



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

TESTIMONY

H.R. 3967

A bill to authorize the Secretary of the Interior to reallocate costs of the Pactola Dam and Reservoir , South Dakota, to reflect increased demands for municipal, industrial, and fish and wildlife purposes.

Witness: Honorable Jim Shaw
Mayor
City of Rapid City, South Dakota

Date: November 9, 2005

Water development in Rapid Valley began in the 1870's with private ditch companies and individuals diverting the seasonal flows of Rapid Creek for irrigation, mining, saw mills, and municipal purposes for the new settlement that became Rapid City (City). Flows occur year-round with the majority occurring between March and early July. South Dakota is an appropriation doctrine State, and all but the most senior appropriators have suffered historic water supply shortages during the hot summer months of July, August, and early September.

Supplemental water supplies for water users in Rapid Valley were analyzed by the Bureau of Reclamation (Reclamation) in the 1930's and proposed solutions included Deerfield and Pactola Reservoirs. The first site developed was Deerfield Dam under the Rapid Valley Project which was authorized by the Water Conservation and Utilization Act of 1939. Deerfield Dam was constructed between 1939 and 1946. A three-party contract among the City of Rapid City, Rapid Valley Water Conservancy District, and Reclamation was executed on July 27, 1943, under the authority of section 9(c)(1) of the Reclamation Act of 1939.



EQUAL OPPORTUNITY EMPLOYER

The development of the Pick-Sloan Missouri Basin Program provided an opportunity for construction of the Pactola Dam. Planning studies identified additional supplemental water service needs for Rapid Valley that could not be provided by existing reservoirs. Pactola Dam was constructed between 1952 and 1956. A two-party contract between the City and Reclamation was executed in October 1952 under the authority of section 9(c)(2) of the Reclamation Act of 1939. This contract was a water service contract with a 40-year term and an option for renewal. It provided the City with the first 7000 acre-feet (AF) of water available in the reservoir annually and additional storage as needed to fulfill a total supply of 14,000 AF annually from Pactola Reservoir and the existing Deerfield Reservoir. The contract had an option to purchase additional water as needed. The contract terminated in October 1992, and temporary water service has been provided to the City since then through annual water service contracts.

In 1961 the Conservancy District executed a 40-year water service contract with the Pactola Reservoir under the authority of Section 9(c)(2) of the Reclamation Act of 1939. This contract was intended to supplement the water supplies available to the District through its senior natural water rights on Rapid Creek and its water service contract at Deerfield Reservoir. The Pactola contract provides a water supply necessary to meet beneficial use needs of 8,900 AF. The District was required to pay an annual \$1,000 standby charge and could purchase water at \$1.25 per AF.

Pactola Reservoir also provides 3,000 AF of water annually for Ellsworth Air Force Base (AFB). The AFB water supply is provided by the City of Rapid City through its Pactola contract, and \$1,000,000 of Pactola's Municipal and Industrial (M&I) construction costs have been allocated as nonreimbursable for this supply. The City is permitted to charge Ellsworth AFB only for its treatment and distribution costs associated with this supply and can provide additional water at terms agreeable to both the City and Ellsworth AFB.

There are two other small water users in Rapid Valley that have contracts with Reclamation for M&I water supplies from Pactola Reservoir. The Rapid Valley Sanitary District located east of the City has an annual water service entitlement of 600 AF. C & J Sanders, Inc. located west of the City has an annual entitlement of 40 AF. The original water service contracts with these entities were written to expire with the Rapid City contract, and water service is currently being provided on an annual basis.

Recreation, fish and wildlife benefits are also provided by Pactola Reservoir. Pactola Reservoir is located about 15 miles from Rapid City and provides excellent flat water recreation opportunities. Low reservoir levels during the drought of 1988 through 1991 resulted in much concern by recreation users. Similar concern has occurred the past two years as the area has experienced drought conditions.

The costs for the multipurpose reservoir are paid based on an allocation to each use. In 2003 the City paid \$69,692, or 35.5%, of the Operation and Maintenance (O&M) cost. The District pays the amount required by its contract up to 27.1% of the O&M. Flood control costs are 30.2% of the O&M and fish and wildlife costs are 7.2% of the O&M.

The latter two are nonreimbursable by the water users and are paid by the Federal government.

The operation and maintenance of Pactola Dam has been contracted to the City since April of 1995. The City has hired a reservoir tender to assume the daily duties of the maintenance and water accounting at the reservoirs. Under the terms of the Cooperative Agreement that authorizes the current O&M arrangement, Reclamation provides training and technical support to the City. Permanent transfer of O&M responsibilities will occur as a result of authorization which is being requested by this testimony. Reclamation will continue to hold title to the facilities and will provide technical support to the City. It is expected that performance of O&M by the City will benefit the water users in lower O&M costs.

Stream flows below Pactola Dam are critical in maintaining self producing trout populations. The November 4, 2005 edition of the Rapid City Journal reported a front page article entitled " Rapid Creek trout battle low flow". According to the South Dakota Game, Fish, and Parks Department, Rapid Creek within Rapid City ranks "among the most productive trout streams in North America". The City worked with the Game, Fish and Parks Department to maintain the trout population during the upcoming winter season. Enhancement of fishery flows below the dam has been accomplished on a temporary basis until the new contracts and operations agreements can be completed. Increased winter releases from Pactola Reservoir during extreme cold weather have been made since 1989 to maintain flows that will cover spawning areas while ice is forming over the stream.

The National Environmental Policy Act (NEPA) process has been used to develop alternatives for the contracting process that would address the needs of water users, recreation, fish and wildlife, and local concerns. A multi-disciplinary NEPA team was established to discuss the alternatives and provide Reclamation with evaluation of alternative issues. The team consisted of representatives of State, Federal, and local organizations. State agencies included Water Rights, Department of Environment and Natural Resources, and Game, Fish, and Parks. Federal agencies included Forest Service, Fish and Wildlife Service, and Reclamation. Local organizations included water user groups as well as recreation and fishery interests. The team assisted Reclamation in identifying water supply alternatives through a number of meetings and public hearings.

A thorough Environmental Assessment (EA) was completed. There was considerable public involvement throughout the contract negotiation process. The Dakota Areas Office of the Bureau of Reclamation and the Great Plains Regional Office provided a recent review of the current EA and found that there were no new issues. It is professional opinion that the EA continues to be applicable.

The Rapid City contract expired in 1992. The Rapid Valley Irrigation District contract expired in 2000. With the expiration of both contracts came the opportunity to modify the agreements to meet current demands and needs. The demand for irrigation water from

from Pactola Reservoir was not present as a demand. The Rapid Valley Irrigation District was offered a new contract but declined for several reasons. The District no longer needs the water due to development, ditch rights, and the availability of discharge flows from the Rapid City Water Reclamation Facility. The City has also agreed to sell supplemental water to the District, as required. To the advantage of the District, the new agreement proposed under this Bill does not require the District to raise any up-front capital necessary to implement a new contract.

The proposed Bill will authorize the Secretary of the Interior to reallocate costs of Pactola Dam and Reservoir. Current needs for water have evolved from irrigation water to municipal and industrial demands. Authorization would reallocate the City's portion from 14,500 AF of water to 49,000 AF of storage capacity. In 1988 the City of Rapid City had 14,500 water service accounts. Today there are 19,532 accounts. That is a 35% increase in accounts over a 17 year period. Even with the mandatory conservation measures implemented by the City, the increased demand is obvious.

The City Water Supply Department continues to transform from a local water supplier to a regional supplier. The City has and continues to work with adjacent communities to provide adequate, safe water.

Additionally, the City is in a position to handle capital repair issues. The proposed contract requires a capital reserve fund of \$1,000,000 for repairs. The City will also pay the Federal Government \$3,000,000 to cover the balance of the capital costs of Pactola Reservoir. Those funds can be directly applied to national debt relief.

With approval of the Bill, all the water in the reservoir is contracted for making for full use of the resource. Irrigation, municipal, industrial, recreational, and fish and wildlife interests will all be met. Local, State, and Federal interests will be met. The City of Rapid City requests and encourages the Committee to favorably consider this request and to authorize the reallocation of costs of the Pactola Dam and Reservoir.