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Subcommittee on Water and Power and the Subcommittee on Indian and Alaska Native Affairs
Joint Oversight Hearing on
"Protecting Long-Term Tribal Energy Jobs and Keeping Arizona Water and Power Costs Affordable.
The Current and Future Role of the Navajo Generation Station."
May 24, 2011

Chairman McClintock, Chairman Young, and Members of the Subcommittees,

My name is Dan Thelander. I am a partner in our family farm, Tempe Farming Co. We farm in Pinal County, which is about 40 miles south of Phoenix, Arizona. We produce cotton, durum wheat, barley, and alfalfa on about 2500 acres.

We are water customers of Maricopa Stanfield Irrigation and Drainage District, (MSIDD) and I serve on the Board of Directors. MSIDD serves about 70,000 acres and every year delivers about 110,000 acre feet of ground water and 160,000 acre feet from the Central Arizona Project. All together, our district and 3 other large irrigation districts in Pinal County utilize about 60% of the agricultural water that the CAP delivers annually, or about 400,000 acre feet per year to about 200,000 acres.

Most of you are aware that the Bureau of Reclamation is a part owner of the Navajo Generating Station and that the CAP uses its power to pump water from the Colorado River into the CAP Aqueduct, which in turn runs to our district. MSIDD, the Family Farm Alliance, and many others from Arizona have been working to raise public awareness of the huge impact that an EPA decision could have on our livelihoods.

Navajo Generating Station is a fairly new plant and very clean, but the EPA is debating the possibility of requiring Salt River Project, the operator of NGS, to install additional equipment to improve visibility near the plant.

Salt River Project, part owner and operator of NGS, has already completed installation of low NOx burners at a cost of about \$46,000,000. This, in turn, will be passed along to the power customers and will raise the cost of CAP water in the range of \$.50 per acre foot. On my farm, we use about 6700 acre feet of CAP water per year which will equate to an annual cost of about \$3300.

Unfortunately, the EPA is considering a second option. It is selective catalytic reduction (SCR) with bag houses. This would cost something north of \$1 billion dollars! This billion dollar cost at NGS translates into an increase of water rates to our district to the tune of at least \$16 per acre foot. When you do the math on that for 6700 acre feet of water that our farm buys, it equals \$107,000 every year.

Power companies will have the luxury of passing along the increase in costs to their hundreds of thousands of customers. Can Tempe Farming Co. pass along a \$107,000 cost increase to our customers? The answer is NO. Our cotton and wheat is sold on a world market, and there is no way that I can just raise my

prices just because my costs go up. Local dairies that buy our alfalfa won't be able to raise their milk prices to pay for a huge increase in feed costs.

MSIDD currently pays about \$41 per acre foot for CAP water. A \$16 increase will be devastating to the farmers in my county. The bottom line is we will not be able to afford the water. The CAP was supposed to reduce groundwater pumping in Central Arizona, but if farmers can't afford the water, MSIDD would have to turn to increased groundwater pumping, which. Although groundwater pumping will be much less costly than the CAP water, the district cannot physically pump an additional 160,000 acre feet to replace the CAP water. So, what happens then?

Here is my prediction:

- 1) many acres don't get farmed, possibly as much as 1/3 of the district may go out of production for lack of water (This happened in the 1980's prior to CAP water for our area. Farmers had relied totally on groundwater, and as the water table dropped, many thousands of acres were fallow)
- 2) a lot of farmers go out of business
- 3) those farmers that hang on make less money
- 4) the lack of farming hurts the entire community because the economic ripple effect means less money to buy tractors, fertilizer, seeds, and, yes, less labor needed, which all equals higher unemployment

Apart from the straight economics involved, one of the major reasons for the creation of the CAP was to preserve groundwater for future generations and for drought purposes. Since 1987, when the CAP was started, MSIDD has delivered 3.8 million acre feet of renewable CAP water, which has essentially preserved that same amount of water in underground aquifers. Prior to the CAP, groundwater levels were declining yearly.

Another resulting problem from excessive pumping was land subsidence, which was occurring regularly. If farmers cannot afford the CAP water and deliveries cease, we can expect this overdraft of groundwater and the subsidence problems to begin again. Through time, the dropping groundwater levels will increase pumping costs, which will continue to pressure farmer's ability to survive.

This is doubly frustrating because in the Arizona Water Settlements Act of 2004, farmers provided their allocation of CAP water which was used to settle claims of the Gila River Indian Community. In return for giving up their long range allocation, agriculture was promised adequate and affordable CAP water through the year 2030. Now, the same government that we struck a deal with in good faith is considering artificially driving up the cost of that water to unaffordable levels.

What would be gained by forcing NGS to do the expensive SCRs instead of the lower cost low nox burners? Less lung cancer cases or heart attacks? No, remember, the reasons cited for the additions of SCRS is not for health issues. It is for visibility reasons only, and the air will be ever so slightly clearer, so slight that the human eye couldn't even detect the difference.

Why would EPA do this, and cause so much economic hardship on all of us?

An April 3rd Time Magazine interview with EPA Administrator Lisa Jackson gives insight into the mindset at EPA. Time asked her the question, "Can the U.S. balance environmental protection and job creation?"

She answered, and I quote " They have been balanced in this country for 40 years, as long as there's been an EPA. We've done it while our country has prospered" End quote.

If the EPA requires the additional SCRs, I can tell you that those goals won't be balanced in my community. Far from prospering, our farmers, workers, and businesses will struggle to make ends meet.

I submit to you, that some times there is a limit to what business can absorb in increased costs of government regulations, and this is one of those times. Pinal County agriculture cannot absorb the huge increase in water cost that the SCRs would cause.

Chairman McClintock, Chairman Young, and Members of the Subcommittees, please do what ever you can to deter the EPA from forcing the expensive SCRs on Navajo Generating Station.

Thank you for inviting me here today.