX, ARIZONA, ON "EVAPORATING PROSPERITY: HOW FEDERAL ACTIONS ARE DRIVING UP WATER AND POWER COSTS, THREATENING JOBS AND LEAVING ARIZONANS HIGH AND DRY."

Monday, June 4, 2012

U.S. House of Representatives

Subcommittee on Water and Power

Committee on Natural Resources

Phoenix, Arizona

The Subcommittee met, pursuant to call, at 10 a.m., House Hearing Room 3, Arizona State Capitol, 1700 West Washington Street, Phoenix, Arizona, Hon. Tom McClintock [Chairman of the Subcommittee] presiding.

Present: Representatives McClintock and Gosar.

Also present: Representative Schweikert.

Mr. MCCLINTOCK. The House Subcommittee on Water and Power will come to order.

Welcome to all of you. I am Congressman Tom McClintock of California. I am Chairman of the Water and Power Subcommittee. I have come to visit our Colorado River water. That's a joke.

No, I actually——

Mr. SCHWEIKERT. Did you notice the dead look?

Mr. MCCLINTOCK. Well, it is a little sore on our side of the border as well. But actually we were——

VOICE. The sound system, please, we can't hear you. Can you fix the sound system?

Mr. MCCLINTOCK. How is that?

VOICE. Yes.

Mr. SCHWEIKERT. It was actually very funny what you missed.

Mr. MCCLINTOCK. But I am not going to repeat it for fear that I will get the same reaction.

Actually, we are here at the request of Arizona Congressmen Paul Gosar, David Schweikert, and their Republican colleagues from Arizona. We are meeting here today on a hearing entitled "Evaporating Prosperity: How Federal Actions Are Driving Up Water and Power Costs, Threatening Jobs and Leaving Arizonans High and Dry."

I first ask unanimous consent that Mr. Schweikert be allowed to sit on the Subcommittee and participate in the hearing. Without objection?.

Dr. GOSAR. No objection.

Mr. MCCLINTOCK. So ordered.

To begin today's hearing, I would like to defer to our distinguished colleague, Congressman Paul Gosar, for a few introductions.

Dr. GOSAR. First of all, I would like to thank the Honor Guard from Casa Grande from the VFW Post 1677 for their service to our country. This is an honor to have them here with us today.

I would like to take a moment to introduce each of the members:

First of all, Mr. Bill Zimmer, a Vietnam veteran, served from 1968 to 1969 and comes to us from the home of the U.S. Army TACOM Life Cycle Management Command in Warren, Michigan; Mr. Gary Erickson, a Vietnam War Marine Corps veteran who served from 1966 to 1967 and hails from the City of Lakes, Minneapolis, Minnesota; Mr. Bill Reed, Vietnam War Army veteran who served in 1968 during the Tet Offensive. He comes to us from Big Sky Country, Billings, Montana; and last but not least, Mr. Bradley Hazel, an Iraqi War Marine Corps veteran who served in Iraq from 2003, 2004, and 2005, and is a Purple Heart recipient. He is an Arizona guy from Wildcat Country in Tucson.

Let me welcome all you distinguished guests.

[An honor proceeding was held.]

[whereupon, the Pledge of Allegiance was recited.]

Mr. MCCLINTOCK. Be seated. Thank you, Mr. Gosar.

We will now begin with five-minute opening statements beginning with mine.

STATEMENT OF THE HON. TOM McCLINTOCK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MCCLINTOCK. Today's hearing, as I said, is convened at the request of Congressman Gosar and his Arizona colleagues to hear testimony on Federal policies that are causing increasing scarcity and skyrocketing prices of water and electricity in the southwestern United States.

One aspect is a concerted effort from the left to close the Navajo Generating Station. Another is the memo by the Secretary of Energy that would force consumers to bear staggering rate increases to subsidize the Left's ideological fascination with wind and solar power. Yet another is Federal land management policies of benign neglect that are impeding water deliveries and causing uncontrolled overgrowth of our public resulting in catastrophic wildfires.

The radical Left wants to close the coal-fired Navajo Generating Station and replace it with wind and solar power. Coal is one of the cheapest and most reliable forms of energy available to us while solar is the most expensive. Indeed, in more than 170 years since the invention of solar panels, we have not yet invented a more expensive way of producing electricity. That's why the Left wants to hide its true cost to consumers through their taxes and through other people's electricity bills.

One of the Democratic witnesses invited today calls wind and solar reliable. In fact, at a moment's notice a passing cloud bank or sudden calm can drop generation to zero. Electricity grids collapse unless the amount of power put into the system constantly matches the amount drawn from it. So consumers end up paying

to keep conventional plants at constant standby to replace the lost power at a moment's notice.

Because of the low output of wind and solar and the distance the electricity must often be conveyed, existing AC transmission systems must be replaced with extremely expensive, special high-tension direct current lines to accommodate them.

A generation ago, the objective of our Federal water and power policy could be summed up in a single word, abundance. This policy laid a foundation for the prosperity of the southwest and literally made Arizona bloom from the desert.

But beginning in the 1970s, a radical and retrograde ideology began to seep into our public policy. It abandoned abundance as our objective and replaced it with the rationing of shortages.

A few months ago, the Administration boasted that it would, quote, "increase available water supply in the western United States by 730,000 acre-feet." But they weren't talking about increasing our water supplies, they were talking about reducing human consumption by that amount.

In today's testimony, a Democratic witness touts negawatts, electricity we don't use, as if it added to our capacity. The future they are planning is one where families are encouraged, threatened, and, if need be, forced to reduce consumption through higher water and electricity bills, higher taxes and fines, and intrusive government regulations.

Ironically, they see nothing wrong with spilling millions of gallons of water from the Glen Canyon Dam and sacrificing enough electricity to power a million homes a year to simulate spring floods. But they are aghast that a family might actually prefer a toilet that works or light bulbs that don't give them headaches.

I find the future advocated by the environmental Left to be indescribably dreary and depressing. It is a future of increasingly severe government-induced shortages, higher and higher electricity and water prices, massive taxpayer subsidies to politically well connected companies, increasingly severe wildfires, and a permanently declining quality of life for our children, who will be required to stretch and ration every drop of water and every watt of electricity in their dimly lit, sweltering, and parched homes.

I see a different future for our nation. I see an era of clean, cheap, and abundant electricity. I see great new reservoirs to store water in wet years to assure abundance in dry ones. I see a future in which families can enjoy the prosperity that abundant water and electricity provides, and the quality of life that comes from that prosperity. I see a nation whose children can look forward to a backyard garden, a family swimming pool, affordable air conditioning in the summer and heating in the winter, brightly lit homes and cities, and abundant and affordable groceries from America's agricultural cornucopia.

These are two very different visions of America, and a choice must be made, not just by this Subcommittee or this Congress, but by the American people, over which vision guides our nation into the future.

And with that, I will yield back my two seconds and recognize my colleague from Arizona, Mr. Gosar.

[The prepared statement of Mr. McClintock follows:]

Statement of The Honorable Tom McClintock, Chairman, Subcommittee on Water and Power

Today's hearing is convened at the request of Congressman Paul Gosar and his Arizona colleagues to hear testimony on Federal policies that are causing increasing scarcity—and skyrocketing prices—of water and electricity in the Southwestern United States.

One aspect is a concerted effort from the Left to close the Navajo Generating Station. Another is the memo by the Secretary of Energy that would force consumers to bear staggering rate increases to subsidize the Left's ideological fascination with wind and solar power. Yet another is federal land management policies of benign neglect that are impeding water deliveries and causing uncontrolled overgrowth of our public lands resulting in catastrophic wild fires.

The radical left wants to close the coal-fired Navajo Generating Station and replace it with wind and solar power. Coal is one of the cheapest and most reliable forms of energy available to us while solar is the most expensive. Indeed, in the more than 170 years since the invention of solar panels, we have not yet invented a more expensive way of producing electricity. That's why the Left wants to hide the true cost to consumers through their taxes—and other people's electricity bills.

One of the Democratic witnesses calls wind and solar "reliable." In fact, at a moment's notice a passing cloudbank or a sudden calm can drop generation to zero. Electricity grids collapse unless the amount of power put into the system constantly matches the amount drawn from it. So consumers end up paying to keep conventional plants at constant stand-by to replace the lost power at a moment's notice.

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I see a different future for our nation: I see a new era of clean, cheap and abundant electricity. I see great new reservoirs to store water in wet years to assure abundance in dry ones. I see a future in which families can enjoy the prosperity that abundant water and electricity provides; and the quality of life that comes from that prosperity. I see a nation whose children can look forward to a backyard garden, a family swimming pool, affordable air-conditioning in the summer and heating in the winter, brightly lit homes and cities and abundant and affordable groceries from America's agricultural cornucopia.

These are two very different visions of America, and a choice must be made—not just by this sub-Committee or this Congress, but by the American people, over which vision guides our nation into the future.

STATEMENT OF THE HON. PAUL A. GOSAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Dr. GOSAR. Well, first of all, I would like to thank Chairman McClintock for making the trip to Arizona and holding today's hearing. I strongly believe House Committees should periodically come out to Members' home states and hear straight from the horse's mouth the struggles our constituents are faced with on a day-to-day basis. Today's testimonies will provide our Committee firsthand accounts of the grave impacts that the Federal Government's actions are having on Arizona's economic and ecological health, and the information collected will prove invaluable in our fight to restore common sense to Federal natural resources policy.

I would also like to thank my colleague Congressman David Schweikert for being here. Over the past year and a half, David has been a staunch ally as we have tackled the far-reaching resources issues facing our state. Additionally, he has emerged as a prominent voice on the House Financial Services Committee, fighting for pro-market solutions to our state and country's foreclosure problems and advocating for policies that will help encourage job growth and economic expansion.

Arizona, like many states across the west, is facing the brunt of the Obama Administration's misguided policies. Nowhere is this more true than in the natural resources realm. One does not have to look far to see the struggles our constituents are experiencing.

Last year nearly 1 million acres of Arizona's forests burned, one of the worst fire seasons in the state's history. This year has not been much better. Since last April, over 45,000 acres of forest in Arizona have been destroyed by wildfires. The largest one was the Sunflower Fire, which burned over 17,000 acres. The second largest, the Gladiator Fire, was 16,240 acres, and it injured eight people, destroyed six homes, and forced the evacuation of three communities.

Arizonans are tired of being victims of avoidable wildfire conditions. It is clear that the current process under existing Federal law of planning, studying, consulting, litigating, appealing, and collaborating are failing us and our forests. These fires kill endangered species, destroy habitats, and pollute our air and waterways more than any human activity. Additionally, they cost Federal Government millions of dollars in immediate fire response and many millions more in restoration and rehabilitation.

We must first remove bureaucratic red tape, reform forest health policy, and put a stop to endless litigation that stymies important forest projects. The Wallow Fire proved that stewardship projects and grazing projects are just what we need.

I have introduced legislation, the Catastrophic Wildfire Prevention Act, which will streamline the review process and allow the U.S. Forest Service to utilize the emergency provisions of existing regulations so that our forests could be maintained and provide for economic opportunities for rural communities.

I am also encouraged by the recent announcement that the Four Forest Restoration Initiative, known as 4-FRI, will move forward. I hope litigation will not slow its success. These stewardship projects restore the environment, improve public safety, and put

people back to work. Proactively treating our forests is the only way to go forward.

As I travel throughout my congressional district, I am frequently asked about the future of the Navajo Generating Station. Whether it is a farmer in Pinal County, a member of the Navajo Nation employed at the plant, or just the everyday citizen concerned about our state's water security, everyone expresses concern about the potential job loss and economic impacts of proposed EPA mandates on the Navajo Generating Station.

For those who do not know, this unique facility provides over 90 percent of the power for the Central Arizona Project, or CAP, which is the largest supplier of renewable water in the state, and supports over 80 percent of Arizona's population and economic activity. Additionally, the sale of the plant's excess power is critical to the Federal Government's ability to uphold previously enacted and future Native American water settlements. In short, it is a vital and irreplaceable piece of our state's short and long-term water and power security whose impact stretches to nearly every citizen of our state.

Last year this Committee held a hearing in Washington specifically on this issue, underscoring the importance of the facility. I look forward to hearing more information from some of our witnesses and remain steadfast in my efforts to ensure this vital asset does not become a victim of misguided policies or junk science.

I would be remiss if I didn't mention one other issue that our Committee just recently began delving into that have vast impacts throughout your state.

On March 16th, 2012, the Secretary of Energy issued a memorandum for power marketing administrators. This memo, commonly referred to as the Chu Memorandum, has created a great deal of concern among those who rely on Power Marketing Administrations, or PMAs, for affordable and reliable energy.

The Secretary's memo directed the PMAs to act in areas involving transmission expansion, renewable energy, energy efficiency and cyber security. And they are all laudable goals, goals that on the surface I support. In fact, I have strongly advocated for the expansion of transmission on this Committee. However, I believe the Secretary's means of these goals, the Chu Memo, would implement a top-down approach that could most certainly impose greater costs and risks that outweigh benefits and could force national directives that could supersede or conflict with existing PMA statutory authority.

I have recently led a letter in Congress respectfully urging the Secretary to pursue meaningful collaboration with stakeholders, including ratepayers and Congress, prior to moving forward with these new initiatives. Currently that letter has been signed by over 140 U.S. Senators and congressmen, ranging from Chairman McClintock to Congressman Jim McDermott of Washington, prominent Democrat in the House.

Additionally, the House Appropriations approved a policy rider introduced by Congressman Denny Rehberg of Montana and supported by Arizona Democrat Congressman and Energy and Water Subcommittee Ranking Member Ed Pastor barring the Secretary from implementing the Chu directive. It is clear Members from

both sides of the aisle are concerned about how the Chu Memorandum will be implemented. Hopefully today's discussions will continue the debate and enhance the Committee's ability to exercise its oversight authority on this important public power issue.

In conclusion, Arizona has strong and innovative leaders. Working together, we have found a number of solutions that will put Arizonans back to work. Arizona can be a national model for economic recovery driven by sustainable resource development. The Federal Government just needs to get out of the way.

And I thank the Chairman for allowing me to speak.

Mr. MCCLINTOCK. You are very welcome. And you owe the Committee one minute, 18 seconds, which I will put on your tab.

[The prepared statement of Dr. Gosar follows:]

Statement of The Honorable Paul A. Gosar, a Representative in Congress from the State of Arizona

First, I would like to thank Chairman McClintock for making the trip to Arizona and holding today's hearing. I strongly believe House committees should periodically comes out to its members' home states and hear straight from the horse's mouth the struggles our constituents are faced with on a day-to-day basis. Today's testimonies will provide our committee first-hand accounts of the grave impacts the federal government's actions are having on Arizona's economic and ecological health, and the information collected will prove invaluable in our fight to restore common sense to federal natural resources policy.

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percent of the power for the Central Arizona Project (CAP), which is the largest supplier of renewable water in the state, and supports over 80 percent of Arizona's population and economic activity. Additionally, the sale of the plant's excess power is critical to the federal government's ability to uphold previously enacted and future Native American water settlements. In short, it is a vital and irreplaceable piece of our state's short and long-term water and power security, whose impacted stretches to nearly every citizen of our state.

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In conclusion, Arizona has strong and innovative leaders. Working together, we have found a number of solutions that will put Arizonans back to work. Arizona can be a national model for economic recovery driven by sustainable resource development. The federal government just needs to get out of the way.

Thank you again everyone for being with us here today. It is great to see so many constituents in the crowd who have traveled into town from all stretches of rural Arizona to take part in today's hearing. Together, we are going to get our country back on track.

Mr. MCCLINTOCK. I am very pleased to introduce my colleague from Arizona, Mr. Schweikert.

STATEMENT OF THE HON. DAVID SCHWEIKERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. SCHWEIKERT. Well, I will make it up by being fairly short. And, Mr. Chairman, thank you for being here. And I see many friends out there.

You know, this is sort of coming home. Think of it. 21 years ago I was sitting in this chair and part of the conversation we are about to have is the same one we were having 21 years ago. But at that time, we actually had a partner in the Federal Government. And then in 1993, I will tell you, I believe it turned hostile. And I remember actually those of us in leadership going back to Washington, D.C. To lay our claim and our story of we are from the desert, do you understand how we live, how things work, and basi-

cally looking at blank faces and then were ushered out of the meeting because we were from a small state that had not voted for that administration. And I believe that same sort of hostility is still woven within the bureaucracy.

What you are doing here today is incredibly important. And this is not theater. This is actually we need to tell our story. In my 16 months back in D.C., I have learned they really have no understanding how the west works. They have no understanding how vast our territories are, the infrastructure that we have struggled and bled to build, and how that infrastructure running through the top part of the state is vital to what is happening in the southern part of the state. We need to tell our story. But it is not only for those of us here to tell our story why this is crucial, why these policies, why the bureaucracy can be so devastating to our future. But we also, for those of us in these urban areas, let's face it, a lot of our brothers and sisters on the other side of this building here in the Grand Imperial State of Maricopa County—OK, that was funny—have no understanding of the economic threats that are functionally coming through the bureaucracy to the state and to our future growth. And to each of you here, it is not only understanding your testimony, understanding your vision of what you see happening, we have to tell the story. We have to get this information out, because, if not, I believe the bureaucracies are going to do some very, very bad things to the future of the southwest.

And, Mr. Chairman, with that, I yield back.

Mr. MCCLINTOCK. Thank you.

[The prepared statement of Mr. Schweikert follows:]

Statement of The Honorable David Schweikert, a Representative in Congress from the State of Arizona

Well, I'll make it up by being fairly short. Mr. Chairman, thank you for being here. I see many friends out there. This is sort of coming home—think of this—twenty-one years ago I was sitting in this chair and part of the conversation we're about to have—is the same one we were having twenty-one years ago. But at that time, we actually had a partner in the federal government. And then in 1993, I will tell you, I believe it turned hostile. And I remember those of us in leadership going back to Washington DC to lay our claim and our story, "We're from the desert, do you understand how we live, how things work?"and basically looking at blank faces. Then we were ushered out of the meeting because we were from a small state that had not voted for that administration and I believe that same sort of hostility is still woven within the bureaucracy. What you're doing here today is incredibly important. This is not theater. We need to tell our story. In my sixteen months here in DC I've learned they really have no understanding of how the west works. They have no understanding how vast our territory is. The infrastructure we have struggled and bled to build. And how that infrastructure running through the top part of the state is vital to what's happening in the southern part of the state. We need to tell our story. But it's not only for those of us here to tell our story—why this is crucial, why these policies, why the bureaucracy can be so devastating to our future—but we also for those of us in these urban areas. Let's face it, a lot of our brothers and sisters on the other side of this building here in the "Grand Imperial State of Maricopa County"—OK that was funny—have no understanding of the economic threats that are functionally coming through the bureaucracy to the state to our future growth. And for each of you here, it 's not only understanding your testimony, understanding your vision of what you see happening. We have to tell the story. We have to get this information out because if not I believe the bureaucracies are going to do some very, very bad things to the future of the southwest and Mr. Chairman with that, I yield back.

Mr. MCCLINTOCK. Before I recognize today's witnesses, I would urge those in attendance to submit their own testimony for the record since we are limited in terms of how many witnesses we can hear today. You can do so by filling out your thoughts on the paper at the table or please see a staff member on how to submit comments electronically. Your input is very important to us.

We will now hear from our panel of witnesses. Each witness' written testimony will appear in full in the hearing record. I would ask each witness to keep his or her oral statement to five minutes as outlined in our invitation letter under Committee Rule 4A.

I also want to explain how our timing lights work. When you begin to speak, our clerk will start the timer. A green light will appear. At that time you have all the time in the world, or at least four minutes. After four minutes a yellow light will appear. And at that time you should start talking very, very fast. And after five minutes the red light will come up. Now, the red light means that we have all stopped listening, so you might as well stop talking. But we welcome any additional testimony you might want to submit for the record. And if there is any consolation, all the Members are bound by that same five-minute rule. Apparently somebody figured out a long time ago that five minutes is about the maximum attention span of a Member of Congress.

So with that, I will recognize The Honorable Gregory Mendoza, Governor of the Gila River Indian Community from Sacaton, Arizona to testify.

STATEMENT OF THE HON. GREGORY MENDOZA, GOVERNOR, GILA RIVER INDIAN COMMUNITY, SACATON, ARIZONA

Governor MENDOZA. Good morning, Chairman McClintock. Thank you for the opportunity to address the Subcommittee today.

I am Gregory Mendoza, the Governor of the Gila River Indian Community. We are an Indian Nation of over 20,000 members located south of Phoenix metropolitan area.

The Community sees the issue before you today from the vantage point of the largest customer of Central Arizona Project, or CAP, water. Critical to the Community's economy, the Navajo Generating Station plays an integral role in delivering Colorado River water to central and southern Arizona through CAP and meeting Federal trust responsibilities under the Community's 2004 water settlement.

Should the cost of emission controls at NGS make CAP water unaffordable, the Community's water rights would be significantly diminished and it would suffer significant economic hardship. As we previously testified before this Subcommittee, this result would be especially troubling given the clear history of my people and the Gila River.

During the May 24, 2011 hearing, we expressed our concerns about the potential consequences for the Community that could occur if EPA's Best Available Retrofit Technology, or BART, determination at NGS requires selective catalytic reduction, or SCR. After that hearing, the Community actively engaged with the EPA, the Department of the Interior, and the Department of Energy in order to express the Community's concerns in a government-to-government capacity. In addition, the community took the proactive

steps of hiring an economist to determine the possible economic impacts on the Community under the different BART scenarios at NGS.

Our study confirmed the Community's worst fears, that EPA's BART determination, without a mitigation plan, would devastate the Community's agricultural economy and undermined our water settlement.

NGS supplies approximately 95 percent of the power to deliver the CAP water to the Community. Our study looked at a number of BART scenarios and how they would increase the cost of CAP water. The study also looked at what BART may do to decrease the future revenue generated from the fund created to reduce the Community's cost of obtaining and using its CAP water allocation.

All told, if SCR is installed at NGS, without a mitigation plan, we estimate that the total monetary loss to the Community through 2044 would be over $757 million. If the NGS shuts down, our total monetary loss would be over 2 billion. We have provided our study to EPA and the Interior.

More importantly, during the Community consultation sessions with DOI and EPA, both acknowledge that NGS is unlike any other electrical generating facility in the southwest because of its importance to many tribal economies. We believe this acknowledgment by DOI and EPA requires that a BART decision at NGS include a pragmatic plan to mitigate the negative impact BART would have on tribal economies. Indeed, in EPA Administrator Jackson's February 16, 2012, letters to Secretary Salazar and Secretary Chu, she expressed a desire to find a creative solution with respect to BART at NGS. We applaud such an approach.

In an effort to be a part of the solution, the Community has provided to EPA, DOI, and DOE a preliminary proposal for the development of a solar facility located on the Gila River Indian Reservation. The revenues from this solar facility would be used to offset the impacts caused to all CAP settling tribes due to increases in the cost of CAP water caused by BART.

The Community is open to other viable solutions as well, but we believe that any proposed BART will need to include a mitigation plan that all stakeholders can support.

At the end of the day, we ask the United States to keep its word and not to take action that would negatively affect the economy and cultures of CAP tribes and the United States' trust responsibility to those and other tribes and rights specifically bargained for and granted for Federal legislation.

Thank you for the opportunity to be heard.

Mr. MCCLINTOCK. Good. Thank you, Governor Mendoza.

[The prepared statement of Governor Mendoza follows:]

Statement of The Honorable Gregory Mendoza, Governor, Gila River Indian Community

My name is Gregory Mendoza and I am Governor of the Gila River Indian Community. The Community is an Indian Nation located south of Phoenix, Arizona, encompassing 372,000 acres and with over 20,000 tribal members. On behalf of the Community, I want to thank the Subcommittee for its continued interest in this issue that could have a very profound effect on all water users in the State of Arizona. In particular, I want to thank the members of the Arizona delegation for their support and efforts to have Congress take an active oversight role to ensure that the detrimental effects of the proposed environmental measures for the Navajo

Generating Station (NGS) are taken into account by the EPA before it seeks to implement them.

The Community last testified on this matter on May 24, 2011, at which time we informed the Subcommittee that the Community agreed to settle its water rights claims based upon the promise that affordable Central Arizona Project (CAP) water would be available to the Community on a long term basis. Congressional approval of the Arizona Water Settlements Act of 2004 (AWSA) codified that promise and made the Community the largest customer of CAP water in the State of Arizona. Because of this promise, the EPA's decision must be consistent with the legal rights granted under AWSA, and the United States, including the EPA, must uphold its trust obligation to ensure the Community's access to affordable annual deliveries of CAP water.

In our May 24, 2011, testimony the Community conveyed its concerns about the potentially catastrophic consequences for Arizona Indian tribes, especially for the Community, that could occur if EPA requires Selective Catalytic Reduction (SCR) as the Best Available Retrofit Technology (BART) for NGS. EPA's BART determination for NGS has the potential—unlike any other Clean Air Act determination that we are aware of—to profoundly affect the economy and culture of the Community and all other similarly situated Arizona tribes with water rights settlements, the United States' trust responsibility to these tribes, and rights specifically bargained for and granted in Federal legislation.

Since the Subcommittee's May 24, 2011, hearing the Community has been actively engaged with the EPA, the Department of Interior (DOI) and the Department of Energy (DOE) to express the Community's concerns in a government-to-government capacity, provide data regarding the economic impact of different BART scenarios, and offer possible solutions to mitigate the negative impacts of BART on CAP settling tribes. Further, during the later part of 2011 DOI and DOE collaborated in a report conducted by the National Renewable Energy Laboratory (NREL). The NREL report was intended to inform EPA of the impacts of the different BART scenarios. As part of this study NREL gathered data from Arizona tribes to determine the impact on tribal economies.

In an effort to better inform NREL, DOI and EPA the Community engaged Harvey Economics to determine the economic impact the different BART scenarios would have on the Community. The Harvey Economics study confirmed the Community's fears that BART, without a mitigation plan, would devastate the Community's agricultural economy and undermine the carefully balanced water settlement in AWSA.

The NREL and Harvey Economics study confirmed that BART could have a profound negative impact on tribal economies in Arizona. Moreover, during the Community's consultation sessions with DOI and EPA, both acknowledged that NGS is unlike any other electrical generating facility in the Southwest because of its importance to many tribal economies. In our opinion this acknowledgement by DOI and EPA requires that any proposal to ensure visibility in our national parks and wilderness areas include a pragmatic plan to mitigate the negative impact BART would have on tribal economies. Indeed, in Administrator Lisa Jackson's February 16, 2012, letters to Secretary Salazar and Secretary Chu, the EPA expressed a desire to find a creative solution with respect to BART at NGS.[1]

The Community has been encouraged by the engagement and support it has had from the DOI in particular, and heartened by the Federal acknowledgement that NGS was unique and needed a creative solution. In response to this news the Community began to explore a possible mitigation plan that would allow NGS to stay open, meet Clean Air Act standards for haze in the northern Arizona region and lessen the impact of BART on CAP settling tribes. This plan was shared with DOI, EPA and DOE officials in March and April 2012 and will be discussed below.

1. BART's Economic Impact on the Community

When I took office I also took on a solemn trust to protect the water rights for which we had fought so long to obtain. From the beginning of time, the entire life and identify of our people, the Akimel O'otham or the "River People," involved the Gila River. We drank from the river, irrigated our farms, fished for food and depended on the River for many spiritual ceremonies. At the beginning of the 1900's, farmers upstream of from our lands diverted nearly all the water from the Gila River, depriving the Community of water to support the Community's agricultural economy, and causing dramatic and detrimental changes to our diet, lifestyle, economy, culture and spiritual well-being.

[1] Attachment 1, February 16, 2012 letters from EPA Administrator Lisa Jackson to Secretary of Interior Kenneth Salazar and Secretary of Energy Dr. Steven Chu.

The Community began fighting for its water rights in the early 1930's, and finally in 2004 Congress approved the Community's settlement of its claims to water. This settlement was at the time the largest Indian water rights settlement in United States history. The Community's settlement was enacted as law in the AWSA. In the settlement approved in the AWSA, the Community agreed to waive its claims to additional water from the Gila River in exchange for the promise of long-term affordable CAP water. The use of CAP water to fulfill the entitlements of the Community to Gila River water is an essential component its settlement.

The Community's settlement allocates 311,800 acre feet of CAP water to the Community each year, making the Community the single largest CAP contractor. The Community's settlement, through the AWSA, also provides funds to subsidize the costs of delivering CAP water to the Community, and to construct, operate and maintain the facilities necessary to allow the Community to fully utilize our allocated water. The AWSA's funding mechanism is a fund, entitled the Lower Colorado River Basin Development Fund (Development Fund), which pays "annually the fixed operation, maintenance, and replacement charges associated with the delivery of [CAP] water held under long-term contracts for use by Arizona Indian tribes." One of the sources of revenue for the Development Fund to pay these costs for CAP settling tribes is the sale of surplus power generated from NGS.

NGS supplies approximately 95% of the power to deliver the CAP water to the Community and other CAP customers. Requiring NGS to install and operate SCR technology as BART will both significantly increase the cost of CAP water and decrease the future revenue generated for the Development Fund. These two impacts will substantially undermine the benefits that the Community specifically bargained for and relied upon in agreeing to settle our water claims and claims against the United States.

In an effort to determine how the different BART scenarios would impact the cost of CAP water the Community hired Harvey Economics in August 2011 to complete an economic impact study. Harvey Economics looked at different BART which included Low No_x Burners (LNB), Selective Non-Catalytic Reduction (SNCR), SCR, SCR plus Baghouses, and NGS closure. On November 16, 2011, Harvey Economics completed draft findings related to the possible BART scenarios.[2] The draft report was based on the information about BART technologies available at the time. Harvey Economics updated its report on February 28, 2012.[3] On March 15, 2012, Harvey Economics provided another update to its report that included revised assumptions provided by the NGS operator regarding average cost of capital for all NGS owners.[4] The findings of the final report are summarized as follows.

a. Increased Cost of CAP Water

As the largest CAP contractor the Community will be impacted by the increased cost of CAP water more than any other entity in the State. LNB have already been installed at NGS. This means that the Community is already facing increased CAP water costs for environmental mitigation measures at NGS.[5] If SCR were installed at NGS the increase in direct costs for CAP water for the Community alone would increase by $35.4 Million over this same period. If the NGS were shut down the Community's CAP costs would increase by nearly $290 Million.[6]

Given that the Community's agricultural enterprises operate on small margins large increases in CAP water would jeopardize the viability of the Community's irrigated agriculture. Loss of Community cropland would result in loss of Community member employment, personal income and hundreds of millions of dollars of Federal investment into the Community's irrigation infrastructure.

b. The Revenue to the Lower Colorado River Basin Development Fund will be Substantially Reduced by the Increased Cost of SCR

Revenue from the sale of excess NGS power is to be used to supplement the Development Fund. A determination by EPA to impose SCR as the BART would substantially increase the cost of excess NGS power, essentially eating away any potential profit from such sales, thereby eroding over $60 Million of estimated revenues that the Community and other CAP settling tribes counted on to enable the Development Fund to subsidize CAP water delivery at least through 2044.[7] Not only does

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[2] Attachment 2, November 16, 2011 letter from Edward F. Harvey to Linus Everling.
[3] Attachment 3, February 28, 2012 letter from Edward F. Harvey to Linus Everling.
[4] Attachment 4, March 15, 2012 letter from Edward F. Harvey to Linus Everling [hereinafter Final Report].
[5] Final Report at 27.
[6] *Id.*
[7] *Id.*

this impact the Community's settlement, the loss of the revenue from the sale of excess NGS power threatens the continued viability of all current Indian water rights settlements in Arizona, and jeopardizes the ability of the United States to settle with other Tribes in on-going water rights settlement negotiations. If the NGS was shutdown Harvey Economics estimated that reduce revenues to the Development Fund from the sale of surplus NGS power would be nearly $500 Million.[8]

c. Total impact to the Community.

Should the cost of emissions controls at NGS render CAP water unaffordable, the Community's water rights would be significantly diminished and the Community would suffer significant economic hardship. For example, if SCR is installed at NGS without a mitigation plan Harvey Economics estimates that the total monetary loss to the Community through 2044 would be over $757 Million.[9] If the NGS shut down total monetary loss would be over $2 Billion.[10]

Such monetary loss would be comparable to the original wrongs done to the Community when non-Indian farmers upstream on the Gila River illegally diverted the flows of the River to the point that it stopped running. The uniqueness of NGS dictates that any EPA rulemaking be coupled with a mitigation plan to ensure that the economies of Arizona tribes are not undermined.

2. NREL Study

Although the NREL study did show substantial increase to CAP water costs it underestimated the impact of the proposed BART implementation scenarios on the Development Fund and made some assumptions that were very different than in the Harvey Economic Study.

The scenarios adopted for the NREL report mostly overlap with the Harvey Economic study. NREL included scenarios of SNCR, SCR, SCR plus Baghouses, and NGS closure in various chapters of the report. NREL did not include a LnB alternative, which Harvey Economics did.

For example, SNCR capital costs and operating cost assumptions in the NREL report are substantially different than in the Harvey Economics study. NREL assumes capital costs of about $7 Million, whereas Harvey Economics assumes capital costs of about $20 Million. Further, Harvey Economics' Operation & Maintenance costs are also $8.4 Million per year versus $4.3 Million per year, under the NREL report. Whereas the NREL report data sources were not apparent; Harvey Economic obtained its SNCR information from the plant operator, SRP.

Capital and operating cost assumptions for SCR, under the NREL report, are almost exactly the same as those in the Harvey Economic study. Both costs were drawn from the Sargent and Lundy study. However, NREL provided a range of costs for SCR, including both the National Park Service estimates of capital and operating costs and the figures from the Sargent and Lundy reports.

The largest discrepancy was the NREL's estimated impacts on the Development Fund. Because the impacts on the Development Fund were estimated improperly, the important, negative effects on the Community and the other CAP settling tribes from reduced monies into the Development fund were missed.

This shortcoming is explained by the incorrect assumption in the NREL report related to the relationship between the cost of NGS power generation and the price of NGS surplus power. NREL assumes the cost and price which existed at the time of their study would continue over the long term. In fact, costs of NGS power have recently been high due in part to spiking coal prices (nearly double nationwide since 2000), and a depressed market price for power due to economic conditions, among other factors.

For example, the NREL impact estimates on the Development Fund assume that the current NGS surplus power sales price will stay at current levels. The current market ranges between $19 per megawatt-hour (MWH) off-peak to $35MWH on-peak. This is compared with the market price five or so years ago when power was selling for $40—$45 for MWH power off-peak, $80 per MWH on-peak. Because the NREL study fixed in place the cost and price of NGS surplus power, the negative effects of the BART scenarios on the Development fund are not apparent. However, projecting even a return to more normal market conditions, much less power price escalation over the long term, would reveal the diminished revenues to the Development Fund from the proposed BART scenarios.

Why is this important to the Community and the other CAP Indian tribes? A primary purpose of the Development Fund is to pay the tribal portion of CAP fixed

[8] *Id.*
[9] *Id.*
[10] *Id.*

operations, maintenance and replacement costs for CAP water. If the Development Fund cannot pay those obligations, then the Community and other CAP settling tribes would be obligated to do so, which would result in a tripling of CAP water costs at current rates. Such an increase would render CAP water use by the Community and other tribes to be infeasible.

3. United States Recognition that NGS is Unique

In its meetings with both DOI and EPA the Community was encouraged that that there was a recognition that the NGS facility is unique due to the Bureau of Reclamation's partial ownership of the facility, and the dual purposes to provide economic development opportunities to the Navajo Nation and Hopi Tribe, and provide energy to deliver CAP water to central Arizona for use by tribes and other non-Indian water users. Federal officials also acknowledged that because of NGS' unique nature BART implementation would require a creative thinking so as to minimize the negative economic impact on tribes.

In February Administrator Jackson sent letters to Secretary Chu and Secretary Salazar asking for agency collaboration to work toward a clean energy future with respect to NGS and CAP tribes The Community applauds this suggestion for two reasons. First, it is an acknowledgement that EPA's BART determination at NGS requires a pragmatic approach because of the Federal trust responsibility to tribes. Second, the Community believes that over time the source of the Development Fund needs to be separated from NGS and NGS as a power source for delivery of CAP needs to be minimized because the Federal government has a conflict with respect to its trust responsibility to tribes affected by NGS. On one hand, the United States needs to support the Navajo Nation in increasing the coal and lease revenue at NGS. This benefits the Navajo Nation but increases the price of CAP energy, which the United States has an interest in keeping low for CAP settling tribes.

This inherent conflict can be mitigated if CAP energy and the source of Development Funds are decoupled from NGS over a long period of time. Further, the Community believes that alternative energy sources should be cleaner in order to avoid future negative impacts of energy regulation, and that CAP tribes should have more direct involvement in the source of subsidies that may be necessary to mitigate the impact of BART.

To our knowledge, the meeting suggested by Administrator Jackson has not yet come to pass. The Community urges these agencies to work more actively to provide a solution. To assist them in this effort, the Community has provided all three agencies with its own thoughts on how to mitigate the negative impacts of BART.

4. Community Proposed Solution

The Community has provided to EPA, DOI and DOE a preliminary proposal for the development of a solar facility located on the Gila River Indian Reservation (Reservation), the revenues from which would be used to offset the impacts caused to CAP settling tribes due to increases in the cost of CAP water that are over and above reasonable expectation of baseline increases in the CAP energy costs. The facility would be located on the Community's Reservation, but the revenues would be used to reduce the CAP energy charges for all CAP settling tribes using their CAP entitlements under congressionally approved water settlements.

The proposed facility would be expected to produce at least 20MW of solar power a year. The size of the facility would increase if the agreed upon impact and benefits from early transition to renewable energy-based subsidies are deemed sufficiently large to justify them.

The Community has identified two locations on Reservation that could serve easily as the site for such a facility. The Community has undertaken, with others, a preliminary feasibility analysis of the proposed site, including the cost and engineering work necessary for inter connecting the site to the SRP network.

All net revenues from the facility would be deposited in a special account dedicated to payment of the CAP Energy Charges actually charged to CAP settling tribes during any given year. The account would be held by a suitable entity for purposes of distribution of these net revenues annually. Some of the benefits of such a proposal:

- Support from CAP Settling Tribes for an agreement on BART at an appropriate level.
- Acceleration of the transition from a coal-based subsidy to a renewable source of subsidy.
- Combining the interests of tribes in the generation of a subsidy with the interests of the intended beneficiaries of that subsidy, avoiding the conflict of trust responsibilities that currently exist at NGS.

The Community provided this proposal in an effort to be part of the solution. We are open to other viable solutions as well and believe that any proposed BART will need to include a mitigation plan that all stakeholders can support.

Conclusion

Once again, the Community appreciates the Subcommittee's continued oversight of this critical issue. The timing of this hearing is critical as the EPA moves toward the preliminary BART determination in the coming weeks.

Mr. MCCLINTOCK. I now recognize The Honorable Gail Griffin, Arizona State Senator from Hereford, Arizona, to testify.

STATEMENT OF THE HON. GAIL GRIFFIN, SENATOR, ARIZONA STATE SENATE, HEREFORD, ARIZONA

Ms. GRIFFIN. Thank you, Mr. Chairman and Honorable Members of the Subcommittee on Water and Power.

First I would like to talk about a situation in the "Town Too Tough to Die," Tombstone, Arizona.

In May of 2011, the Monument Fire engulfed approximately 223,000 acres of the Coronado National Forest. 70 homes and home structures were destroyed and people's lives were disrupted forever. Following the fires, our monsoons occurred and further destruction to additional properties occurred.

Tombstone's water infrastructure is located in the Coronado National Forest. And they support the adequate safe drinking water and fire suppression. Tombstone's water rights date back 130 years and prior to the designation of land by the Forest Service. Huge mudslides forced boulders, some the size of Volkswagens, to tumble down the mountainsides, crushing Tombstone's water lines and destroying reservoirs, shutting off Tombstone's main water source.

Arizona Governor Jan Brewer declared a state of emergency for the town. Tombstone proceeded to take reasonable action to repair their century-old Huachuca Mountain water infrastructure. They initially, initially were allowed to use mechanized equipment to repair two of Tombstone's 25 catchments.

The Forest Service has denied any further use of mechanized equipment and motorized vehicles that had been used to maintain the water system for decades. The Forest Service has stated that Tombstone can only use hand tools and nonmechanized equipment to restore their springs and infrastructure. I am told that wheelbarrows are too mechanized. Horses, mules, and shovels are permitted.

The whole Town of Tombstone is at risk. Should a fire occur, Tombstone is gone, destroyed, history. Tombstone does not have enough water to fight a major fire. The people in Tombstone deserve better than to have a Federal agency block their rights to restore their water.

Congress established the Forest Service in 1905 to provide quality water and timber for the nation's benefit. The Forest Service was originally structured to properly manage forests for multiple uses and for the benefit of the renewable resources such as water, forage, recreation, and production. The Forest Service's motto is: Caring for the land and serving the people. They have done neither in this case.

Unlike the national parks, which were created primarily to preserve natural beauty and unique outdoor recreation, the founders of early national forests envisioned them as working forests with multiple objectives. Quote, "no national forest shall be established, except to improve and protect the forest within the boundaries or for the purpose of securing favorable conditions of water flows and to furnish a continuous supply of timber for the use and necessities of citizens of the United States," unquote, the Organic Administration Act of 1987.

The forest service is supposed to accomplish the protection of management of our natural resources on National Forest lands. The proper management of our lands would produce jobs and a healthy environment and we would not be experiencing the catastrophic fires raging through this country. Please do not allow the Federal Government to acquire any more land. They have proven they can't take care of what they have now.

In another matter, the Bureau of Land Management submitted a stunning ultimatum to the State of Arizona and the Department of Water Resources to stop development in Cochise County near the San Pedro National Conservation area. This development in Sierra Vista has been on the drawing board for over six years and includes a water treatment plant capable of allowing 4 million gallons of water to be recharged into the aquifer each day. In spite of this, BLM claims that the project should not be permitted because its sufficient water supply is not legally available.

The agency's letter and the choice of words, legally available, has chilling implications for all residents, property owners, and property rights advocates, as well as the entire country, claiming the sufficient water for the development is physically available but legally the property is to the Federal Government. This Administration is signaling its determination to control water, not only in the San Pedro River, but anywhere near it.

The additional comments are included in your package. And I see the yellow light on. So I would refer you to the maps that I have brought.

And if we could have the one on the right turned around, what you see in the red and white map, what is in white is all Arizona has in private hands. The Arizona Farm Bureau in 1997 did an analysis. And that little yellow map, if it was all consolidated in one location, that's what it would look like. They have determined that less than 13 percent of Arizona is in private hands. The one on the left, if you flip the whole map over, shows you what the Arizona Geological Survey has—yeah, turn the paper completely around. Yeah, the board, turn the board around.

This shows Arizona's oil and gas potential. And if you take a look at the locations of where the Federal Government has frozen our natural resources, that tells the story right there.

We have, we have formed a study Committee this session to identify in each county how much land is in private hands, how much land is tax exempt, and how much land is in conservation. So our tax base is being eroded by Federal regulations.

Thank you.

[The prepared statement of Ms. Griffin follows:]

Statement of The Honorable Gail Griffin, State Senator, District 25, State of Arizona

Chairman Congressman McClintock and Honorable Members of your Subcommittee on Water and Power:

Thank you for being here today and your willingness to listen and hopefully take action on what you hear at this hearing.

My name is Gail Griffin and I'm the State Senator for District 25 which incorporates portions of five Arizona counties. I represent two thirds of Arizona border communities. I'm here today to talk about issues of great concern to my constituents and the State of Arizona.

First, I would like to talk about the situation of the "Town to Tough to Die", Tombstone, Arizona.

In May 2011 the Monument Fire engulfed approximately 222,954 acres in the Coronado National Forest. Seventy homes and structures were totally destroyed and people's lives disrupted forever. Following the fires, our monsoons occurred and further destruction to additional properties occurred.

Tombstone's water infrastructure is located in the Coronado National Forest which supports both adequate safe drinking water and fire suppression. Tombstone's water rights date back 130 years prior to any designation of land by the Forest Service.

Huge mudslides forced boulders, some the size of Volkswagens, to tumble down mountainsides crushing Tombstone's water lines and destroying reservoirs, shutting off Tombstone's main water source.

Arizona Governor, Jan Brewer, declared a State of Emergency for the town. Tombstone proceeded to take reasonable action to repair their century-old Huachuca Mountain water infrastructure. They initially were allowed to use mechanized equipment to repair two of Tombstone's 25 catchments.

The Forest Service has denied any further use of mechanized equipment and motorized vehicles that had been used to maintain their water systems for decades. The Forest Service has stated that Tombstone can only use hand tools and non-mechanized equipment to restore their springs and infrastructure. Wheel barrels are too mechanized; horses, mules and shovels are permitted.

The whole town of Tombstone is at risk. Should a fire occur, Tombstone structures could be history. . .gone. Tombstone does not have the water to fight a major fire. The people of Tombstone deserve better than to have a federal agency block their rights to restore their water!

Congress established the Forest Service in 1905 to provide quality water and timber for the Nation's benefit. The Forest Service was originally structured to properly manage for multiple uses and for benefit of our renewable resources such as water, forage, recreation and production. The Forest Service's motto is, "caring for the land and serving people." They have done neither in this case.

The Forest Service is supposed to accomplish the protection and management of our natural resources on National Forest lands. The proper management of our lands would produce jobs and a healthy environment and we would not be experiencing the catastrophic fires raging through this country. Please do not allow any more federal acquisition of land. They have proven they can't take care of what they have.

In another matter, the Bureau of Land Management submitted a stunning ultimatum to this State of Arizona (Department of Water Resources) to stop a development in Cochise County near the San Pedro National Conservation Area. This development in Sierra Vista has been on the drawing board for over six years and includes a water treatment plant capable of allowing four million gallons of water to be recharged into the aquifer each day. In spite of this, the BLM claims that the project should not be permitted because, "a sufficient water supply is not legally available."

The agency letter and its choice of words—legally available—has chilling implications for all residents, property owners and property rights advocates as well as the entire country by claiming the sufficient water for the development is physically available, but legally the property of the federal government. This administration is signaling its determination to control the water not only in the San Pedro River but anywhere near it as well.

This blatant attempt to steal Arizona's water begins a new chapter in decades of struggles over property rights and water rights in Cochise County and the State of Arizona. To allow the federal government to usurp a person's property and water rights and thereby taking their freedoms to use their property is unacceptable. Certainly, this is not the kind of government our Founders envisioned when they crafted our Constitution, with property rights as one of its core principles.

Both of these situations address water issues for our local communities. It's not enough to put in place regulations and restrictions on property and water rights but the additional layers of unreasonable regulations on air standards will also cripple electricity providers. Costs will skyrocket and people will not be able to afford the standard of living they desire.

In my district that borders Mexico we have to deal with tires burning in landfills across the border. Arizona is a desert and we have wind and dust storms that are Acts of God and out of our control. The one size fits all policies that are expected from the Environmental Protection Agency and other federal agencies/departments do not work here. We in Arizona know how to properly manage our lands, our water, our air and our lives. State authority and states right are being usurped by federal agencies.

We respectfully ask that you allow us to define our future and allow us to properly manage our lands, water, energy and air. Please look at the maps in your package and here displayed. Arizona has less than 13% of our lands in private property. Look at the map where oil and gas potential is. Most of the natural resources are buried in federal regulations.

Thank you for allowing me to testify before you today and thank you for being here and listening to our frustrations.

Mr. MCCLINTOCK. By the way, Senator, you might find it interesting to note that the District of Columbia, with all of its government buildings, its sprawling mall, monuments, and parks, the Federal Government owns 25 percent of the land area of Washington, D.C. Thank you for the testimony.

The Chair is now pleased to welcome Representative Amanda Reeve from Arizona's District 6 here in Phoenix to testify. I won't welcome you since you are already here.

STATEMENT OF THE HON. AMANDA A. REEVE, DISTRICT 6 REPRESENTATIVE, ARIZONA HOUSE OF REPRESENTATIVES, PHOENIX, ARIZONA

Ms. REEVE. Thank you, Mr. Chairman and members of the Arizona congressional delegation who requested this field hearing. I want to thank you for this opportunity to appear before you today to discuss with you the concerns regarding the impact the Federal actions are having on the State of Arizona.

I understand the purpose of this hearing is to provide you with a firsthand account as to how the actions taken by the Federal Government threaten Arizona's water security and affordable power supply. It is my experience that our greatest threat to these areas of interest is actually tied to our state's air quality. Having spent the past two years working with Arizona Department of Air Quality, ADEQ, on significant air quality issues, I have become very familiar with the challenges imposed by the regulations pertaining to regional haze, particulate matter, and the Clean Air Act in general, and the very significant impact that they have on our water security and power supply.

In the May 12, 2012, letter addressed to Chairmen Hastings and McClintock from several Arizona congressional delegates, a considerable amount of focus was put on the Navajo Generating Station near Page, Arizona, because it is in jeopardy of shutting down due to the potential implementation of certain Federal regulations. The Regional Haze Rule is at the heart of the situation. And NGS is not the only power plant at risk. In fact, Cholla power plant near Joseph City, Arizona and the Four Corners power plant located near Farmington, New Mexico are also uncertain of their future as

a result of the Regional Haze Rule. All three of these plants are uncertain about their future due to the Environmental Protection Agency's, EPA's, Regional Haze Rule and what constitutes Best Availability Retrofit Technology, or BART.

ADEQ is challenging EPA on regional haze jurisdiction and emission control technologies. Under Section 169A and B of the Clean Air Act, certain states have until 2064, Arizona being one of them, to attain natural visibility conditions to Class I Federal areas through means and procedures established in a State Implementation Plan, or SIP, as crafted by the state. Arizona submitted its regional haze SIP in December 2003 and continued to amend and update it until January 2009.

Having not received approval or disapproval, but having received some comment, Arizona, in February 2011, submitted a new regional haze SIP, which EPA has yet to rule on. Meanwhile, several environmental organizations filed a lawsuit against EPA for not acting more expeditiously in addressing regional haze. In an effort to reach an agreement with the environmental groups, EPA began having settlement meetings with them but did not invite the potentially impacted states to join the negotiations.

In December 2011, Arizona filed a request to intervene in the lawsuit. And while we were successful with that request, it still did not secure us a seat at the negotiation table. On March 30th, 2012, EPA entered into a consent decree for final approval by the court. Arizona filed a memorandum in opposition to entry of consent decree on April 10th, 2012, citing that the imposition of a regional haze FIP, Federally implemented plan, on the state, as stipulated in the consent decree, is not authorized in accordance with Section 110(c)(1) of the Clean Air Act.

In order for EPA to promulgate a FIP, it first has to find that Arizona failed to submit a regional haze SIP, or that Arizona's SIP failed to satisfy the minimum criteria for a complete regional haze SIP under Section 110(k)(1) of the Clean Air Act, or it had to disapprove of Arizona's regional haze SIP, none of which occurred.

If EPA is allowed to promulgate a FIP without just cause, then they are effectively undermining our state primacy as established in the Clean Air Act. Furthermore, EPA, and not the state, will dictate what BART will be imposed on facilities, such as the three aforementioned power plants, to control emissions contributing to regional haze.

ADEQ and EPA fundamentally disagree on what constitutes as BART. According to ADEQ, low NO_x burners and over fire air technologies, both of which NGS recently had installed, are adequate emission controls. While EPA has not made an official decision regarding BART, we do believe that it will require facilities to retrofit with the selective catalytic reduction, SCR, technologies, which is far more costly than those technologies of which ADEQ approves. ADEQ states that studies of the SCR technologies do not provide sufficient evidence that it is superior or more effective in reducing emissions and improving visibility.

It is clear that EPA has the potential of causing irreparable harm to Arizona's water security, power supply, and economy should it actually impose a regional haze FIP. Furthermore, their

actions in this particular situation are undeniable encroachment upon our state primacy as guaranteed under the Clean Air Act.

Again, I thank you for this opportunity to discuss these important issues with you. And with that, I am available for questions.

Mr. MCCLINTOCK. Great. Thank you very much, Representative.

[The prepared statement of Ms. Reeve follows:]

Statement of The Honorable Amanda Reeve, State Representative, Arizona House of Representatives

Mr. Chairman, members of the subcommittee, and members of the Arizona Congressional Delegation whom requested this field hearing, I want to thank you for this opportunity to appear before you today and discuss with you the concerns regarding the impact that federal actions are having on the State of Arizona.

I am Amanda Reeve, State Representative, currently of Legislative District 6; and I am the Chair of the Arizona House Environment Committee, and a member of the House Energy & Natural Resources Committee.

I understand the purpose of this hearing is to provide you with first-hand accounts as to how the actions taken by the federal government threaten Arizona's water security and affordable power supply. It is my experience that our greatest threat to these two areas of interest is actually tied to our State's air quality. Having spent the past two years working with the Arizona Department of Environmental Quality ("ADEQ") on significant air quality issues, I have become very familiar with the challenges imposed by the regulations pertaining to regional haze, particulate matter, and the Clean Air Act ("CAA"); and the very significant impact they have on our water security and power supply.

In the May 12, 2012 letter addressed to Chairmen Hastings and McClintock from several Arizona Congressional Delegates, a considerable amount of focus was put on the Navajo Generating Station ("NGS") near Page, Arizona, because it is in jeopardy of shutting down due to potential implementation of certain federal regulations. The Regional Haze Rule is at the heart of this situation, and NGS is not the only power plant at risk. In fact, Cholla Power Plant near Joseph City, Arizona; and the Four Corners Power Plant located near Farmington, New Mexico are also uncertain of their future as a result of the Regional Haze Rule.

NGS was constructed in the early 1970s and includes three coal-fired units with a total net output of 2,250 megawatts. It is operated by the Salt River Project ("SRP") on behalf of six owners. The plant provides power to millions of homes and businesses in the Southwest. It provides over 90 percent of the power for Central Arizona Project ("CAP"), which is the largest supplier of renewable water in the state and supports over 80 percent of Arizona's population and economic activity. NGS employs over 500 people, and the Kayenta Mine, which supplies coal to NGS, has over 400 employees. So, the economic benefit to Northern Arizona, alone, is very significant. The state, as a whole, experiences substantial broader economic benefits. For example, according to a recent study, Arizona State University estimated that the NGS and the Kayenta Mine will account for over $20 billion in Gross State Product over the next 30 years, and contribute to over 3,000 jobs statewide each year.

The Cholla Power Plant, commissioned in 1962, includes four coal-fired units with a total net output of 995 megawatts. Arizona Public Service ("APS") owns three of the units, while the fourth and largest unit is owned by PacificCorp ("PAC"). Approximately 400 people are employed at the plant; and McKinley Mine, which supplies the coal to Cholla, employs over 300 people. Cholla provides power to Arizona, Nevada, California, New Mexico and the Pacific Northwest.

The Four Corners Power Plant, commissioned in 1963, includes five coal-fired units that generate a total net output of 2,040 megawatts. This plant is also mostly operated by APS, employs over 580 people, of which nearly 80 percent are Native American, and provides power to about 300,000 households in New Mexico, Arizona, California, and Texas. Navajo Mine, which supplies the low-sulfur coal to this plant, employs over 900 people, of which about 65 percent are Native American.

All three of these plants are uncertain about their future due to the Environmental Protection Agency's ("EPA") Regional Haze Rule and what constitutes Best Available Retrofit Technology ("BART"). The situation is more complicated for NGS, because the plant's lease and right-of-way agreements are set to expire in 2019. If the additional emissions controls are required before the lease and right-of-way agreements are extended, owners would need to decide whether to gamble on making large capital investments without the certainty of knowing if the lease and agreements are extended thereby allowing the plant to maintain operations.

The Regional Haze Rule is a secondary standard meant to improve visibility in Class I areas. It is not a health based primary standard intended to reduce emissions for public health. Equally true, it is not intended to force the implementation of the most stringent available controls measures. In the late 1990s, NGS installed wet limestone scrubbers in a landmark settlement with environmental interests at a total cost of $420 million and voluntarily installed low-NO_x burners and separated over fire air technology (LNB/SOFA) on the three units that reduces nitrogen oxide emissions by 40 percent. That installation was completed last year at a cost of $45 million.

The reason that these three power plants are uncertain of their future is because ADEQ is challenging EPA on regional haze jurisdiction and emission control technologies. Under Sections 169A & B of the CAA, certain states have until 2064 to attain natural visibility conditions to Class I Federal areas through means and procedures established in a State Implementation Plan ("SIP") as crafted by the State. Arizona submitted its Regional Haze SIP in December 2003 and continued to amend and update it until January 2009. EPA did not give approval, nor provide feedback on the SIP until January 2009 when it made the determination that parts of the plan were incomplete. In February 2011, Arizona submitted a new Regional Haze SIP, which EPA has yet to rule on. Meanwhile, several environmental organizations filed a lawsuit against EPA for not acting more expeditiously in addressing regional haze. In an effort to reach an agreement with the environmental groups, EPA began having settlement meetings with them, but did not invite the potentially impacted State to join the negotiations.

In December 2011, Arizona filed a request to intervene in the lawsuit; and while we were successful with that request, it still did not secure us a seat in the negotiations. On March 30, 2012, EPA entered into a consent decree for final approval by the court. Arizona filed a Memorandum In Opposition to Entry of Consent Decree on April 10, 2012, citing that the imposition of a Regional Haze FIP on the State, as stipulated in the Consent Decree, is not authorized in accordance with Section 110(c)(1) of the CAA.

In order for EPA to promulgate a FIP, it first has to find that Arizona failed to submit a Regional Haze SIP, or that Arizona's SIP failed to satisfy the minimum criteria for a complete Regional Haze SIP under Section 110(k)(1) of the CAA, or it had to disapprove of Arizona's Regional Haze SIP, none of which occurred. If EPA is allowed to promulgate a FIP without just cause, then they are affectively undermining our State primacy as established in the CAA. Furthermore, EPA, and not the State, will dictate what BART will be imposed on facilities, such as the three aforementioned power plants, to control emissions contributing to regional haze.

ADEQ and EPA fundamentally disagree on what constitutes as BART. According to ADEQ, "Low-NO_x burners" and "over fire air" technologies, both of which NGS recently had installed, are adequate emission controls. However, EPA is requiring that facilities retrofit with selective catalytic reduction ("SCR") technologies, which is far more costly than those technologies of which ADEQ approves. ADEQ states that studies of the SCR technologies do not provide sufficient evidence that it is superior or more effective in reducing emissions and improving visibility.

It is clear that EPA has the potential of causing irreparable harm to Arizona's water security, power supply, and economy should it actually impose a Regional Haze FIP. Furthermore, their actions in this particular situation are an undeniable encroachment upon our State primacy as guaranteed under the Clean Air Act.

Again, I thank you for this opportunity to discuss these important issues with you; and with that, I am available for questions.

Mr. MCCLINTOCK. I now recognize The Honorable Doug Von Gausig, Mayor of Clarkdale, to testify.

STATEMENT OF THE HON. DOUG VON GAUSIG, MAYOR, CITY OF CLARKDALE, ARIZONA

Mr. VON GAUSIG. Thank you, Mr. Chairman, and thank you to the members of the Committee for allowing me to testify today. I am Doug Von Gausig. I am the Mayor of Clarkdale, Arizona, which is up in the Verde Valley about 100 miles north of where we are right now. And I am also the president of the Arizona League of Cities and Towns; although, I am representing my town specifically.

As the Mayor of Clarkdale and as a current president of the Arizona League of Cities and Towns, I strongly advocate increasing the amount of renewable energy that is produced and consumed by our state's cities and towns.

Because we know the value of renewable energy, in my Town of Clarkdale, we have several initiatives underway that are designed to create the kind of environment that will be attractive to developers of renewable energy projects. We are also investigating the creation of a renewable energy park which would bring renewable energy developers to Clarkdale. And we are currently exploring the implementation of community solar projects, solar farms some call them, that will bring the benefits of solar energy to a wider, more inclusive portion of our population.

I am aware, however, that these efforts by me and my town are not enough to spur the kind of renewable energy projects that could truly become game changers for my town as well as for northern Arizona. What we need now is a reliable, 21st century transmission grid designed to carry renewable energy, and all electrons, throughout the west. We currently do not have that transmission system in Arizona or the southwest, and I believe that much of what the Department of Energy has proposed in its memorandum covering power management agencies like WAPA would help renovate our transmission system and get it in shape to build more renewables in the west, create a secure electrical system that can withstand unexpected events, and bring greater prosperity to towns like Clarkdale.

It is noteworthy that many of the reforms that have been proposed by the Department of Energy in its memorandum are things that Arizona's regulated utilities like Arizona Public Service Company have been implementing for years, and doing so without much difficulty. In fact, energy efficiency and transmission upgrades for renewable energy are both encouraged by the Arizona Corporation Commission. I ask myself why, if the private sector can get this done under the supervision of state public utility commissions, why can't the Federal power utilities, under the guidance of Congress and DOE, do the same thing.

I believe that the failure to modernize the grid will also stand in the way of Arizona's efforts to become the solar energy capital of the world, an objective that has been stated many times by Republican and Democratic leaders alike in our state, including most notably Arizona's Republican Governor, Jan Brewer. The cost of doing nothing will ultimately harm ratepayers by preventing our utilities from balancing their energy portfolios with diverse sources of energy, including renewables. It is also notable that in large, that large rate increases have not resulted from the efforts of companies like APS to modernize the grid, build renewables, and implement energy efficiency practices. Arizona Public Service has been able to do all of these things while keeping rates competitive.

From a job creation standpoint, a healthy, reliable transmission system that is capable of interconnecting new energy projects while maintaining quality electrical service is of importance to mayors and other local elected officials. Arizona this year ranked third in the Nation for job creation from solar energy and was third in the Nation for the total amount of solar rooftops installed. We can

climb even higher in those rankings, but only if we have the modern transmission system that allows us to do so.

Ratepayers will be the beneficiary of the DOE's efforts to encourage PMAs to improve energy efficiency. Energy efficiency is something that we have promoted and implemented in Arizona for almost a decade now, primarily because we know that conserved energy is the cheapest form of energy. In 2010 the Arizona Corporation Commission, comprised of a majority of Republicans, passed the nation's most ambitious energy efficiency resource standard. This 22 percent EERS standard will save Arizona ratepayers an estimated $9 billion over the course of the next few decades because we will not need to build a single new base-load capacity plant until 2030 as a result of improving our cost effective energy efficiency.

Finally, virtually every public opinion poll that has been taken in Arizona in the last five years shows overwhelmingly that Arizonans want more renewable energy, not less. Republicans and Democrats alike are in favor of solar energy, and solar has become increasingly popular all across the state, even in the most conservative corners. In fact, the community that is growing the fastest in terms of installed solar rooftops is Sun City, hardly a liberal stronghold.

The point is this is not a political issue but it is about Arizona's long-term ability to meet the growing energy demand in the most practical, efficient, and economical way. I urge you to support the DOE's efforts to modernize the PMAs, including WAPA.

Thank you much, very much once again for allowing me to testify.

Mr. MCCLINTOCK. Thank you, Mr. Mayor.

[The prepared statement of Mr. Von Gausig follows:]

Statement of The Honorable Doug Von Gausig, Mayor, Clarkdale, Arizona

I am pleased to offer this testimony to the House of Representatives' Natural Resources Committee's Subcommittee on Water and Power.

As the Mayor of Clarkdale, Arizona and as the current President of the Arizona League of Cities and Towns, I am a strong advocate of increasing the amount of renewable energy that is produced in and consumed by our state's cities and towns. Utility-scale renewable energy projects benefit not only each and every resident of my town, because they are a clean and reliable source of energy, and will ultimately become a stabilizing and lowering force on utility rates by diversifying the fuels that are used by utilities to create energy. We also know in Clarkdale that renewable energy projects can be a boon to economic development, by bringing much needed new tax revenues into our city, and potentially, new jobs.

Because we know the value of renewable energy, in Clarkdale we have several initiatives underway that are designed to create the kind of environment that will be attractive to the developers of renewable energy projects. We have investigated the possibility of creating a "renewable energy park" or zone in Clarkdale, which would bring renewable energy developers to Clarkdale, and we have looked at the possibility of doing community solar projects in my town, in which buildings could be aggregated, solarized and net metered, making solar even more affordable for the town and its taxpayers. This kind of aggregate metering development can lower the cost of solar installations by more than one-third and make the benefits of solar energy available in neighborhoods where it was previously impractical.. The residents of Clarkdale have time and time again told their elected leaders that they expect these kinds on initiatives on renewable energy, they support them, and they want to see more of them.

I am aware, however, that the efforts taken by me and my town are not enough to spur the kind of renewable energy projects that could truly be game changers for Clarkdale, as well as for northern Arizona. What we need the most is a reliable, 21st century transmission grid that is designed to carry renewable energy, and

frankly, all electrons, throughout the West. We currently do not have that transmission system in Arizona or in the Southwest, and I believe that much of what the Department of Energy has proposed in its memorandum covering the Power Management Agencies, or PMA's would help get our transmission system in the shape needed to build out renewables in the West and bring greater prosperity to towns like Clarkdale.

More specifically, the memorandum, written by Secretary Chu on March 12, lays out several initiatives that would modernize Power Marketing Administrations (PMA's) like the Western Area Power Authority, which owns and operates several transmission lines that run through my county. According to that memo, the DOE has taken the modest step of asking the PMA's to consider modernizing their rate designs to promote energy efficiency; actually move forward with implementing several programs that would spur new transmission that Congress itself gave the PMA's years ago; improve coordination with other grid operators; and provide WAPA greater ability to govern its own expenditures, making it easier for the agency to conduct critical repairs and upgrades to its system. While the details of how the PMAs are to move forward are unclear and stakeholder participation as part of that plan is essential, I believe these measures are efficient reasonable, and similar to the kinds of reforms and governance improvements that cities and towns across America have had to make to remain competitive and solvent. I also understand that the leaders of both WAPA and the Bonneville Power Authority have stated they can comply with the DOE's requests and that they intend to do so.

While much of the transmission system in the West is operated by investor-owned utilities, a very significant portion of the transmission system in my state is operated by the Western Area Power Authority. WAPA is particularly important in rural portions of Arizona, where it often serves as the backbone infrastructure for other utilities, and runs through areas that are ideal for new renewable energy projects. It is my understanding that WAPA transmission lines have not been modernized in many years, and certainly are not vigorous or plentiful enough to allow for renewable energy developers to get their projects online, and get those electrons moving throughout the Southwest.

As the mayor of a town in Arizona, I regularly interact with members of the Arizona Corporation Commission, the body of government that oversees Arizona utilities, and I often interact with the utilities themselves. I do find it noteworthy that many of the reforms that have been proposed by the Department of Energy in its memorandum are things that regulated utilities in Arizona like the Arizona Public Service Company ("APS") have been implementing for years, and without much difficulty. In fact, energy efficiency, transmission upgrades for renewable energy, to name just two, are regularly approved and encouraged by the Arizona Corporation Commission for the utilities they regulate. And this is not unique to Arizona. Investor-owned utilities across the West have been investing in the future by investing in energy efficiency and new transmission for more than a decade. You have to ask yourself the question: if the private sector can get it done, under the supervision of state Public Utility Commissions, why can't these federal power utilities, under the guidance of Congress and the DOE? I was encouraged to see the DOE finally take steps to reform the Power Marketing Administrations, and pretty disheartened when I learned that some members of this Congressional Committee are fighting them on actions the rest of the electricity sector have already undertaken and the market has dictated.

I know some on this Committee believe that the Department of Energy's plans will somehow cause rate increases for customers. There is no doubt that building new infrastructure will cost money. But I would ask you to consider the much higher cost of NOT building new transmission and NOT repairing and replacing a transmission system that badly needs it. The costs of not modernizing WAPA and the other PMA's includes the risk of future power outages, and even blackouts that could affect not just the town of Clarkdale, but the entire Western grid, and our economies. The cost of not modernizing the grid also prevents new energy projects from coming online, which will harm the ability of towns like mine to carry through on our plans to build a more sustainable energy environment while bringing in new jobs. Failure to modernize the grid will stand in the way of Arizona's efforts to become the solar energy capitol of the world, an objective that has been stated many times by Republican and Democratic leaders alike, including most notably Arizona's Republican Governor Jan Brewer. The cost of not modernizing, will, I believe, also ultimately harm ratepayers by preventing our utilities from balancing their energy portfolios with multiple sources of energy, including renewables.

Moreover, large rate increases have not resulted from the efforts like Arizona Public Service Company to modernize its grid, build renewables, and implement energy efficiency. APS has been able to do all of these things while keeping its rates

competitive. In fact, as I discuss below, the energy efficiency efforts by APS and other electric utilities in Arizona will save our state's ratepayers billions of dollars over the next two decades. If WAPA fails to change its rate structures to allow that kind of energy efficiency, it stands to reason that this too will be a cost of not modernizing WAPA's system.

From a policy standpoint, allowing the Western Area Power Authority to fall further and further behind other utilities would represent a hurdle to our state's ability to meet its objectives under our Renewable Energy Standard. As you may know, like 36 other states, Arizona has set out a plan for our utilities to produce or procure a certain percentage of our overall energy supplies from renewable sources, like solar and wind. In Arizona, under the RES established by the Arizona Corporation Commission, we must meet 15 percent by 2025 renewables, and having a reliable transmission grid will be critical to meeting the objectives under Renewable Portfolio Standards, not just here but all across the West.

From a job creation standpoint, a healthy, reliable transmission system that is capable of interconnecting new distributed energy projects while maintaining quality electrical service is of importance to mayors and other local elected officials. Indeed, it is not lost on us that Arizona's Renewable Energy Standard—and the solar projects it has spawned so far—is credited with helping to bring companies like Solon, Suntech, First Solar, Rio Glass, and many others, to our state. Arizona this year was third highest in the nation for job creation related to solar energy, and was third in the nation for the total amount of solar installed. We can climb even higher in those rankings, but only if we have the transmission system that allows us to do it. I believe that the DOE memorandum will lead to a transmission system that will support renewable and other energy projects, which I know will foster jobs. And I am not the only Mayor in Arizona looking to energy for job creation. Spurring renewable energy is a frequent subject of conversation among my fellow Mayors, and it is going to play a significant role in the upcoming annual meeting of the League of Arizona Cities and Towns.

The DOE efforts to update the PMA's by asking them to engage in more energy efficiency, and altering their rate structures in such a way that the PMA's can accomplish this, strikes me as a real benefit to ratepayers. Energy efficiency is something that we have been doing in Arizona for almost a decade now, primarily because we know that it is the cheapest form of energy. It is estimated that energy efficiency programs which produce the "negawatt"—or energy we don't consume to begin with—cost between 1 and 3 cents per kilowatt—far less than most forms of electricity, from coal, to nuclear to natural gas. In 2010, the Arizona Corporation Commission—comprised of a majority of Republicans—passed the nation's most ambitious Energy Efficiency Resource Standard, requiring our regulated utilities to conserve 22 percent of their retail sales by 2020 through energy efficiency programs. This 22 percent EERS Standard is estimated to save Arizona ratepayers $9 billion over the course of the next several decades, because we are not going to have to build a single new base load power plant here until the year 2030 as a result of doing more cost-effective energy efficiency.

Finally, let me touch for a moment on what clean energy means to my community and my state from the standpoint of our future and the kind of people we want to be and place we want to live in. Every public opinion poll that has been taken here in the past five years shows that overwhelmingly Arizonans want us to implement more renewable energy, not less. One poll taken in Arizona showed that almost as many Republicans as Democrats are in favor of solar energy, and solar has become incredibly popular all across the state. The people of Clarkdale are putting solar on their rooftops, and are supportive of our plans to do community solar. And renewables are popular even in the most conservative corners of the state: I am told that the fastest growing part of Arizona right now for the installation of rooftop solar systems is Sun City—hardly a liberal bastion.

These polls don't ask about transmission, but my guess is that if folks knew how important this federal utility called WAPA is to our ability to build out our renewable energy economy, the majority of Arizonans would be in favor of the Department of Energy's plans. They certainly wouldn't think that we should stand in the way of efforts to make common sense investments in our nation's electrical infrastructure.

As a mayor, I have the responsibility of ensuring that the roads, bridges, tunnels, and other critical infrastructure in my town are not only adequate to serve my town's current residents, but also are up to the task of serving future generations. In Clarkdale, we are focused on making sure that our infrastructure is sustainable in a manner that allows future generations to enjoy the beauty of the Verde Valley in the same way we do today, by promoting renewable energy, energy efficiency, and water conservation. At the state level, we have always been willing in Arizona to

take the tough decisions and make the difficult investments in to make this the productive, innovative state it is. I believe Congress has a duty to similarly protect and expand the electrical infrastructure of the nation; Congress certainly shouldn't take our focus off the future by telling the Western Area Power Authority that it is appropriate for them to have a sub-par transmission system.

I urge you to support the DOE's efforts to modernize the Power Marketing Administrations, including WAPA.

Mr. MCCLINTOCK. I now recognize Ms. Nicole Horseherder, Dine of To Nizhoni Ani, from Kykotsmovi, Arizona, to testify.

Ms. Horseherder, go ahead.

STATEMENT OF NICOLE HORSEHERDER, DINE, TO NIZHONI ANI, KYKOTSMOVI, ARIZONA

Ms. HORSEHERDER. Mr. Chairman and members of the Subcommittee, thank you for this opportunity to speak before you today. My name is Nicole Horseherder. I am Dine Navajo from Dzilijiin, Black Mesa, Arizona. I am here as a member of To Nizhoni Ani and, recently, Moms Clean Air Force.

And I am here as your constituent, Congressman Gosar. It is unfortunate that I am the only one here to express dissent before the Committee. I hope that others have the opportunity to submit testimony for the record.

Since 1971 when NGS came on line and coal from Black Mesa was used, and there has been tremendous growth and prosperity for Phoenix and Tucson, there has been no real prosperity to the Navajo community surrounding the mine in NGS. While you hear that 80 percent of the jobs at NGS are Natives', this accounts for less than half a percent of the total jobs on the reservation.

Prosperity for some has come to, has come at a cost to the Nation. The poverty rate continues to be high. 30 percent of Navajos continue to live without electricity and/or running water. Over 353 million gallons of pristine Navajo water from the N-aquifer was gone in 40 years. And water costs, and water costs of bringing—and the cost of bringing water to Black Mesa residents have increased as the water levels decline. In addition, NGS has enjoyed over 31,000 acre-feet of Navajo water per year free of charge for the last 40 years.

Prosperity has also come at the cost of health. According to the EPA, asthma disproportionately affects children in families with lower incomes and minorities. Between 1972 and 1974 and 1996 and '98 Navajo area age adjusted death rates for cancer have increased from 43.7 to 87.5 deaths per 100,000 according to IHS.

To Nizhoni Ani has engaged community members across the northwest and central region of the Navajo Nation, in the area of NGS, in a survey to assess the number of family members with asthma and respiratory problems. 141 surveys were returned from 13 communities. Results show that 60 percent of families surveyed had at least one person who suffers from respiratory problems while 42 percent reported more than one family member with respiratory issues. Of those who have respiratory problems, half are under the age of 20. I myself have two children that suffer from asthma.

Future prosperity for all calls for a transition. Beyond the tangible benefits, a transition away from the unfulfilling history of

coal and toward clean energy aligns more closely with Dine fundamental laws and values.

The Federal Government as our trustee and as majority owner of NGS must be part of meeting this goal. The transition cannot be done over night. But the continuation of NGS should be contingent on the commitment to renewable energy.

Four out of five voters believe that coal should be replaced by other energy sources. A significant 79 percent of the electorate agrees with the statement that we should start replacing coal with other energy sources like wind and solar power. Three quarters, 75 percent, of APS customers and 84 percent of SRP customers express agreement with the idea of starting to transition from coal to cleaner sources of energy. And I will submit that for the record, the study that shows that.

To Nizhoni Ani, with other grassroots groups, are deploying the development of solar energy generation facilities on brown fields on Black Mesa. At least 6,000 acres of mined lands are available at this time. This alone is enough for more than a thousand megawatts of power.

A total of 68,000 acres of land is still held in lease by Peabody Western. While some mining has been complete for more than 15 years, reclamation has not been completed by Peabody and none of the lands have been transferred back to the Nation.

To Nizhoni also believes the decision EPA should require the BART, the Best Available Retrofit Technology, that require a minimum SCR for both the Four Corners power plant and the Navajo Generating Station, a decision that would reduce the health impacts from the pollutants for Navajos living in the region.

Finally, water is scarce in the desert southwest. And large volumes of water is used to serve Kayenta Mine in NGS.

The true cost associated with these environmental and public health impacts have never been internalized by the operators of the coal complex. It is disappointing to see that, as part of the water rights settlement legislation introduced in Congress recently, S 2109, and its companion bill, language is included to ensure that NGS and Peabody continue their operation for another 50 years instead of a meaningful transition.

The Navajo Nation's prosperity has already evaporated with the Federal Government's and Arizona's problems. It is time for a renewable energy investment on the Navajo Nation. If the Dine are to see their existence into the future, they must develop clean energy economies instead of continuing to advance steadily declining coal based economies.

Please turn your efforts away from diminishing the powers of EPA, which sets the rules that gives us clean air and safe power industry that protect all, especially our children and elders. Representative Gosar, now is the time for full compliance and a transition that must begin today. Let's get Arizona on the right path to true prosperity where the costs are shared by all who benefit.

Thank you.

Mr. MCCLINTOCK. Thank you, Ms. Horseherder.

[The prepared statement of Ms. Horseherder follows:]

Statement of Nicole Horseherder, To Nizhoni Ani, Black Mesa, Arizona

Summary:

For over fifty years, the Navajo Nation has been largely dependent on a coal-based industrial economy. While revenues from development of coal resources account for a substantial portion of tribal budgets, coal development has had a substantial, and some would say irreparable, impact on tribal health, culture, land, air, and water. Further, the impacts are not limited to tribal lands as the effects of hazardous air and green-house gas emissions, toxic water borne pollution, massive depredation of aquifers used for drinking water, and contamination of soil, air and water from toxic coal combustion waste (CCW) disposal has dispersed into adjacent non-indigenous communities.

Situated in the Four Corners region of New Mexico and Arizona, the Dine homelands encompass an existing, sprawling coal-industrial complex. The Navajo Mine operated by BHP Billiton serves the Four Corners Power Plant (FCPP) in Fruitland, New Mexico; Kayenta and Black Mesa mines operated by Peabody Energy serves Navajo Generating Station (NGS) in Page, Arizona. The construction and operation of these facilities have been central in the economies of the Navajo Nation. Energy is exported from these facilities to Southern California, Texas, Southern Arizona, and Nevada.

The Power Plants at NGS and FCPP will not sustain the Dine in perpetuity. Once the fossil fuel supplied by the tribes is extracted, the powerful utility companies will be looking for other locations to continue their operations. The Dine will have no leverage to level the playing field and no plan in place to sustain tribal governance as it currently exists.

After decades of exploitation by mining and energy companies, a combination of factors make now the ideal time for the Navajo Nations to transition to a more sustainable clean-energy economy.

Best Available Retrofit Technology:

Under the federal Clean Air Act (CAA), the Four Corners and Navajo power plants are subject to requirements for Best Available Retrofit Technology (BART) in order to comply with federal regional haze requirements. The proposed BART determination for the FCPP, which was issued by EPA Region 9 in October 2010, will likely require the installation of Selective Catalytic Reduction (SCR) at all five units. Estimated cost for the FCPP to install SCR is $717 million for all five units.

The owners of the rapidly aging FCPP and NGS are faced with significant decisions about whether to commit financing to pollution-control technology upgrades for the facilities, or retire them and replace their output with modern, clean energy sources. EPA has determined it is necessary for the owners of the FCPP to upgrade pollution controls to reduce haze in the region. The ruling proposal calls for the likely installation of selective catalytic reduction controls (SCR), which could cost hundreds of millions of dollars.

Rather than incur such costly upgrades for plants that will eventually be phased out anyway, the Navajo and Hopi would benefit instead from a move toward newer, cleaner and more sustainable energy sources of which economic equity should be included.

With significant investment to bring these plants into compliance with required regulatory protections, it is entirely possible that the owners will determine that the FCPP and NGS have exhausted their economically useful lives and that continuing to operate them would be unprofitable. Utilities around the country are having the same internal debates, and several major owners of FCPP and NGS have already made a decision to abandon their stakes in the projects.

According the EPA website, asthma disproportionately affects children, families with lower incomes, and minorities. "While asthma was a rare diagnosis in many HIS areas before 1975, asthma prevalence and hospitalizations increased dramatically among AI/AN populations during the 1980s." (IHS 2006). Between 1972–74 and 1996–98, Navajo Area age-adjusted death rates for cancer have increased from 43.7 to 87.5 deaths per 100,000 populations (IHS 2006).

In addition, TNA has engaged community members across the northwest and central region of the Navajo Nation (in the area of NGS) in a survey that is meant to assess the need for a more comprehensive health study primarily focused on respiratory and heart disease and may include cancer. 141 surveys were returned by adult community members from 13 communities in the Northwest region of the Navajo Nation (Kaibeto, Chilchinbito, Pinon, Navajo Mt. Coppermine, Lechee, Dennehotso, Kitsillie/Black Mesa, Tonalea, Tuba City, Bittersprings, CedarRidge, and Shonto). The survey was conducted from March to May, 2011. The survey asks community members to assess the number of family members with asthma and res-

piratory problems and to identify the number of members with respiratory problems over the age of 25 years and under the age of 25 years. It also asks community members to identify distance to nearest hospital facilities and what other kinds of ways they address these problems besides modern methods.

Survey Results:

Community	13 communities in Northwest and Central Navajo Reservation:
Number of family members with respiratory problems	60% yes, at least one 38% none 42% with more than one family member
Under 25 years of age	50% under age of 20 years
Over 25 years of age	42% over age of 20 years
Diagnosed in last 10 years	26% of those with respiratory problems diagnosed in last 10 years
Over 50 years of age	26% of those with respiratory problems are over 50 years of age

Coal Mining a Legacy of Non-Compliance:

Part of the transition strategy is to compel meaningful and timely reclamation, closure, and clean-up of the tens-of-thousands of acres of mine lands used for coal-fired power plants. Actual clean-up and reclamation of mined lands (which could take decades) not only creates jobs and a transitional revenue stream, but in some instances may present important renewable energy site and location opportunities on mined-lands (i.e. brown fields).

Peabody's Kayenta Mining Operation covers approximately 44,000 acres and has produced approximately 8.5 million tons of coal per year. Peabody's 44,073 acre Kayenta Mine mining operation continues to supply coal exclusively to the Navajo Generation station and has done so since 1973. NGS became operational in 1971 and was based in part on a resolution from Navajo Nation which waived claims of 50,000 acre feet of Navajo water in the upper Colorado River basin for 50 years or the life of Navajo Generating Station.

Tens of millions of tons of coal combustion waste (CCW), the toxic by-product of burning coal in power plants, has been disposed of in insufficiently regulated landfills and dumped back into the mines or on-site on the Navajo Nation. This CCW contains toxic pollutants such as mercury, cadmium, barium, and arsenic, which cause cancer and various other serious health effects. These contaminants can leach into groundwater from the landfills and mines where they are dumped, and can migrate to drinking water sources, posing significant public health concerns.

Peabody's 18,000 acre Black Mesa mining operation supplied coal to the Mohave Generating Station from 1970 to December 2005. The Black Mesa mine became non-operational in 2005 after closure of Mohave in 2005 due to the Station's inability to comply with the Clean Air Act.

In addition to the coal mining at the Black Mesa Mine, Peabody has also pumped an average of 4000–6000 acre-feet per year. That is more than 1.3 billion gallons of potable water annually from the Navajo Aquifer (N–Aquifer) between 1969 to 2005 a span of 35 years. This water was used to transport pulverized coal in a pipeline (Black Mesa Pipeline) 273 miles to the Laughlin, NV, and the location of the Mohave Generating Station.

The N-aquifer is the primary source of water for municipal users and tribal members within the 5,400 square mile Black Mesa area. All of the Hopi and many of the Navajo who live in the region take their water, which they use for drinking, subsistence farming and for religious purposes, from the same source. Since Peabody began using N-aquifer water for its coal slurry operations, water levels have decreased by more than 100 feet in some wells and discharge has slackened by more than 50 percent in majority of monitored springs. There are reports that washes along the mesa's southern cliffs are losing outflow. There are also signs that the aquifer is being contaminated in places by low-quality water from overlying basins, which leaks down in response to the stress caused by pumping. Peabody's ongoing groundwater pumping, which is not covered by a reclamation bond, undercuts the sustainability of North America's oldest cultures, and continues to have a significant impact on tribal communities throughout the region.

In 2010, an independent scientist at the University of Arizona completed a study investigating both Peabody's mine and the tribal communities' impact on the N-aquifer. This study demonstrated the following mine-related impacts and OSM's (coincidental) discretionary decisions and actions:

1. In 1989, OSM set a damage-threshold for spring discharge at a 10% reduction to discharge caused by the mine.
   As of 2009, Moenkopi Spring (sixty miles southwest of the mine) had declined by more than 26%. OSM maintains, however, that the decline is caused by tribal pumping or recent drought conditions.
   The University of Arizona study demonstrated that the *declining* rate of discharge from Moenkopi Spring expresses a strong, statistically significant relationship with the rate of Peabody's *increasing* withdrawals. Further, the spring has no statistically significant relationship with either local municipal withdrawals or local rates of precipitation.
   In 2008, OSM concluded that "there have been and will be no impacts to these springs attributable to mining" (OSM–CHIA 2008: 86). Subsequently, OSM removed the oversight of Moenkopi Spring from its regulatory review.
2. In 1989, OSM determined that water level decline at the community of Kayenta (20 miles north of the mine) would be caused almost entirely by Kayenta's groundwater pumping.
   As of 2009, the water level at Kayenta had dropped more than 106 feet; the aquifer's structural stability is currently at risk of compaction at Kayenta.
   The University of Arizona study demonstrated a statistically significant relationship between Kayenta's declining water level and Peabody's increasing withdrawals. Further, there is no statistically significant relationship between this decline and Kayenta's withdrawals. In fact, the rate of Kayenta's withdrawals expresses a slightly decreasing trend since 1984 although the water level has continued to fall.
   In 2008, OSM concluded that the mine had not adversely affected the N-aquifer and completely removed *structural stability* from its regulatory purview.
3. In 2008, OSM implemented Peabody's $3 million groundwater model for regulatory purposes.
   According to the model report, "a regional scale model cannot currently be developed for the basin that will accurately predict the impacts of pumping on individual springs" (HSIGeoTrans & WEHE 1999: 5–23). Similarly, the model cannot accurately simulate groundwater discharge to streams.
   Nonetheless, in 2008, OSM determined that, rather than using actual groundwater monitoring data, it will use the simulation results from Peabody's groundwater model for its annual evaluation of the mine's impact on springs and streams.

Water is scarce in the desert Southwest, and large volumes of water derived from local watersheds serve the needs of the mines and cool the coal plants, drawing down aquifers, degrading river water quality and depleting one of the region's most valuable and scarce resources. Fallout from smokestack pollution and the vast quantities of CCW that have been dumped into mines over the past 45–50 years have degraded the quality of the remaining water supplies. Health advisories have been issued for most streams, rivers and lakes in the Four Corners, warning the public against neurological and cardiovascular damage from consuming local fish due to mercury contamination (in part due to mercury emissions from FCPP and NGS). The true costs associated with these environmental and public health impacts have never been internalized by the operators of the coal complex.

The following table illustrates only one example of the gap in water prices among Dine living on the Reservation and those living off the reservation. Dine in Pinon, Az. (central Navajo Reservation) pay at least 20 times more per gallon than do residents in Glendale, Az (Phoenix area).

AZ Regional Water prices:

Location	Price	Unit	Conversion
Glendale, Az	$2.00	1000 gal.	$.01/ 5gal
Pinon, Az	$.01	1 gal.	$.01/ 1gal
Kaibeto	$.04	1 gal.	$.04/ 1gal
Tonalea	$2.00	55gal	$.01 /1gal
Flagstaff	$2.82	1000gal	$.01/4gal

Transition the Navajo Nation for the sustainability of all Nations:

The Navajo Nation is the size of Scotland. It is blessed with an abundance of resources that could provide the foundation necessary for a transition to renewable energy development. The Navajo Nation encompasses regions with ample wind, solar, and geothermal resources, along with vast expanses of land, including large reclaimed coal-mining tracts that are ideal for locating renewable energy facilities. The region's solar potential is some of the best in the world and certain portions of reservation lands have wind resource ratings capable of supporting utility-scale projects. Additionally, as a result of all three power plants' extensive interconnections to the electric grid there is a network of power lines whose capacity would be freed up for an expansion of renewable energy by phasing out the three coal-burning plants.

Utility-scale development of either wind or solar energy resources alone has potential to offset job and revenue losses from the phase-out of the existing coal plants. An analysis by the U.S. Department of Energy (DOE), for example, determined that constructing a wind energy project in Navajo County could generate up to 140 construction and operations jobs and more than $14 million in economic activity.

If the Dine are to see their existence into the future they must develop clean energy economies instead continuing to advance a steadily declining coal-based economy.

Beyond the tangible benefits, a transition away from the unfulfilling history of coal and toward clean energy aligns more closely to Dine fundamental laws and values.

Building a new clean energy economy, one in which the viability of the Navajo Nation is included must be based on the following:

- Acknowledging the real value associated with land, water, air and other natural resources on Dine lands.
- Acknowledging the significant adverse environmental and health impacts of a coal based economy and the reliance on the FCPP and NGS and related mine operations.
- Acknowledging that benefits from the sale of Dine raw resources is directly disproportionate to the profits of the sale or the recipient of cheap electricity.
- Creating legislation that would provide the Navajo Nation the financial, political and regulatory means to pursue real solutions in transitioning from fossil fuel electricity
- Developing privately-owned and tribal-owned clean energy generation resources on Dine lands, such as wind and solar; and,
- Subsidizing clean energy facilities rather than fossil fuel facilities;

The biggest question Dine face along with the rest of the world is, what happens after all the fossil fuel is gone. We have no choice but to embrace the renewable technology available and move forward with it.

Position of To Nizhoni Ani:

1. It is the position of To Nizhoni Ani that a decision by EPA that would require the Maximum Available Control Technology otherwise known as MACT that requires at minimum SCR for the FCPP and NGS would be the most beneficial in terms of the issues of the regional haze and visibility. More importantly, a MACT decision would also reduce the health impacts from the pollutants for Navajos living in the region.
2. In lieu of declining coal resources, the Navajo Nation must work towards incorporating into recent expired leases, a plan to transition these areas into a solar generation facility and to target brownfields instead of undeveloped lands. The purpose of this plan is 1) to ensure continued revenues and jobs for the Navajo Nation and 2) to eliminate health impacts to the people.
3. The Navajo Nation must begin incorporating a plan for continued revenues and jobs in place of the declining coal mined at Kayenta and the Navajo

Mine. Currently the development of a Solar Energy Generation Facility on brown fields, is being explored by grassroots groups, Black Mesa Water Coalition and To Nizhoni Ani. At least 6,000 aces of mined lands is available at this time. This alone is enough for more than 1000 MW of power. A total of 68,000 acres of land is held in lease by Peabody Western Coal Company. While some mining on hundreds of acres of lease land has been complete for more than 15 years, reclamation has not been completed by Peabody and none of the lands have been transferred back to the Navajo Nation, to be given back to the local residents for use.

Currently the Black Mesa Water Coalition and To Nizhoni Ani has completed a Solar Potential Study, conducted dozens of community meetings to residents in the mine lease area as well as residents in communities throughout Black Mesa. The purpose of these community meetings is to educate for the purpose of mobilizing the community.

4. Installation of Solar facilities on the CAP canals to provide additional power to power the pumps that push the water to Phoenix and Tucson or other power users. This would help eliminate the evaporation of 75,000 acre feet of water annually.
5. Make CAP self-sufficient.

Mr. MCCLINTOCK. I just, to keep of the record straight, both you and Mayor Van Gausig were invited at the request of the minority Democrats on this Committee. I am sorry our democratic colleagues aren't here to welcome you, but we certainly thank you for your testimony.

Ms. HORSEHERDER. Thank you.

Mr. MCCLINTOCK. Our next witness is Mr. Andy Groseta, president of the Arizona Cattle Growers' Association from Cottonwood.

STATEMENT OF P. ANDREW GROSETA, PRESIDENT, ARIZONA CATTLE GROWERS' ASSOCIATION, COTTONWOOD, ARIZONA

Mr. GROSETA. Good morning. My name is Andy Groseta. I am here testifying on behalf of the Arizona Cattle Growers' Association.

I would like to thank you for giving me the opportunity to testify in front of your Subcommittee today. It is my pleasure to enlighten the Committee on the failures of the Federal land management and how this has impacted our residents and economy in Arizona. But, more importantly, it is drying up our watersheds in the entire state.

I am the current president of ACGA, a professional organization that represents over 100,000 ranchers from throughout Arizona. I am a third generation rancher, and our family has been ranching in the Verde Valley since 1922. We operate on Forest Service lands, state private lands. And we take our jobs seriously as being good stewards of the land. We collaborate with state and Federal agencies to maintain working landscapes that are vital to Arizona's economy and its citizens.

Arizona's agricultural industry is a $10.3 billion industry, contributing to communities in every county in this state. This base industry relies on the stability of sunlight, soil, and water to produce the safest and most affordable food supply in the world.

In 1955 ranchers, water users, Salt River Project officials, and employees of the United States Forest Service all met to discuss the conditions of Arizona's watershed and its future. 50 plus years ago these folks recognized the importance of water and how the management of land would impact agriculture, industry, and a

growing city. From this meeting and local collaboration, the Beaver Creek Watershed Evaluation Program began. The emphasis was to determine how much water yield could be increased by managing and controlling vegetation on the landscape. At the same time, the project would analyze livestock foraging, wildlife, soil types, and recreational values. The project encompassed tens of thousands of acres with real on-the-ground work. And it went far beyond the computer models that we rely on today.

This type of work contributed to real data over time and revealed the benefits of basic landscape stewardship to our watersheds. The project continues on today but is not well known and does not focus much on the actual on-the-ground work of managing vegetation because of over regulation on Federal lands and a process that can easily last 10 plus years.

Now, today, 50 years later, I have the pleasure of coming before you again to talk about the same issue that our predecessors had the foresight to begin evaluating and initiating solutions. However, after 50 years of analyzing and collecting data, it is Federal regulations and mountains of bureaucratic processes that have kept us from implementing any type or practical solutions that would benefit all the citizens of Arizona.

These former leaders understood that there were major ecosystem functions that our forest lands provided for: The water cycle, the mineral cycle, energy flow, and biological succession. They also understand that management, or the lack thereof, can have a profound effect on the very important functions.

Recently, over the past 20 years, we have witnessed a diminished land, health, and productivity, most especially the diminishment of water yields from a now unhealthy water cycle. The current lack of action and on-the-ground management has diminished the water on our forest lands, which is the water that these lands yield to several million people here who live in the Valley of the Sun.

Part of the reason our forests are yielding less water is the U.S. Forest is caught up in a process predicament, a framework of statutory and regulatory and administrative procedures that has rendered the agency ineffective in addressing the rapidly declining forest health. The Forest Service spends the majority of its time managing lawsuits today and job promotions. It has no real time to dedicate to actual landscape management. We are literally studying our forests to death caused by catastrophic wildfires that threaten our communities, destroy our local economies, destroy wildlife habitat, and drastically change an ecosystem for a lifetime.

It was not long ago that many springs and creeks along the Mogollon Rim produced twice as much water as they do today. And these rural communities were abuzz, were abuzz from the sounds of chainsaws and the bells of cows. We had healthy working landscapes that provided jobs and safe places for our citizens to work and recreate.

At one time Apache County in northeastern Arizona was one of the richest counties in the nation. Federal regulations such as the National Environmental Policy Act, the Endangered Species Act has become a tool that radical environmental groups have used to close our forests down to all mankind. Commercial logging no longer exists in Arizona and has not for more than a decade. Now

Apache County is one of the poorest counties of the Nation as Federal regulations have driven families and entire industries out of business.

The cattle industry is struggling to hold on as we continue to lose valuable and productive grasslands to overgrown forests. And with this, it takes a lot of money to repair and restore the damage that these catastrophic wildfires do on our Federal lands.

I would just like to say in closing that the Arizona Cattle Growers' Association requests that Congress takes immediate action—time is of the essence—to do something to correct the Federal land management practices, to create a balanced model that recognizes communities, economies, industry, recreation, habitat and wildlife. It is possible and it can be done. But the bottom line is our forest desperately needs on-the-ground management. And that's where we need man and management to return to the land.

Thank you for giving me this opportunity.

Mr. MCCLINTOCK. Thank you, Mr. Groseta. I would let you go on except I can't put that on Mr. Gosar's tab; it is already full, so—but I do thank you for your testimony.

[The prepared statement of Mr. Groseta follows:]

Statement of P. Andrew Groseta, President,
Arizona Cattle Growers' Association

My name is Andy Groseta and I am testifying on behalf of the Arizona Cattle Growers' Association. I would like to thank the Honorable Tom McClintock, the Honorable Paul Gosar and the Honorable Trent Franks for the opportunity to testify in front of the Water and Power Subcommittee today. It is my pleasure to enlighten the committee on the failures of federal land management and how that has impacted our residence and economy, but more importantly it is drying up our watershed. I am the current President of the Arizona Cattle Growers' Association, a professional organization dedicated to Arizona's Cattle Industry and representing over one thousand ranchers across Arizona. I am a 3rd generation rancher and our family has been ranching in the Verde Valley along the Verde River since 1922. We operate on forest service, state and private lands and take our jobs as stewards of the land very seriously—in respect for those who have enjoyed them before us and to ensure that continues for future generations. We collaborate with state and federal agencies to maintain the working landscapes that are vital to Arizona's economy and its citizens. Arizona's agricultural industry is a 10.3 billion dollar economic engine, contributing to communities in every county in the state. This base industry relies on the stability of sunlight, soil and water to produce the safest, most affordable and reliable food and fiber supply in the world.

In 1955 ranchers, water users, Salt River Project Officials and employees of the United States Forest Service all met to discuss the conditions of Arizona's watershed and the future. Fifty plus years ago these folks recognized the importance of water and how the management of lands would impact agriculture, industry and the people of a growing city. From this meeting and local collaboration the Beaver Creek Watershed Evaluation Program began. The emphasis was to determine how much water yield could be increased by managing and controlling vegetation on the landscape. At the same time the project would analyze livestock foraging, wildlife, soil types and recreational values. The project encompassed tens of thousands of acres with real on-the-ground work; it went beyond the computer models we rely on today. This type of work contributed real data over time and revealed the benefits of basic landscape stewardship to our watershed. The project continues on today but is not well known and does not focus much on actual on-the-ground work of managing vegetation because of over regulation on federal lands and a process that can easily last ten plus years. Now fifty years later I have the pleasure of coming before you today to talk about the same issue that our predecessor had the insight to begin evaluating and initiating solutions. However, after Fifty years of analyzing and collecting data it is federal regulation and mountains of bureaucratic process that has kept us from implementing any type of practical solution that would benefit all the citizens of Arizona.

These former leaders understood that there were major ecosystem functions that our Forest lands provided for: the water cycle, mineral cycle, energy flow and biological succession. They also understood that management—or the lack thereof—can have a profound effect on these very important functions. Recently—over the past two decades—we have witnessed a diminished land health and productivity—most especially the diminishment of water yields from a now unhealthy water cycle. The current lack of action and on the ground management has diminished the water our forest lands yield to the several million people who live in the "Valley of the Sun."

Part of the reason our forests are yielding less water is that the U.S. Forest Service is caught in a process predicament, a frame work of statutory, regulatory and administrative procedure that has rendered the agency ineffective in addressing the rapidly declining forest health. This is absolute fact; the United States Forest Service recognizes this issue in a report they issued in 2002. The Forest Service spends a majority of its time managing lawsuits and job promotions and has no real time to dedicate to the actual landscapes and ecosystems that support wildlife, communities and industry. We are literally studying our forest to death, a death caused by catastrophic wildfires that threatens communities, destroys economies, wildlife habitat and drastically changes an ecosystem for a lifetime.

It was not long ago that many of the springs and creeks along the "Mogollon Rim" produced twice as much water as they do today and the rural communities nestled in the middle of the Ponderosa Pines were a buzz from the sounds of chainsaws and the bellow of cows. We had healthy working landscapes that provided jobs and safe places for citizens to recreate all year round. At one time Apache County was one of the richest counties in the nation. Federal regulation such as the National Environmental Policy Act and the Endangered Species Act has become a tool for radical environmental groups used to close our forest to all mankind. Commercial scale logging no longer exists in Arizona and has not for more than a decade. Apache County has become one of the poorest counties in the nation as federal regulation has driven families and entire industries out of business. You no longer see semi-trucks full of logs moving down the highways, forest equipment businesses, or the local family owned chainsaw repair shops. You would be hard pressed to even find a chainsaw in those northern communities anymore. The cattle industry is struggling to hold on as we continue to lose grasslands to over grown forests and infrastructure to massive wildfires that take more and more resources to repair.

The overgrown forest, that is growing as we speak, with no tools to properly manage timber and forage is slowly cutting the water supply of the sixth largest city in the nation, Phoenix. For decades we have allowed our forest to become dense with trees sucking up water before it hits the river and the arid climate is unable to support such a forest in periods of drought. We have left an unnatural forest at the hands of Mother Nature and now we are faced with massive wildfires charring forests to bare ground. The Wallow fire is a perfect example an after fire crew mopped up the hot spots and left, the summer rains came causing massive soil erosion and flash floods. Mismanagement of federal lands has caused massive wildfire that changed the landscape for a lifetime and has now polluted our watershed killing a whole generation of fish, frogs and owls.

Just recently the U.S. Forest Service patted itself on the back for issuing the largest stewardship contract in history working with a collaborative group called Four Forest Restoration Initiative (4FRI). While we all hope this will become a reality quickly the contract that was issued has not run the gauntlet of the National Environmental Policy Act. At the same time, so called partners in the program have issued statements alluding to potential lawsuits. Once again process predicament will raise its ugly head while our forest health continues to deteriorate.

It is long past due that we take immediate action to correct federal land management to create a balanced model that recognizes communities, economies, industry, recreation, habitat and wildlife. It is possible and can be done but we have to be sure that it is driven by local residents that live and work with the consequences of decisions made from DC. The bottom line is our forest desperately needs on the ground management and for that we need man to return to our forest with chainsaws and cows. It is imperative that we actively manage the renewable resources that we have been provided before we allow Mother Nature to do it for us.

I want to thank you for taking the time to come to Arizona today and allowing me to testify before the committee. I would be happy to entertain any questions.

Mr. MCCLINTOCK. And our next witness is Mr. Tom Jones, who is the chief executive officer for the Grand Canyon State Electric Cooperative Association from Tempe, Arizona, to testify.

STATEMENT OF TOM JONES, GRAND CANYON STATE ELECTRIC COOPERATIVE ASSOCIATION, TEMPE, ARIZONA

Mr. JONES. Chairman McClintock, Representative Gosar, Mr. Schweikert, thank you for holding this hearing and thank you for allowing me an opportunity to testify. My name is Tom Jones. I am CEO of Grand Canyon State Electrical Cooperative Association, a regional service organization representing the interests of cooperative electric utilities and their consumers.

In Arizona 10 electric cooperatives serve more than 220,000 consumers in 10 of Arizona's 15 counties and employing nearly 900 people. Electric cooperatives in Arizona average just 12 customers per mile of electrical distribution line, by far the lowest density in the industry. Electric cooperatives were some of the first purchasers of Federal hydropower, and today more than 600 electric cooperatives in 34 states are PMA customers. In Arizona six distribution customers, a generation cooperative, and a transmission cooperative serving more than 220 homes, farms, ranches, and businesses are PMA customers in the desert southwestern region of the Western Area Power Administration.

Secretary Chu's memo directs the administrators of PMAs to begin a process to fundamentally change the way they do business, which will increase electricity rates for millions of rural Americans and may not provide meaningful benefits.

The long-standing partnership between the PMAs and their customers in providing access to power produced at Federal dams is guided by a statutory requirement that electricity is sold at the lowest possible cost to consumers.

The Energy Department acknowledges that changes proposed in its memo will likely be costly. Since incomes of electric cooperative customers in Arizona lag 21 percent below the national average and 17 percent behind the state average, electric cooperatives work daily to keep rates affordable for their consumer-members at all times.

In the memo, Secretary Chu states PMAs will become involved in a wide range of businesses, including test bids for cyber security, advancing electric car deployment, and energy efficiency. These are valid policy goals and, in fact, are ones that many electric cooperatives are pursuing. However, asking current consumers and taxpayers to foot the bill for these pursuits is stepping well outside the PMAs' statutory mission. This mission created for the PMAs would be bad public policy.

The Secretary's memo strikes for some of us as a solution looking for a problem, and a potentially costly solution for PMA customers, too. The Federal power program pays its own way. Indeed the PMAs have consistently operated under the principle of beneficiary pays. To hear the Secretary's proposal described as a modest step strikes me as a game change for the PMAs to one where costs don't matter as long as they are covered by OPM, other people's money.

It is relevant to note that the PMAs control just 6 percent of all transmission in the U.S. And barely 10 percent in the Western Electricity Coordinating Council area where we are located.

The Secretary's efforts to spur innovation in the transmission field using such a small percentage of the grid is misplaced at best.

In fact, the better agency to do this would be the Federal Energy Regulatory Commission.

Arizona electric co-ops support increasing energy efficiency, demand response, and renewable generation. Arizona has one of the strongest energy efficiency standards in the nation. However, the Secretary's direction to the PMAs to participate in an energy balanced market presumably as a tool to help with the integration of renewable variable energy resources is not necessary at this time. An EIM may be a beneficial term but it is just one option among many to help efficiently integrate these resources.

It is interesting to note that the California ISO consumers pay a rate that is 26 percent higher for electricity than those of us in Arizona.

We disagree with assertions in the Secretary's memo and that have been made here today by some earlier witnesses that the WAPA transmission system is outdated and incapable of integrating renewable energy resources. I would refer you to the attachment in my written testimony that discusses several of the mechanisms in use today by owner-operators.

Congress should exercise its oversight of any proposals that alter the statutory mission of the PMAs. By working together, Congress, the Administration, and the Federal power customers can address the multiple goals of the Federal hydropower resource.

Let me conclude by thanking Congressman Gosar and the other two Congressmen on the stage for signing the letter to Congress, to Secretary Chu expressing concerns about his memo. More than 150 signers in a bipartisan effort, including 18 Members of the Natural Resources Committee, and eight Members of the Water and Power Subcommittee, signed on to that letter.

I also want to very briefly mention our concerns about coal combustion residuals.

Mr. MCCLINTOCK. I think we will probably have to ask you to defer that to——

Mr. JONES. Thank you very much.

Mr. MCCLINTOCK.—the question and answer period. Thank you, Mr. Jones.

[The prepared statement of Mr. Jones follows:]

Statement of Tom Jones, Chief Executive Officer,
Grand Canyon State Electric Cooperative Association, Inc.

Mr. Chairman and members of the Subcommittee, thank you for holding this hearing and for providing me the opportunity to testify. My testimony will mainly focus on the March 16, 2012 memorandum (Memo) from Secretary of Energy Steven Chu to the administrators of the four Power Marketing Administrations (PMAs) and on the U.S. Environmental Protection Agency (EPA) proposed federal regulations governing the disposal of Coal Combustion Residuals (CCRs) under the Resource Conservation and Recovery Act.

The Grand Canyon State Electric Cooperative Association (GCSECA) is a regional service organization representing the interests of cooperative electric utilities and their consumers. Electric cooperatives are not-for-profit, private businesses governed by their consumers who are members of their cooperative. There are more than 900 electric cooperatives which serve more than 42 million consumers in 47 states. In Arizona, 10 electric cooperatives serve more than 220,000 consumers in 10 of Arizona's 15 counties and employ nearly 900 people. Electric cooperatives in Arizona average just 12 customers per mile of electrical distribution line, by far the lowest density in the industry. These low population densities, the challenge of traversing vast, remote stretches of often rugged topography, and the increasing uncertainty

in the electric marketplace pose a daily challenge to our mission: to provide a stable, reliable supply of affordable power to our members, your constituents.

Power Marketing Administrations

Electric cooperatives were some of the first purchasers of federal hydropower, and today more than 600 rural electric cooperatives in 34 states are PMA power customers. In Arizona, six distribution cooperatives, a generation cooperative and a transmission cooperative serving more than 220,000 homes, farms, ranches and businesses are PMA customers in the Desert Southwest Region of the Western Area Power Administration (WAPA).

Secretary Chu's Memo directs the administrators of the PMAs to begin a process to fundamentally change the way they do business which will increase electricity rates for millions of rural Americans and may not provide meaningful benefits.

The Memo's general policy guideline to "modernize" PMA operations will needlessly undermine their historic partnership with not-for-profit electric cooperatives and others in providing affordable and reliable electricity that benefits consumers and taxpayers. This longstanding partnership in providing access to power produced at federal dams is guided by a statutory requirement that electricity is sold at "the lowest possible cost to consumers."

The Energy Department acknowledges that changes in its Memo will likely be costly. Rising electric bills hurt American families and businesses. Since incomes of electric co-op customers in Arizona lag 21 percent below the national average and 17 percent behind the state average, electric cooperatives work to keep rates affordable for their consumer-members at all times. Each time input costs increase for an electric co-op, their consumer-members electric bills must also increase to make up the difference. If changes are made that increase the costs of PMA-marketed electricity, customers' cost-based rates will also increase.

While the Memo suggests that increased costs will be "phased in" to minimize disruption, phasing in expenses does not address the issue of increasing costs to consumers with no associated benefits. The Energy Department sought no input from PMA customers before initiating this effort and many important questions remain to be answered.

In addition to providing consumers across the country with reliable, affordable electricity, the PMA-customer partnership is also a good deal to taxpayers. The federal power program pays its own way. It provides a mechanism through which dam operation costs are covered by federal power customers, including:

- Capital investment costs, including renewals and replacements, with interest;
- Power-related annual operating and dam maintenance costs;
- Transmission and marketing of federal power;
- Financial support of some non-power related authorized project purposes.

In the Memo, Secretary Chu states PMAs will become involved in a wide range of businesses including test beds for cyber security, advancing electric car deployment, and energy efficiency. These are valid policy goals, and in fact they are ones that many electric cooperatives are pursuing. However, asking current consumers and taxpayers to foot the bill for these pursuits is stepping well outside the PMAs' mission. It would be bad public policy to use the PMAs as technology laboratories, forgetting their primary mission of marketing federal power.

It is relevant to note that the PMAs control just six (6) percent of all transmission. The Secretary's effort to spur innovation in the transmission field, using such a small percentage of the transmission sector, is misplaced at best. The agency with direct jurisdiction over the majority of transmission facilities in the United States, the Federal Energy Regulatory Commission, is better equipped to give policy leadership in this context.

The Energy Department proposal also overlooks the widely-recognized leadership of electric cooperatives across the country in smart grid technology efforts. Electric co-ops are also actively incorporating demand response and reducing load through energy efficiency programs. Electric co-ops are both developing renewable energy projects and purchasing renewable energy that totals more than 4,000 MW of wind, solar, geothermal, biomass and clean renewable hydropower capacity.

Arizona electric co-ops support increasing energy efficiency, demand response and renewable generation. Arizona has one of the strongest energy efficiency standards in the nation.

The Secretary's direction to the PMA's to participate in an Energy Imbalance Market (EIM), presumably as a tool to help with the integration of renewable/variable energy resources, is not necessary at this time. An EIM may be a beneficial tool but it is just one option among many to help efficiently integrate these resources. To impose an EIM on WAPA while a number of parties are still studying the costs and benefits is premature. The costs associated with implementing an EIM

are significant. We are very concerned about the impact of those costs on the rates of PMA customers.

Transmission owners and operators in the west are currently implementing a number of tools to effectively incorporate variable generation and increase coordination and cooperation among industry players, including the PMAs. We believe that further development of these mechanisms, while continuing to study the complexities and costs associated with an EIM, is a better approach than hastily creating an EIM without sufficient analysis of need or assessment of benefits. Such an approach will also aid the PMAs in continuing to provide federal hydropower and transmission service at the lowest possible rates.

Here is a brief description of the mechanisms in use today in the west. A more detailed description of these initiatives is included as an attachment.

- Intra-hour transmission scheduling—Currently generation is scheduled hourly. However, variable energy resources do not have level production throughout an entire hour. Intra-hour scheduling beginning with thirty-minute schedules has been implemented as a tool to help address this problem.
- Dynamic Scheduling System (DSS)—The output of variable energy resources varies throughout the hour. Schedules must be tracked in real time to know what has actually been purchased. DSS utilizes advanced communications to facilitate intra-hour schedules and dynamic schedules.
- Area Control Error (ACE) Diversity Interchange and Reliability Based Controls (RBC)—Variable generation can increase frequency within an electrical system. ACE and RBC allow operators to balance multiple generating units over a broader electrical area to maintain reliable system frequency.
- Intra-hour transaction scheduling platform—Allows for buyers and sellers to consummate bilateral trades of variable generation from renewable resources within the operating hour.
- Implementation of lower cost local energy efficiency and demand response programs.

We believe that further development of these mechanisms, while continuing to study the complexities and costs associated with an EIM, is a better approach than hastily creating an EIM without sufficient analysis of need or assessment of benefits. Such an approach will also aid the PMAs in continuing to provide federal hydropower and transmission service at the lowest possible rates.

Any changes to the PMAs' strategic planning processes should be carefully considered, and new capital expenditures should be specifically discussed with the customers who will pay those expenses. There should be a full and open public process with opportunities for PMA customers to provide input before any changes in existing policy and direction are undertaken. Congress should exercise its oversight of any proposals that alter the statutory mission of the PMAs. The Energy Department should remember three simple principles in its management of the PMAs: affordability; fairness; and upholding the PMAs' core mission.

Congress and the Administration could make a significant impact in our nation's energy security by working with PMA customers to improve federal hydropower resources. These efforts should include:

- Using existing authorities to prudently integrate newly developed resources into federal transmission systems, while improving reliability;
- Improving access to federal lands to speed construction of transmission and distribution lines;
- Recognizing the importance of clean, renewable, affordable hydropower as an important part of our nation's energy policy;
- Making a greater federal commitment to our hydropower resources. The President's budget request and congressional appropriations must prioritize the safety and efficiency of federal dams and power-related resources as a priority.

The federal power program pays its own way. Unlike most other federal programs, appropriations for the federal power program are repaid to the U.S. Treasury by federal power customers. Some years ago, Congress recognized this fact and decided to change the scoring for the PMAs purchased power and wheeling and direct program expenses. Indeed, the Congressional Budget Committees, the Congressional Budget Office, and the Office of Management and Budget all agreed to change the scoring for the PMAs because they recover their expenses in the year in which they are incurred.

From a budget scoring perspective, the PMAs are considered neutral and not a draw on the Treasury which means the Secretary's proposals in the Memo would hide the true expense of these new initiatives by rolling them into the PMAs budget. If the Secretary was to propose these initiatives as stand-alone measures, they

would have scoring impacts which would have to be paid for through spending reductions in other programs.

Historically, deficit reduction measures have curtailed appropriations for the federal power program, despite the fact that all of the costs of the federal power program are repaid. These curtailments threaten the reliability and efficiency of federal hydropower assets. However, the federal power customers, in partnership with the PMAs and generating agencies, have contributed funds to reduce this threat. Continued federal appropriations must remain the primary support for sustaining the federal power program, but should not preclude alternative funding methods to complement these appropriations.

By working together, Congress, the Administration, and the federal power customers can address the multiple goals of the federal hydropower resource and the PMAs, and maximize the benefit of the system for all.

Let me conclude this portion of my testimony regarding the PMAs by joining Mr. Sullivan in thanking the members of the Committee for their support regarding this issue, especially Congressmen Gosar and Matheson for their leadership in the House on the forthcoming Congressional letter to Secretary Chu. This has truly been a bi-partisan effort.

Coal Combustion Residuals

Another issue which threatens to profoundly impact electric bills of our member-owners is the regulation of Coal Combustion Residuals (CCRs). CCRs are materials produced when coal is burned to generate electricity. These materials are used beneficially in a variety of applications including sustainable construction practices. For example, CCRs are used to enhance the strength and durability of concrete. The volume of CCRs being recycled and put to beneficial use amounts to about 43 percent of all CCRs produced nationally.

The U.S. Environmental Protection Agency (EPA) has proposed federal regulations governing the disposal of CCRs under the Resource Conservation and Recovery Act (RCRA). Whether to regulate CCRs as hazardous has been researched for nearly three decades and the overwhelming conclusion is that CCRs do not warrant hazardous regulatory treatment. EPA itself, in two prior reports to Congress and two related regulatory determinations, confirmed that regulating CCRs under RCRA Subtitle C is not necessary to protect public health and the environment.

Adding to the regulatory uncertainty is a lawsuit filed against EPA on April 5, 2012 by a coalition of environmental groups advocating for hazardous regulation of CCRs. The lawsuit is designed to force a hard legal deadline for release of the rule which could limit EPA's ability to fully and carefully select the proper regulatory path forward for CCRs.

In order to resolve the regulatory uncertainty associated with this issue, electric co-ops actively support the Coal Residuals Reuse and Management Act (H.R. 2273/ S. 1751). The legislation would establish a federal regulatory program to ensure the safe management of CCRs as a non-hazardous material. H.R. 2273 was passed by the U.S. House of Representatives on October 14, 2011 on a strong bipartisan vote. S. 1751, was introduced with bipartisan backing in the U.S. Senate on October 20, 2011 but has since stalled in the Senate Environment & Public Works Committee.

Prospects for this legislation improved when the House recently voted to include its CCR bill (H.R. 2273) as an amendment to the Surface Transportation bill. H.R. 2273 would have the states administer a performance-based Subtitle D regulatory program for CCR patterned after the criteria for municipal solid waste landfills. In circumstances where a state does not implement a CCR permit program, or where EPA finds a particular state program to be deficient under a defined set of criteria, EPA would administer and enforce the non-hazardous waste permit program using the same defined set of criteria. The bill does not authorize EPA to establish new federal regulations for CCR.

Arizona's electric co-ops agree that regulating CCRs under the RCRA hazardous waste rules is not warranted and we oppose the hazardous regulatory option set forth in EPA's proposed rule. In addition to reducing the rate of beneficial use, hazardous regulatory treatment of CCRs will create significant compliance costs at coal-based generation facilities. These costs could be sufficiently high to render some units uneconomic with plant closure the only viable option.

Arizona Electric Power Cooperative, Inc. (AEPCO) is the owner/operator of Apache Generating Station. Approximately 90 percent of the 180,000 tons of CCRs produced annually at Apache Station are sold for beneficial use. The unsold portion is stored at the plant site in a lined facility that became operational in 1995 with a projected life expectancy of 20 years. Due to the high demand for beneficial reuse of CCRs, AEPCO has been able to extend the life expectancy of the waste disposal facility.

The waste disposal facility was designed and constructed in accordance with strict regulatory standards under the direction of a registered professional civil engineering firm. Safety inspections and monitoring of the waste disposal facilities are performed by AEPCO internally under the supervision of a registered professional engineer on a weekly, monthly and quarterly basis.

If EPA were to classify CCRs as hazardous waste, AEPCO would be forced to close its existing waste disposal facility at a cost of approximately $14.5 million. Then, at an estimated initial capital cost of $20 million (these costs are without complete detailed engineering), AEPCO would have to shift from wet management of CCRs to dry management.

Under Subtitle C, AEPCO would be forced to ship its CCRs to an approved off-site landfill for final disposal. Because of AEPCO's remote location in southeast Arizona, the costs of trucking and disposal of such material would be a significant increase of approximately $18.1 million in AEPCO's annual operational cost. This figure does not include the cost that will result from the shortage of off-site disposal facilities that is likely to occur from a dramatic increase in need by AEPCO and many other electric generators.

The CCRs disposal facility also provides the benefit of wastewater compliance for the facility. In order to replace this benefit, which will no longer exist if the waste disposal facility was to be closed under Subtitle C, AEPCO would need to construct a new evaporation surface area to support plant operations. Preliminary estimates indicate the new evaporation surface area will need to be approximately 200 acres for a total estimated capital cost of $20 million.

All of these costs would flow to customers who would see dramatic increases in their electric bills.

I want to conclude by thanking the Chairman and Committee Members for holding this hearing and for the opportunity to address the significant impacts these proposals could have on the electric cooperative members in Arizona.

Mr. MCCLINTOCK. On a personal note, I want to thank you for recognizing the damage that these policies have already done to consumers in California and to thank all of you Arizonans for welcoming the steady stream of refugees from that economy.

And with that, our final witness is Mr. John Sullivan, a familiar personage to the Subcommittee—we are pleased to welcome him back; he is the associate general manager and chief resources executive for the Salt River Project of Phoenix, Arizona—to testify.

STATEMENT OF JOHN SULLIVAN, ASSOCIATE GENERAL MANAGER AND CHIEF RESOURCES EXECUTIVE, SALT RIVER PROJECT, PHOENIX, ARIZONA

Mr. SULLIVAN. Chairman McClintock, members of the Subcommittee, Congressman Schweikert, thank you for the opportunity to testify at today's hearing. I would also like to thank Representative Gosar for his continued interest and involvement on many issues of importance to water and power users in the State of Arizona.

My written testimony includes our views on a number of issues being discussed at the hearing today. However, I will focus the majority of my comments this morning on the activities and issues associated with the Navajo Generating Station, or NGS.

I appreciate the comments provided this morning by Governor Mendoza and Representative Reeve on NGS.

The Committee heard last May from Dick Silverman, former general manager of SRP, regarding the history of NGS and the importance generally to the southwest. As you have heard, the issues facing NGS are complex. In order to keep NGS operating we must complete the lease extension rights-of-way renewals, negotiation of key agreements, and compliance with numerous Federal laws.

To address these challenges SRP has been working with Native American Tribes, CAWCD, other effective stakeholders to develop a resolution that will ensure the continued operation of this critical generating asset. We appreciate our relationship with these stakeholders and their continued engagement.

A major outstanding factor is how EPA will move forward with its determination on what constitutes Best Available Retrofit Technology, or BART, for NGS. We remain hopeful that EPA will determine that BART for NGS is the emission controls the participants voluntarily installed at the plant over the past three years, but the timing of a decision is also important and we need EPA to make its preliminary determination this summer.

Clearly the closure of NGS would have far-reaching adverse economic impacts to the State of Arizona as a whole and, more particularly, to Arizona's Indian Tribes. In fact, Arizona State University's Seidman Institute recently conducted a study that found NGS and the mine that serves it will contribute over $20 billion to Arizona's economy between 2011 and 2044 and contribute over 3,000 jobs each year throughout the state.

I would like to reiterate the importance of a prompt decision by EPA to allow NGS participants to make appropriate plans moving forward.

We are pleased the Committee also is looking at forest health. To SRP, unhealthy forests present a threat to our watershed and numerous electric and communications assets that cross these lands. The recent announcement of a landscape forest thinning contract in Arizona is a positive step. We hope that this is a first step in ongoing forest management. We remain committed to working with all the stakeholders and Federal agencies to ensure progress continues.

SRP is also affected by several recent actions and ongoing processes impacting power generation at the Glen Canyon Dam. As detailed in my written testimony, major changes to Glen Canyon operations have complex and far reaching impacts. And the cost is largely borne by power customers.

SRP believes that a balanced approach needs to be taken when looking at these issues and remains committed to working with the Federal agencies and with Congress.

Last, I want to briefly address the policy changes that Secretary Chu of the Department of Energy is proposing for Power Marketing Administrations, beginning with WAPA. Like the cooperative association represented by Mr. Jones, SRP would be directly impacted by the policy changes that Secretary Chu is pursuing, and I agree with his comments.

I would just add that a primary concern to SRP is the proposal to create an energy imbalance market, or EIM, in the west. We are concerned that this would have a high cost and limited benefits while the industry is developing implementing a number of lower cost initiatives to help with the integration of variable generation. We think a better approach is to continue the implementation and improvement of these tools while continuing to study the potential of an EIM.

Mr. Chairman and members of the Subcommittee, I want to thank you for this opportunity to come before you again and would be happy to answer any questions at the appropriate time.

Mr. MCCLINTOCK. Great. Thank you.

[The prepared statement of Mr. Sullivan follows:]

Statement of John F. Sullivan, Associate General Manager & Chief Resources Executive, Salt River Project Agricultural Improvement and Power District

Chairman McClintock and Members of the Subcommittee on Water and Power, thank you for the opportunity to submit testimony today. I also would like to thank Representative Gosar for his interest and involvement with the Committee on many issues important to water and power users in Arizona.

My name is John F. Sullivan. I am the Associate General Manager and Chief Resources Executive of the Salt River Project Agricultural Improvement and Power District (Salt River Project), a political subdivision of the State of Arizona that provides retail electric service to more than 950,000 residential, commercial, industrial, agricultural and mining customers in Arizona. Salt River Project operates or participates in a broad portfolio of generating resources, including nuclear, coal, natural gas, hydroelectric and renewable facilities. Salt River Project also operates a water delivery system providing the primary water supply for an area of approximately 250,000 acres that includes major portions of the Arizona cities of Phoenix, Glendale, Mesa, Tempe, Chandler, Gilbert, Peoria, Scottsdale, and Tolleson. Salt River Project appreciates the Committee's steadfast interest in issues important to Arizona and the Southwest, including the issues being addressed today.

My comments today will address at least briefly a number of the issues identified by the Committee for today's field hearing because SRP is impacted by many of them. Of most immediate concern to SRP due to significant timing constraints, however, is the continued operation of the Navajo Generating Station (NGS), so I will begin by addressing that subject.

Navajo Generating Station

Salt River Project is the operating agent and one of six participants in NGS, a 2,250 MW generating station located on the Navajo Nation just outside of Page, Arizona. As the Committee is aware, Salt River Project and the other participants are addressing and responding to numerous issues and challenges relating to the continued operation of NGS. Last summer, Mr. Richard Silverman, then General Manager of Salt River Project, testified before this Committee. Mr. Silverman's testimony is attached for the Committee's reference. Although I will not repeat his testimony to this Committee today, I want to reiterate several key points that remain of significant to SRP, and to summarize new information that we recently developed regarding the economic benefit of NGS.

NGS provides critical baseload energy to meet each of its utility owners' customer needs year round, and plays a key role in Central Arizona Water Conservation District's (CAWCD) delivery of water to Native American communities, farmers, and cities in Arizona. NGS cannot be simply or easily replaced. Yet, the participants currently are faced with a set of complex issues that threaten the long-term viability of the plant. Those issues include the need for lease extension and rights-of-way renewals, and the negotiation of key agreements, including for coal. To address these challenges, Salt River Project has been working closely with Native American Tribes, water and power users, and other affected stakeholders to develop a resolution that will ensure the continued operation of this critical generating asset. We greatly appreciate our relationship with these stakeholders and their continued engagement in issues affecting NGS.

Unfortunately, while Salt River Project has been working diligently to secure the necessary agreements to keep NGS in operation, the U.S. Environmental Protection Agency (EPA) has been working to develop a regulation that could put the future of NGS in jeopardy. This regulation, called the Best Available Retrofit Technology (BART) rule, could require costly additional emission control technologies for the purpose of improving visibility in nearby national parks.

Emissions from NGS currently are controlled by hot-side electrostatic precipitators (ESPs), wet limestone scrubbers, and Low-NO_x Burners and Separated Overfire Air (LNB/SOFA). The ESPs and scrubbers reduce particulate matter by 99% and the scrubbers reduce sulfur dioxide emissions by more than 95%. LNB/SOFA, which were voluntarily installed by the NGS owners at a cost of $45 million, have reduced nitrogen oxide emissions by approximately 40%.

The total cost of the additional controls under consideration by EPA as part of the BART rule is estimated to be between $550 million and $1.1 billion. However, SRP's modeling results suggest that the visibility improvement that would be achieved from installing such controls would be imperceptible to the human eye. As a result, SRP believes that LNB/SOFA is BART for NGS.

In addition to EPA's BART rule, several other Federal actions also could put the future viability of NGS at substantial risk:

- The initial term of the plant site lease expires in 2019. The extension of the lease and related agreements will trigger a review under the National Environmental Policy Act (NEPA) and the Endangered Species Act (ESA). NEPA could require the preparation of an Environmental Impact Statement (EIS). The development of an EIS could take several years to complete and the outcome of that process is uncertain.
- Recently issued regulations and potential future rules that are yet to be developed or finalized also could impact the future economic viability of NGS. These include the recently issued Mercury and Air Toxic Standards (MATS), as well as potential future regulations on coal ash, ozone, and greenhouse gases.

Although the NGS participants are committed to securing all of the agreements and completing the reviews necessary to ensure the continued operation of NGS, it would be difficult for the participants to justify an investment of potentially more than $1 billion for emission controls given the uncertainties that the plant currently faces. As several of the NGS participants articulated to EPA in a March 12, 2012 letter, if the EPA imposes a requirement to install the most costly additional emission controls as BART before the lease is extended, other agreements are reached, and the NEPA and ESA processes are complete, the continuing viability of the plant is at substantial risk. A copy of the participants' letter to EPA is attached.

Given the significance of this issue, SRP and the other NGS participants have more recently been engaged in several studies to quantify the overall economic benefit of NGS to the state of Arizona, and to evaluate the potential economic impacts of the EPA's pending BART rule.

The economic contribution of NGS is substantial. NGS has over 500 employees, more than 80% of whom are Navajo. NGS and the Kayenta Mine, which supplies the plant with coal, employ almost 1,000 people, with a combined annual operating budget of approximately $500 million. The plant and the mine provide significant economic benefit to the Navajo Nation and the Hopi Tribe through employment, scholarships, lease payments, and coal royalties.

NGS and the mine also provide far reaching economic benefits to the state of Arizona as a whole. Arizona State University's Seidman Institute recently conducted a study that found that NGS and the mine will contribute over $20 billion to Arizona's economy between 2011 and 2044, and contribute over 3,000 jobs each year throughout the state.

In addition to providing electricity for millions of customers in the Southwest, NGS also provides 95% of the power used by CAWCD to pump water from the Colorado River to central Arizona. It provides funds for the repayment of the cost of constructing the Central Arizona Project (CAP), and for water rights settlements with multiple central Arizona Indian Tribes.

A study conducted by Harvey Economics, a consulting firm specializing in water resource economics, estimated that the shutdown of NGS could result in a loss of over $3.5 billion between 2012 and 2044 to the economies of the Central Arizona Tribes that depend on the affordable water received through the CAP.

Clearly, the closure of NGS would have far-reaching adverse economic impacts to the State of Arizona as a whole, and more particularly to Arizona's Indian Tribes. SRP continues to strongly believe that LNB/SOFA is BART for NGS and that a prompt decision by EPA is critical for the NGS participants to make appropriate plans moving forward.

Forest Health

We are pleased that the Committee also is looking at forest health, which is important in ensuring we are able to deliver a dependable and reliable water and power supply. Salt River Project has a long-standing commitment to forest health and restoration, and I would like to compliment the Forest Service for its commitment to the Four Forest Restoration Initiative (4FRI or Initiative), an endeavor that is sorely needed to prevent further catastrophic destruction of Arizona's forests, in particular those forests that are part of Salt River Project's 13,000 square mile watershed. 4FRI provides the framework for implementing forest management actions that will result in a "natural" ecological regime less likely to be devastated by

wildfires to ensure the forests continue to provide recreational, economical, hydrological and biological value into the future.

An important step in moving the Initiative forward was the Forest Service's recent award of a contract to begin mechanized treatments on the thinning of 300,000 acres of forest land in the Coconino and Kaibab National Forests. That action, which also supports job creation in the area, is welcomed by SRP and we hope is a step towards continued sustainable forest management practices.

Yet, despite the proactive actions by U.S Congress, fire suppression and other management practices on the National Forest lands over the past one hundred years or so ultimately have resulted in unnaturally dense forest conditions. Such dense conditions result in unhealthy trees that are increasingly vulnerable to insect attack and diseases, which further increases the threat of catastrophic wildfires.

Poor forest health and catastrophic wildfires impact the hydrologic characteristics of the watershed. Specifically, runoff and water yield, peak flows and low flows, erosion and sedimentation, and water temperature and chemistry are adversely impacted by unnatural forest conditions and severe wildfires.

Northern Arizona University's Ecological Research Institute has partnered with Salt River Project to conduct field work, data collection and modeling to better understand the effects of the restoration program by comparing hydrologic and natural resource responses under alternative forest treatments. The effort will include in the field measurements and management analysis to provide empirical evidence and modeling data to compare control watersheds to those treated.

Healthy forests correspond to healthy ecosystems and water resources, and are components of the public good that directly compliment Salt River Project's watershed stewardship responsibility. In addition to improving watershed health, forest restoration actions also protect Salt River Project investments in facilities and infrastructure, including C.C. Cragin reservoir, power lines and rights of way, and communication sites. We reiterate our commitment to working with this Committee, federal agencies and other stakeholders to work toward long-term forest health through active management.

Western Area Power Administration (Western) Issues

Finally, I would like to briefly address two policies impacting Western operations and power customers. Salt River Project and numerous consumer-owned utilities in Arizona are Western customers and receive an allocation of power generated at Hoover Dam, the Colorado River Storage Project, and the Parker-Davis Project. These resources produce important clean and renewable power that benefits millions of customers throughout the west.

Secretary Chu Memo to PMAs

On March 16, 2012, Department of Energy Secretary Chu sent a memo outlining a number of new policy goals for the Power Marketing Agencies (PMAs), including Western. Let me begin by thanking the members of the Committee for their support regarding this issue, especially Congressmen Gosar and Matheson for their leadership in the House on the forthcoming Congressional letter to Secretary Chu. This has truly been a bi-partisan effort.

Like the municipal and cooperative associations represented by Mr. Jones, Salt River Project would be directly impacted by the policy changes Secretary Chu is pursuing.

Our primary concerns relate to the proposal that Western participate in the creation of an automated Energy Imbalance Market (EIM) proposed for the Western Interconnection. An EIM is a sub-hourly, real-time, centrally-dispatched energy market intended to improve the integration of variable generation from renewable resources such as wind and solar. Salt River Project fully supports the development of renewable resources. We have a robust portfolio of renewable resources that includes solar, wind, biomass, geothermal and energy efficiency programs. Like Secretary Chu we want to see these resources reliably and efficiently integrated in to the grid. In fact, as a public power entity, we are obligated to ensure that our limited resources are spent wisely to ensure the efficient integration of these resources. It is this obligation that drives our concern about the desire to include Western as a participant in an EIM when the value of this approach is still in question. The economic studies to date do not make the case for the implementation of EIM across the west right now.

The industry is developing and implementing a number of other lower cost initiatives to help with the integration of variable generation—tools such as inter hour scheduling, dynamic scheduling service, area control error diversity exchange and implementation of low cost energy efficiency and demand-side management programs. We think a better approach is also studying the implementation and im-

provement of these tools while continuing to study the potential of an EIM. We are concerned that the approach advocated in the Secretary's memo is a rush to judgment that will increase costs for consumers without the commensurate benefits.

Glen Canyon Dam Operations

Salt River Project also is affected by several recent actions and ongoing processes impacting power generation at Glen Canyon Dam. Last week, the Department of the Interior (DOI) announced that it may begin high-flow releases from the Dam beginning next fall and continuing periodically through 2020. Salt River Project and other beneficiaries of power from Glen Canyon Dam remain committed to improving habitat of native species on the Colorado River.

In fact, power customers have agreements in place to fund a significant portion of the $626 million (in 2003 dollars) Lower Colorado Multi-Species Conservation Program.

However, we are concerned that if the releases require moving water so that it is unavailable during a month when energy demand is high, and depending on the volume and frequency, it could cost power customers as much as $120 million over 10 years. As a not-for-profit utility, any increase in costs is passed through directly to our customers. In addition, the impacts of releases are highly complex and concerns have been raised about the revised operations benefiting non-native species, which could in turn negatively affect endangered native species.

Furthermore, Salt River Project is a cooperating agency in DOI's Long-Term Experimental Management Plan Environmental Impact Statement process. Launched in February of this year, this process will dictate the long-term operation of Glen Canyon Dam. Recognizing that power customers bear the economic consequences associated with major operational changes at Glen Canyon, Salt River Project believes that a balance evaluation of alternatives should be conducted. To date, however, Salt River Project and other cooperating agencies have not been included in meaningful participation, and we urge the Committee to continue oversight on this issue.

Summary

In summary I would like to again thank Chairman McClintock, Representative Gosar and the Committee for your continuing support and interest on all of these issues. Because others also have addressed the other issues we discussed, I will close by emphasizing that complex and critical issues must be addressed, and resolved, in a timely manner to ensure that NGS continues to serve as an important economic driver for multiple stakeholders:

- For the state of Arizona, NGS and the mine that supplies it with coal are expected to provide more than $20 billion in economic benefit for the state between 2011 and 2044 and to contribute more than 3,000 jobs each year throughout the state;
- For the Navajo Nation and the Hopi Tribe, NGS and the mine generate revenues that support government operations and further economic development; and
- For the Central Arizona Tribes, NGS provides assurance of affordable water received through the CAP, the loss of which could result in a loss to their economies of over $3.5 billion between 2012 and 2044.

Salt River Project is working diligently with the NGS participants, the Navajo Tribe and a host of others to seek solutions to the complex issues faced by NGS, and we have reached consensus with stakeholders on many issues. Salt River Project is committed to continuing those efforts and to working with the multiple federal agencies that will play a role in the future of NGS.

Chairmen McClintock and Members of the Subcommittee, Salt River Project appreciates your support and interest. Thank you again for the opportunity to testify before you today on these important issues. I would be happy to answer any questions.

Mr. MCCLINTOCK. Actually this is the appropriate time.

I will start those questions in five-minute intervals. And I would like to begin with Mr. Jones and Mr. Sullivan.

How many Arizona consumers do you serve?

Mr. SULLIVAN. The Salt River Project serves 950,000 plus a few electric customers here in the metropolitan——

Mr. MCCLINTOCK. Arizonans and of course former Californians who are now Arizonans.

Mr. Jones.

Mr. SULLIVAN. Arizonans and former Californians. I am happy and proud to say I am a native myself.

Mr. MCCLINTOCK. Mr. Jones.

Mr. JONES. Mr. Chairman, the electric cooperatives serve 220,000 customers. That's homes, farms, ranches, businesses.

Mr. MCCLINTOCK. Well, what would be the impact on all of these customers if all the provisions of the Chu Memo are implemented?

Mr. JONES. Mr. Chairman, for us that's a bit uncertain in that the Chu Memo itself is rather broad in terms of the objectives and goals that it lays out in the PMAs going forward.

Mr. MCCLINTOCK. We see exactly where they are going. Is this going to be good news or bad news for your consumers?

Mr. JONES. It is hard to imagine that the results of the Chu memo would do anything but raise the cost of power to our consumer members, sir.

Mr. MCCLINTOCK. Mr. Sullivan, the same.

Mr. SULLIVAN. I would agree. In the short term our estimates are that to implement just the early stages of this EIM program could cost as much as $60 million additional to the power customers in the inland southwest.

Mr. MCCLINTOCK. Now, Governor Mendoza, you said you were the biggest consumer of electricity from the Navajo Generating Station. We have been told that it would be a good thing to shut the station down. What is the impact to your folks?

Governor MENDOZA. Thank you, Mr. Chairman.

Again, as I mentioned, without a mitigation plan, our community will suffer. Again, the health and future of our tribal people depends on our community being able to continue to cultivate our lands.

Mr. MCCLINTOCK. Now, by the way, the issue on the selective catalytic reduction technology, is that going—first of all, that's not a public health issue, as I understand it. That's strictly what the Left is calling a viewshed issue, correct?

Governor MENDOZA. Correct.

Mr. MCCLINTOCK. On haze. So this is not a public health issue. It is a viewshed issue.

And what is the practical difference between the very expensive selective catalytic reduction technology advocated by a witness that is selected by the Democrats today and the actions that have already been taken on viewshed issues?

Governor MENDOZA. Again, you know, with regard to that, again, you know, the community——

Mr. MCCLINTOCK. Point blank, is it a difference that would be visible to the human eye?

Governor MENDOZA. No.

Mr. MCCLINTOCK. OK. So this is not a public health issue. It is not even a viewshed issue that a human eye can discern. So I, for one, have to conclude this is part of an ideological battle being waged by the radical Left that has no logic or reason to it. This is more religion than it is anything else.

Governor MENDOZA. Correct.

Mr. MCCLINTOCK. Back to Mr. Jones and Mr. Sullivan, actually Mr. Sullivan I think in this case. What would be the cost to con-

sumers of additional Glen Canyon water releases to simulate spring floods?

Mr. SULLIVAN. The estimate that I have seen would be $120 million over a 10-year period——

Mr. MCCLINTOCK. To your consumers.

Mr. SULLIVAN.—at a minimum to the consumers of public power that benefit from Glen Canyon Dam.

Mr. MCCLINTOCK. Wasn't it the spring flood releases that the dams were built to conserve for dry periods?

Mr. SULLIVAN. That's correct. The dams were built to preserve water so that the compact between the upper basin states and the lower basin states of the Colorado River——

Mr. MCCLINTOCK. OK.

Mr. SULLIVAN.—could be met.

Mr. MCCLINTOCK. So we have all of these spring floods that inundate the area, and all of that water then is not available in dry periods. We build dams to assure that we can save that water, conserve that for the dry periods. And now this Administration is releasing all of that water so that we don't have it to store in dry periods. Is that essentially what is going on here?

Mr. SULLIVAN. I think the Chairman has the story straight.

Mr. MCCLINTOCK. You know, sometimes I wonder if we are not dealing with the lunatic fringe of our society and at the moment they are in charge of our public policy.

Let me ask you. To your knowledge, Mr. Jones, probably more up your alley, have we yet invented a more expensive way to produce electricity than solar power?

Mr. JONES. Mr. Chairman, I believe that's an accurate statement, yes. It is quite expensive.

Mr. MCCLINTOCK. We are told we can replace coal electricity, which is one of the cheapest ways of generating electricity, with solar, which is the most expensive, and somehow consumers will be better off. Can you supply me with a wiring diagram of that logic? I don't get it.

Mr. JONES. We have not been able to solve that one either. We are under a requirement in Arizona, the electric cooperatives along with the investor owned utilities, to have a certain percentage of our portfolio resources come from renewable energy. And we are finding that to be a challenge to work that more expensive resource into our rate bases.

Mr. MCCLINTOCK. By the way, we have a very ambitious one in California, and the result is we have among the highest electricity prices in the continental United States and the lowest per capita consumption of electricity not only among all of the states, our per capita electricity consumption is now lower than Guam.

Mr. JONES. Correct, Mr. Chairman. But on the bright side, you do have a whole host of other states trying to find ways to sell you high cost power.

Mr. MCCLINTOCK. Now I am in debt for 53 seconds.

Dr. GOSAR. You get a reprieve for a second.

You know, before I start my questioning, I would like to submit for the record testimony from Arizona Representative Brenda Barton. Representative Barton is one of my constituents who lives in the area. And she serves on the House Agriculture Water, House

Energy and Natural Resources Committee, and is a strong advocate on behalf of rural Arizona.

Mr. MCCLINTOCK. Without objection.

Dr. GOSAR. I would also like to reiterate Chairman McClintock's offer to folks to submit their testimony for the congressional record. We would have loved 30 witnesses, but there is just not time and energy for. So please reach out to my office. We will make sure that your testimony is included into the record.

Mr. Sullivan, so just let's reiterate this. Is there any replacements for the Navajo Generating Station, renewable or traditional?

Mr. SULLIVAN. That's a difficult question. There are alternatives. None are really base-load alternatives. What——

Dr. GOSAR. What do you mean by base-load, sir?

Mr. SULLIVAN. A resource that's available 24 hours a day, 365 days out of the year.

Dr. GOSAR. So if we were to take a solar project or an alternative energy project like wind and solar, are those considered base loads?

Mr. SULLIVAN. Those are renewable resources. Like solar and wind are not base-load. They are intermittent in nature. Even the folks from St. Johns, Arizona will say every once in awhile the wind stops. And we have 128 megawatts of wind power in the St. Johns, Winslow area.

We also are proud to have a number of solar projects. They run very, very well in Arizona, but only from about 10:00 in the morning until 3:00 in the afternoon. So we like our air conditioning in Arizona. So 10:00 at night, we would still like to have energy sources, base-load resources to take care of that.

Dr. GOSAR. So if you were to take a solar alternative type of mechanism to replace Navajo Generating Station, how many thousands of acres would it take to cover?

Mr. SULLIVAN. I do not know exactly. I have seen the number. It is thousands of acres.

Dr. GOSAR. That's what I thought.

Governor Mendoza, the solar project that you mentioned, it sounds like a great project. And regardless of the NGS issue, we are certainly happy to help you. We are very aware of all the Federal barriers to all that development.

The NGS is really the only option in the short term to pump the CAP water. If the EPA mandates the SCRs as the best retrofit technology, the effects would be devastating to your tribe and other Arizona tribes, is that true?

Governor MENDOZA. Yes.

Dr. GOSAR. So this is a huge issue with the tribal obligation of Congress, right?

Governor MENDOZA. Correct.

Dr. GOSAR. And the jurisdiction is Congress and Congress only?

Governor MENDOZA. Yes.

Dr. GOSAR. Thank you.

Representative Reeve, according to the ADEQ and your Committee's work, SCR would have negligible environmental effects and unproven visibility improvements. DOE's NREL study backs that as well, does it not?

Ms. REEVE. I believe so, yes.

And I have to answer, if I may, Chairman McClintock's question earlier. Director Eric Massey of the ADEQ from the air division has said that you measure the units, visibility is measured in units called deciviews. And the lowest level of change perceptible to the human eye is perceived between .5 and 1 deciview. He notes that some studies with the SCR technology the EPA favors have shown less than .05 deciview change, meaning the human eye doesn't register the difference. So I think that answers both your questions.

Dr. GOSAR. Let's take it a step further. So you know where the plant is compared relative to the canyon; would it have really impacted the canyon, especially when you look at air currents?

Ms. REEVE. No.

Dr. GOSAR. And doesn't the DOE's evaluation actually show that?

Ms. REEVE. I believe so. I would have to look at that.

Dr. GOSAR. Most Arizonans remember air moving from southwest to northeast. That would be a Colorado problem. And the remainder or the majority of the time it is from northwest to southeast, which would be a New Mexico problem.

So maybe really our problem is from you, from California. Sorry about that.

Mr. MCCLINTOCK. Don't let that happen again.

Mr. SCHWEIKERT. Will the gentleman yield for a second?

Dr. GOSAR. I would be happy to yield.

Mr. SCHWEIKERT. I think most of our problems are from California.

Dr. GOSAR. So——

Mr. MCCLINTOCK. Most of your water, too.

Dr. GOSAR. So if the EPA requires the SCRs, they would make it a mandate that would have negligible environmental and visibility effects, that would wreak havoc on our state's economy, threaten the water security of fifth and 32nd largest cities in the country, devastate multiple tribal agricultural and mining economies, undermined Federal Government's ability to meet its obligations under current water settlements and public view in future settlements, I am not so sure what the EPA defines as best, but clearly SCRs are not the best retrofit technology. The best, the current technology at the Navajo Generating Station is the best retrofit technology.

What we have to do is we have to base it on science. I am a science guy. And we can't be basing it on theoretical science. And that's part of the problem we see here over and over, is the Federal Government advocating to junk science.

And with that, I will catch back up on some of my allocated over allotment.

Mr. MCCLINTOCK. Put the rest of us to shame.

The Chair is now pleased to recognize Mr. Schweikert for five minutes, or thereabouts.

Mr. SCHWEIKERT. We shouldn't let him have any caffeine. He is like a machine gun.

And I said this in our opening statement. I sort of feel like I am in the time warp machine because many of the arguments seem to, you know, resurge or come back, you know, every few years.

Governor, and you and I have had this conversation, but I want to make sure I completely have my head around it. You are the largest user of allocated CAP——

Governor MENDOZA. That's correct.

Mr. SCHWEIKERT.—today?

Governor MENDOZA. Yes.

Mr. SCHWEIKERT. If your costs change substantially, A, how does that affect your community, but, also, how do you think it affects—how would you and your legal team and the community you represent feel that affects also the compacts or the water settlement agreements?

Governor MENDOZA. Well, again, as mentioned, without that plant our community will suffer. Again, we are, we are still suffering as a consequences of this illegal taking of our water. But using our settlement water to refocus, again, our way of life back to our agriculture and traditional foods, our access to affordable CAP water that was guaranteed to us in our 2004 law is critical to the long-term health of our, of my people.

Mr. SCHWEIKERT. Would you, and I will ask from a personal level, would you consider that if all of a sudden that water got dramatically more expensive that we are now in violation of that settlement?

Governor MENDOZA. Yes, yes.

Mr. SCHWEIKERT. And how many years did it take to get to that settlement?

Governor MENDOZA. Oh, wow, many years. Many of my former leadership have been involved in this for years.

Mr. SCHWEIKERT. Would you both—would you agree it is older than you and I are?

Governor MENDOZA. Yes, yes.

Mr. SCHWEIKERT. And we are getting old.

Senator, and you put up one of my very favorite maps, years ago we were trying to work on the calculation of saying if only 13 percent of the population, or of the acreage can be privately held, how much of that actually has water rights, and is it a mountaintop or others. We were getting down to around 8 percent of the state's acreage that was truly usable.

There is a bit of a movement starting to take off in parts of the west where the discussion is could we put much of this public lands under a single management regime, maybe a state based one.

From your, because I know this is one of your areas of specialization, would you be ready to take that on at an Arizona level?

Ms. GRIFFIN. My letter to Santa Claus would be for the state to take over for the public lands.

Mr. SCHWEIKERT. Because when you consider Forest Service, BLM, Bureau of Reclamation, the list just goes on and on.

Ms. GRIFFIN. I would be happy to tackle that and address that. I would be most interested in doing that.

Mr. SCHWEIKERT. OK. And forgive me, but, I am embarrassed, but I can't even read your names without my glasses. Is it Nicole?

Ms. HORSEHERDER. Yes.

Mr. SCHWEIKERT. Pronounce your last name for me.

Ms. HORSEHERDER. Horseherder.

Mr. SCHWEIKERT. OK.

Ms. HORSEHERDER. Just the way it is spelled.

Mr. SCHWEIKERT. I couldn't see that.

I saw in your testimony you were speaking of asthma. How much statistical modeling—and this is one of my personal fixations, because we often will throw out saying we have this experience rate. But do you know if it has been truly statistically modeled for both a regional national means or is that just sort of what you are finding, you know, on Black Mesa? I mean, how much study has truly gone into those numbers?

Ms. HORSEHERDER. Which particular statistic are you referring to?

Mr. SCHWEIKERT. You spent some time throwing out, saying we are seeing higher asthma rates. And I am a rather severe sufferer of asthma, you know, growing up here in the valley.

But I bounce off the walls, because at first I was a quantitative major, and I find people throw out numbers and they don't understand the modeling that actually goes into the facts. And I am just—you threw out the number, so I was looking for the statistics layout.

Ms. HORSEHERDER. OK. So one bit of information, one bit of statistic is from the Indian Health Services, which covers a pretty broad area——

Mr. SCHWEIKERT. OK.

Ms. HORSEHERDER.—on the reservation. But the statistics I mentioned in specifically here in my testimony was based on a questionnaire that was done in the region of the NGS.

Mr. SCHWEIKERT. But a questionnaire model is not real facts.

Ms. HORSEHERDER. It is the best that we have. I am sorry.

Mr. SCHWEIKERT. OK.

Ms. HORSEHERDER. Yeah, if we could compel some agency to take on that study, I would bet that it would be similar.

Mr. SCHWEIKERT. And I know I am out of time but it is one of my actual fixations. I find in Washington particularly they make public policy on folklore instead of true, truly vetted data.

Mr. Chairman, I yield back.

Mr. MCCLINTOCK. Thank you, gentlemen.

I would also point out McClintock's second law of political physics is also at work in that folly. And that is the more we invest in our mistakes the less willing we are to admit them.

And on that very subject, I just want to hammer home the point that Mr. Gosar began with Mr. Sullivan. And that is wind and solar, you say, do not add to baseline power. We have to constantly have backup supply for that unpredictable moment when the wind suddenly drops off or a cloud passes over an array or the sun sets on the western horizon as it is wont to do from time to time, is that correct?

Mr. SULLIVAN. That is correct, Mr. Chairman.

Mr. MCCLINTOCK. So we not only are dealing in the case of solar with the most expensive way we have ever invented to produce electricity—after 170 years, by the way, of technological advancement and innovation and God knows how much in taxpayer subsidies—we start with the most expensive possible way of producing power, we then on top of that have to have backup supply immediately ready.

Now, how do you do that with a turbine generator for example? How do you keep that ready at a moment's notice to kick in to maintain the integrity of the grid?

Mr. SULLIVAN. There are several ways that we maintain readiness, as you would put it.

Mr. MCCLINTOCK. Don't you have to run the boilers?

Mr. SULLIVAN. We maintain spinning reserves. So we have units that are not fully——

Mr. MCCLINTOCK. So you are running——

Mr. SULLIVAN. So——

Mr. MCCLINTOCK.—all this generating capacity?

Mr. SULLIVAN. Right.

Mr. MCCLINTOCK. So you are just not getting any generation out, is that correct?

Mr. SULLIVAN. Right. So we are burning fuel. We do that also in case we lose a generating unit. The other thing we have done is invested in a rapid response gas turbine plant in Pinal County——

Mr. MCCLINTOCK. Right.

Mr. SULLIVAN.—where we can have——

Mr. MCCLINTOCK. But the more——

Mr. SULLIVAN.—quick start capacity.

Mr. MCCLINTOCK. The more wind and solar you add to the grid the more you have to do this, correct?

Mr. SULLIVAN. That's correct.

Mr. MCCLINTOCK. Now, who is paying for all of this, this second ready-to-go backup supply?

Mr. SULLIVAN. The customers of the utilities that benefit from the solar.

Mr. MCCLINTOCK. So you are now paying the most expensive way to generate electricity on itself. They are then paying for additional backup because that process is intermittent and unreliable and you have to maintain the integrity of the grid. Then we are told, oh, well, we need to modernize our transmission lines. Well, we are not actually talking about modernizing transmission lines. We are talking about replacing existing transmission lines with high tension direct current lines because that's the only way to transmit solar generated, wind generated electricity over any kind of considerable distance because of the low output of these facilities.

Mr. Jones, is that correct?

Mr. JONES. Mr. Chairman, the short answer to that would be yes.

Mr. MCCLINTOCK. Mr. Sullivan, do you agree?

Mr. SULLIVAN. It depends. In our particular case, we have been able to integrate the intermittent resources without major additions to our transmission. We have taken a little different approach.

Mr. MCCLINTOCK. But when the Chu Memo calls for——

Mr. SULLIVAN. The Chu Memo calls for——

Mr. MCCLINTOCK.—high tension——

Mr. SULLIVAN.—large changes. We don't believe those are required.

Mr. MCCLINTOCK. For you, but they are required obviously for remote locations where most of the solar arrays and wind generators are located.

Now, when Mr. Chu's memo says that general ratepayers, for example those whose rates have already paid for our existing hydroelectric facilities, are now going to have to cough up the money for this, too, what does that do to their electricity bills?

Mr. SULLIVAN. Unless the Federal Department of Energy comes up with a way to spread these costs over the general transmission users, it would fall on the public power customers, both co-ops and public agencies, that currently pay for those transmission facilities.

Mr. MCCLINTOCK. OK. So you have the cost for these, these most expensive ways of generating electricity, plus all the backup power, plus the special high tension direct current lines to transmit this electricity. Is any of this broken down in the bills for consumers? Can they actually see the costs broken down that they are paying for this ideological program?

Mr. SULLIVAN. It depends on the utility. Some do break it down and have a number of escalators. In our particular case, we have an escalator much like a fuel escalator. When natural gas prices go up and down, we have an escalator for environmental and renewable portfolio activities.

Mr. MCCLINTOCK. Well——

Mr. SULLIVAN. So it is——

Mr. MCCLINTOCK.—I will tell you in California my bills certainly don't break that down. I don't think the bills of most consumers break that down. In fact, that's the way that the advocates get away with claiming, oh, this is very cost competitive. It is only because we have hidden the true costs in other people's electricity bills or on their tax bills.

Mr. Jones, was that the other people's money that you were referring to?

Mr. JONES. Somewhat, yes, Mr. Chairman. We do show in Arizona on customer bills for electric co-ops the amount of surcharge on the bill that's authorized by our public utility commission for renewable energy. It is the RES surcharge. So we are trying to give consumers an indication what those costs are.

But, yes, we are very concerned that the historical "pay as you go, beneficiary pays" methodology that has been used with the PMAs is at risk under the Chu Memo and that we are going to be faced with paying for costs of items that, frankly, we either see no benefits for or, even if there are benefits, may not be those that would directly affect the consumers but be there for other purposes.

Mr. MCCLINTOCK. Thank you.

Mr. Gosar.

Dr. GOSAR. Well, thank you, Chairman.

Before I start my questions again, I would also like to take a chance to thank the staff, because you can't have meetings like this without the help of the endless work of the staff: Daniel Briggen, Kyle Briggen, Rose Estes, Daniel Frank, Adrianne Luff, Ryan Omay, I am probably saying your name wrong, Clarissa Wright, Jason Fitzpatrick, Ron Geld, and Dan Nichols. So thank you so very, very much for helping us out with that.

You know, I want to make sure that we get in some pretty good facts here. The NGS produces enough power to be a large nuclear power plant. That's how much power we are talking about, enough power for 2 million homes. What we are looking at in renewable

type energy is still experimental. There are things that actually still work but there are a lot of things that still have to happen. We have photovoltaic. And we have also got mass types of solar collectors, what we are seeing here in Abengoa in Gila River.

Those are the pursuits we ought to have. And I think what we have to look at here is all the above energy policy. No one is dispelling solar and wind power and hydropower. In fact, myself and Congressman Tipton actually looked at empowering the small conduits, the Cal systems, by using small hydropowered systems that actually generate, increase the number of megawatts toward locales where you have elevation drops which feeds the water going through. These are the conscientious aspects of how we ought to be looking at our energy policy.

And then the last part that I also want to make mention is the beneficiaries of utilizing our natural resources in this state is education. We lose that so many and so often, is that the educational system actually benefits from the dollars generated. So we ought to be using this beneficially and worthwhile.

Mr. Groseta, I want to touch base with you in here because this is also about looking at your natural resources.

You know the Wallow Fire. It took us almost $400 million to put that fire out, money we don't have. And we lost $2.5 billion, with a B, of board feet, of habitat and trees. You know, we actually brought down a portable mill and we have yet to cut one single tree out of salvage. In fact, we have locked a lot of the forest up, have we not?

Mr. GROSETA. That is correct, Congressman Gosar. As I shared, we are in an analysis-paralysis litigation gridlock. Two particular acts, Endangered Species Act and National Environmental Policy Act, they have been manipulated and massaged over the years to use these tools to inhibit progress to go out and harvest timber, to go out and harvest forage on our national forests. And as long as our national forests are continued to be managed in the name of protecting the Mexican Spotted Owl and the Goshawk, both of those require highly dense old growth trees, we will continue to be in this predicament. So——

Dr. GOSAR. I want to touch base with you on that. So in the Wallow Fire, what percent of the Spotted Owl habitat did we lose?

Mr. GROSETA. I am told that half of the habitat for the Mexican Spotted Owl burned up and went up in smoke.

Dr. GOSAR. And isn't it also true that we lost half that population?

Mr. GROSETA. That's correct.

Dr. GOSAR. Wow. We really won on this one, just really won. Plus I wonder how many of the gray wolves we also lost, too.

Mr. GROSETA. I don't know the number, but there were several species that we lost during that fire.

And also, in addition to that, I would like to just, for the point of the record, I have submitted photos, two pages, to each one of you up there. This is pictures of dead fish on the San Francisco River. And this happened last summer after the big fire, the Wallow Fire that you alluded to. After we started to have our summer rains, the monsoons that we have here in Arizona—that fire was so hot that it just, it burned and sterilized the soil. It actually was

just barren landscape. And all of the ashes, once we received the summer rains, we not only had soil erosion problems but look what—we were talking about the Spotted Owl and the Goshawk—but look at what it did to the fish.

Dr. GOSAR. Yes.

Mr. GROSETA. Look at all the dead fish in the San Francisco River. These photos, all four of these photos were taken late July of last year after the summer rains starred northeast of Safford, Arizona.

So we not only talk about we are not only losing the species we are trying to protect up there, but we are also losing owls, we are losing fish. And the bottom line is the status quo is not working and we need to change the management on these lands in order to get to go out and harvest the resources. We have the world's richest——

Dr. GOSAR. And I agree——

Mr. GROSETA.—resources here in this state.

Dr. GOSAR. I agree with you on that one. Let me ask you another question. There is also complications from windmills. Do birds have problems with windmills? What is one of the biggest killers of migratory birds? It is actually windmills.

Mr. GROSETA. Wind machines.

Dr. GOSAR. Wind turbines, absolutely. And actually we are finding out about wind turbines that we actually create microclimates.

Mr. GROSETA. That's correct.

Dr. GOSAR. They actually create microturbidity that planes are affected by. So there is a lot of consequences here.

I have one more thing here. I know, Ms. Griffin, you know, up in Flagstaff we had the Schultz Pass Fire, a disaster. We are going to still have ramifications with this over and over again. We have a flooding issue because, you know, of that mountain, San Francisco Peaks, this volcanic cone has got projections about 45 degree angles. So when water comes off of this, it flies. That's why we lost a little girl.

That's what is so sad about this. We could have had solutions here but were prohibited. Do you realize—and I, really, this is my last comment—it is going to be awhile because we just broke ground on the Schultz Pass Fire amendment for fixing the pipeline from the inner basin, that's how sad this is, and we are still talking about, and the words have been, condemning private property.

How do you feel about condemning private property, ma'am?

Ms. GRIFFIN. You saw the map. We have very little private property there. I believe the state and the people in Arizona can manage our public lands better than the Federal Government. We can do it cheaper, more effective, and immediate. It is going to take a long time to take care of the devastation that has occurred because of the fires. But it is, and it is moonscapes out there. The wilderness areas in my area, they are all gone. I had pictures of bear and deer and different animals that are—it is a moonscape, you know. They are cinders.

Dr. GOSAR. You are exactly right. And I want to say, you know, because of that map that you saw up there, the Federal—the western states get less than one half of what eastern states get in educational funding. And we have to rely on PILT and secure rural

schools, which we have to beg, plead and steal from to try and get. And this is a mechanism and a way that we should be getting back the authority for the states.

I want to thank the Chairman for allowing me a little extra time. And thank you for coming out today to see why Arizona, why we wanted to bring these issues to point and center in Arizona.

Mr. MCCLINTOCK. Oh, Mr. Gosar, it is a genuine pleasure. Misery loves company, and many of the problems that you have talked about here today we have been suffering in my district in the Sierra Nevada as well.

Mr. Schweikert.

Mr. SCHWEIKERT. I don't think he actually gave you the extra time. I think you just took it.

Dr. GOSAR. I did.

Mr. SCHWEIKERT. Andy, I want to throw from—and this is one of my personal fixations. I actually think a lot of the litigation, a lot of the things you see out there, it is about money. You know, when equal access to justice and those mechanics, we have incentivized not decision making, we have incentivized law firms to, hey, this is a book of business, let's sue. And it has been a decade since I last asked this question, but we had someone in front of us from the Forest Service who was telling us almost half the regional budget was going into some litigation or litigation preparation or mechanics.

Would you disagree with me? Am I, I mean, am I off base?

Mr. GROSETA. No, I agree with you, Congressman. We definitely need tort reform. It is big business.

Mr. SCHWEIKERT. Well, actually some of this is less even than tort reform. You actually redesign the statute saying, instead of funding a bunch of lawyers, let's actually use the money to actually fund plans that actually work. Personal opinion. If any of you are lawyers, I am sorry if I offended you.

Mr. Mayor, you, in your testimony you sort of, you spoke of trying to take part of your community and turning it into an alternative energy hub. A noble effort. Have you actually sort of modeled how much of that is going to require subsidies, specialty line items, credits and cash and those things from the Federal Government for that to actually work?

Mr. VON GAUSIG. Yeah. Actually the plans Clarkdale has and the way we have looked at it so far don't require any at all. They would all be private-public partner ships based on various kinds of efficiency that are gained by the improving technologies that we have out there.

Mr. SCHWEIKERT. Wonderful. It is one of the things I will—from a policy maker's standpoint, as you know, we often hear the rhetoric about, well, we subsidize fossil fuels, which isn't actually accurate. The depletion allowance, that is 2.4 billion, there is almost 9 billion a year that goes into green energy, so green energy gets about three times more than fossil fuels. So, and my guess is, with the pending fiscal crisis that is coming very fast, that whole world is going to change. So from a personal standpoint, please be careful in public-private partnerships. I mean you saw how well it worked in Ireland.

Mr. Sullivan, a tough question. SRP, you do your modeling and your capital planning five years? Ten years? 50 years? When you do a capital plan for your generation for your delivery, how far out are you planning?

Mr. SULLIVAN. Typically for our generation plans we look out 15, 20 years. In terms of our financial plan, we do detailed financial planning looking out six years.

Mr. SCHWEIKERT. In that planning, how do you do that modeling, that planning in this environment where, you know, Navajo Generation's capacity may be in play, you know, low yield generation coming from alternative energy? I mean, are you having to do an A, B, and C plans? I mean, how are you modeling?

Mr. SULLIVAN. Typically we do a lot of scenario planning, so with/without Navajo going forward.

We also participate in the Four Corners plant. So we have to factor in the future of the Four Corners generating station, whether it will be there once that plant gets through the environmental process.

And then in terms of our renewables, our board has established both an energy efficiency and renewable standard combined for us, a sustainability portfolio. And our view is you have to have a balance. Representative Gosar talked about that.

That's how we try to approach our future resource planning, is a balance of renewables that we can adjust for as we move forward, a balance of energy efficiency, and then a balance of traditional, mostly nowadays natural gas resources.

Mr. SCHWEIKERT. Mr. Chairman, Mr. Sullivan, in the models you have done, let's just take the five year, best case scenario for a ratepayer is what, and worst case scenario? You know, how big is the spread right now?

Mr. SULLIVAN. Well, what we don't do is factor in rate increases or price adjustments. What we do look at is, as we go out in time, how big a deficit are we building that would have to be made up by our customers. So I can't answer your question exactly——

Mr. SCHWEIKERT. OK.

Mr. SULLIVAN.—today. But it would be quite a spread. It would be a large spread if you look out five years without Four Corners or Navajo in our resource plan. It would be a very expensive plan for our customers.

Mr. SCHWEIKERT. Thank you, Mr. Chairman. Thank you, Mr. Sullivan.

Mr. MCCLINTOCK. You are very welcome. And we are going to go to one final round, mainly because I owe the till about a minute and a half and Mr. Gosar owes two. So between me and ourselves let me have two quick questions.

First to Mr. Governor Mendoza. You painted a compelling picture of the economic devastation that imposing SCR technology on the Navajo Generating Station will have on your community. Yet we are told by a representative of the Navajo that the Nation welcomes shutting it down. Why should we believe you?

Governor MENDOZA. Well, again, you know, again, you know, the community would support any pragmatic solution about this issue. Again, it is, it protects the rights of our community and it does not jeopardize our water settlement.

Again, with regard to having the access to affordable water that was guaranteed to us in our 2004 water settlement law is critical to our community. And if we lose access to affordable CAP water, we won't be able to help cultivate our lands for our community.

Mr. MCCLINTOCK. Thank you.

Final question to Senator Griffin and Representative Reeve. What can you advise us, what should the Federal Government be doing to spur the economic and natural resource development of Arizona?

Ms. GRIFFIN. Get out of the way.

Mr. SCHWEIKERT. Sort of to the point.

Mr. MCCLINTOCK. Representative Reeve.

Ms. REEVE. There is a reason that we have state primacy on certain issues. And they should allow the state to, to do what we are doing.

I mean we have things in place. We are, you know, ADEQ is doing a very competent job on these air issues. And yet we are being cut at the knees right now with the regional haze rule in particular. They should allow the states to do what we know—you know, we know this area better than they do because we live here. And that's why there is such a thing as state primacy. So they should work at least with the states if nothing else, but yes.

Mr. MCCLINTOCK. Thank you very much. I yield back my three minutes and I am square.

Mr. Gosar.

Dr. GOSAR. Well, Ms. Horseherder, let me ask you a question. Has the life expectancy of the Navajos increased or decreased over the last century?

Ms. HORSEHERDER. The life expectancy has probably increased in the last century.

Dr. GOSAR. Governor Mendoza, has the life expectancy gone up or down on the Gila River Community?

Governor MENDOZA. It has gone down.

Dr. GOSAR. The life expectancy?

Governor MENDOZA. Yes.

Dr. GOSAR. OK. Is it part of—what would you attribute that to?

Governor MENDOZA. The health, the health of our community. Again, you know, when the waters of our community were diverted illegally, our tribal members had to change their diets to one of cheap processed foods. And, of course, it devastated our community, because, as you know, we have the highest rate of diabetes in the world. So, again, you know, the water was the blood line to our culture.

Dr. GOSAR. So the other thing I want to make sure we understand is that almost half of the water that Phoenix utilizes comes from CAP water, almost half, 45 percent. And 80 percent of the water that goes to Tucson comes from CAP water.

So I guess what my hearing—what I am trying to get at here is this is not an option to shut the Navajo Generating Station down. There is not an option here, just absolutely not an option. What we have to do is start building upon science, real science, a science that is based by facts. What I mean by that is, is that I provide the criteria, or you provide the criteria, and I can go replicate your results. That's why surveys don't work.

I am a healthcare professional. Surveys are only an inquisition into maybe a problem, and that you have to follow it up with scientific study. That's one of the things that I have to tell you, is we have to start basing our discussions not on scare tactics but on real data, real data.

Now, the other thing that I also want to make sure is that today I know the Navajo Nation person said that they were against the Navajo Generating Station. That's not what the tribal council and the president has advocated for. They have been in front of us advocating for not shutting it down. So those are things we want to make sure that those viewpoints are poignant and perfectly legit.

I think one of the things that I would hope, and I am a dentist impersonating a politician, is that what we have to start doing is start working together. I am tired of the Federal Government picking and choosing winners and losers. We need to have everything on play. And the magic of America is its beauty to investigate and invigorate and create. That's why we are here today and that's why we share in the economy that we so do. And we need to get the Federal Government out of the way.

And I think what we saw today from the NGS to the Chu Memorandum to the forest dictations to how we use Federal lands, it is obvious we have a problem. And the way I look at it is when there is disarray is the greatest opportunity for change.

So I hope that we work much better together than working against each other, and not to pit one solution over another.

So I thank everybody for coming today. It has been an absolute pleasure. It is so great to see everybody in attendance, even Bass in the back. But thank you very much Chairman for having us.

Mr. MCCLINTOCK. Thank you for inviting us.

And final words to Mr. Schweikert.

Mr. SCHWEIKERT. Thank you, Mr. Chairman.

And I know the Chairman is going to make a motion to accept additional testimony. If anyone has information in writing, please give that to us. It will get read. One of the joys of having a five-hour flight is we get on that airplane with binders like this. And this is sort of like graduate school on steroids. You often sit there and read things that were never in your area of specialty.

I do have some mechanical concerns, because I know part of our focus has been on Navajo Generation, part of it is on what it does to our water resources, but the issue here, if you even look at each of you on the panel, I believe each of you care passionately, but those of us in the west, it is our public lands, it is how we manage our resources.

You have to take a step back and take a look. 30, 40 years ago, was our forest healthier or less healthy today? Where are we at? I remember going up to Round Valley and watching forest harvesting. We don't do it today. Are those lands actually healthier today?

And to our mayor friend, I actually as a young man spent a bunch of my summers in your community, have some—used to have family, they have all passed, that lived there. I hope—I wish you great, great success. You may want to do a little bit of research, because I think there were a couple communities in Iowa that, about a decade and a half ago, were going to become the eth-

anol capitals of the world. So always be very careful how you build your financial structures on, is it truly sustainable, particularly as we go through—the reality is we are devastatingly broke and it is getting bad really fast. You know, as baby boomers retire, I don't think people understand what is going on with the Federal deficit and how fast it is going to grow.

But within that, to all of our members of the Legislature, there might be an opportunity here where, if we can deal with the egomaniacs back in Washington and maybe say let's treat the states like adults, let's hand you back some authority because maybe managing the resources closest to the resources would be best for the citizens of the states and best for the lands and the critters that live on those lands, I know that's a bit of a diatribe, but that is our future. So that was why the question about do we now have the talents and the data and the ability to manage those data and talents, because I think a lot of the authority is going to have to come back over the next few years.

And with that, Mr. Chairman, thank you for being here in Arizona with us.

Mr. MCCLINTOCK. Again, a genuine pleasure. I want to thank all of you for coming here, thank our witnesses.

As Mr. Schweikert said, the Subcommittee will be receiving additional written testimony. So if there is anyone here that would like to weigh in on this, that would be the opportunity to do this. The hearing record will be open for ten days to receive those responses.

And if there is no further business and without objection, the Subcommittee stands adjourned.

[Whereupon, at 11:51 a.m., the Subcommittee was adjourned.]