

RECLAMATION

Managing Water in the West

**2007
Annual Report**



U.S. Department of the Interior
Bureau of Reclamation

On the cover: The face of Shasta Dam in northern California. Shasta stores 4.5 million acre feet of water and stands a little over 600 feet.

2007 Annual Report



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Letter from the Commissioner



It is my distinct pleasure to present the Bureau of Reclamation's 2007 Annual Report to the Congress and the American people.

In fiscal year 2007, Reclamation continued its role in developing and maintaining one of the most impressive water management infrastructures in the world, which brings water and power to the people of the West and supports the region's robust economy.

Reclamation is the Nation's largest wholesale water supplier. The 348 reservoirs we administer have a total storage capacity of 245 million acre-feet of water. We bring water to more than 31 million people and provide 20 percent of western farmers (140,000) with water to irrigate 10 million acres of farmland that produces 60 percent of the Nation's vegetables and 25 percent of its fruit and nuts.

Reclamation is also the nation's second largest producer of hydroelectric power. Our 58 powerplants provide more than 40 billion kilowatthours of energy each year—equivalent to the energy provided by 80 million barrels of crude oil. These plants serve 6 million homes and generate nearly \$1 billion in power revenues for the U.S. Treasury.

Our core mission, to deliver water and generate power in the 17 Western States, has remained constant for a century. The way we accomplish our mission has evolved considerably. Today, we focus primarily on managing and maintaining our facilities to ensure their continued safe and effective performance.

As part of our efforts to remain ready for western water management challenges, Reclamation completed most of the Managing for Excellence action plan, and we are now embarking on implementation.

Reclamation made substantial progress on many initiatives to help the people of the West meet current and future water needs. U.S. Department of the Interior Secretary Dirk Kempthorne approved \$9.2 million in Water 2025 Challenge Grants to help fund 44 projects in 11 Western States. These funds, together with

non-Federal contributions, represent a combined investment of more than \$32 million in improvements to enable the more efficient use of existing water supplies.

As the fiscal year ended, the Animas-La Plata Project in southwest Colorado was 55 percent complete and is on track to have construction completed within budget by 2012, with project closeout in 2013. We have completed 50 percent of the final design for construction of the Drop 2 Reservoir project. We provided design and field engineering support on the lining of the Coachella Canal and are now providing that support on the All-American Canal lining project.

The Joint Federal Project at Folsom Dam is underway, a collaboration with the U.S. Army Corps of Engineers and State of California to improve flood control and dam safety. We expect execution of implementing agreements and court approvals for the Arizona Water Settlements Act early in fiscal year 2008, resulting in the largest Native American water rights settlement in U.S. history.

We cut the ribbon at the Brackish Groundwater National Desalination Research Facility in Alamogordo, New Mexico. This facility will focus on research to meet water needs more cost effectively for people in rural and remote areas.

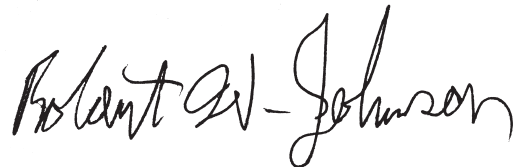
A number of agreements and programs begun this year will meet environmental demands and provide certainty to water users well into the future. These include the signing of the Platte River Recovery Implementation Program Agreement by the Governors of Colorado, Nebraska, and Wyoming and the Secretary of the Interior, ending 12 years of negotiations and providing assurance for water operations in the basin. We achieved a major settlement agreement providing for river restoration on the San Joaquin River, ending nearly 20 years of litigation, and continued progress on the Trinity River restoration. In two river basins facing extremely complex issues, Reclamation made progress in balancing water user and environmental needs through the Klamath Conservation Implementation Program and the Middle Rio Grand Endangered Species Act Collaborative Program.

We finalized the environmental impact statement on new strategies to address potential shortages in the Lower Colorado River Basin. We continue to refine alternatives related to the environmental impact statement for a long-term experimental plan for the future

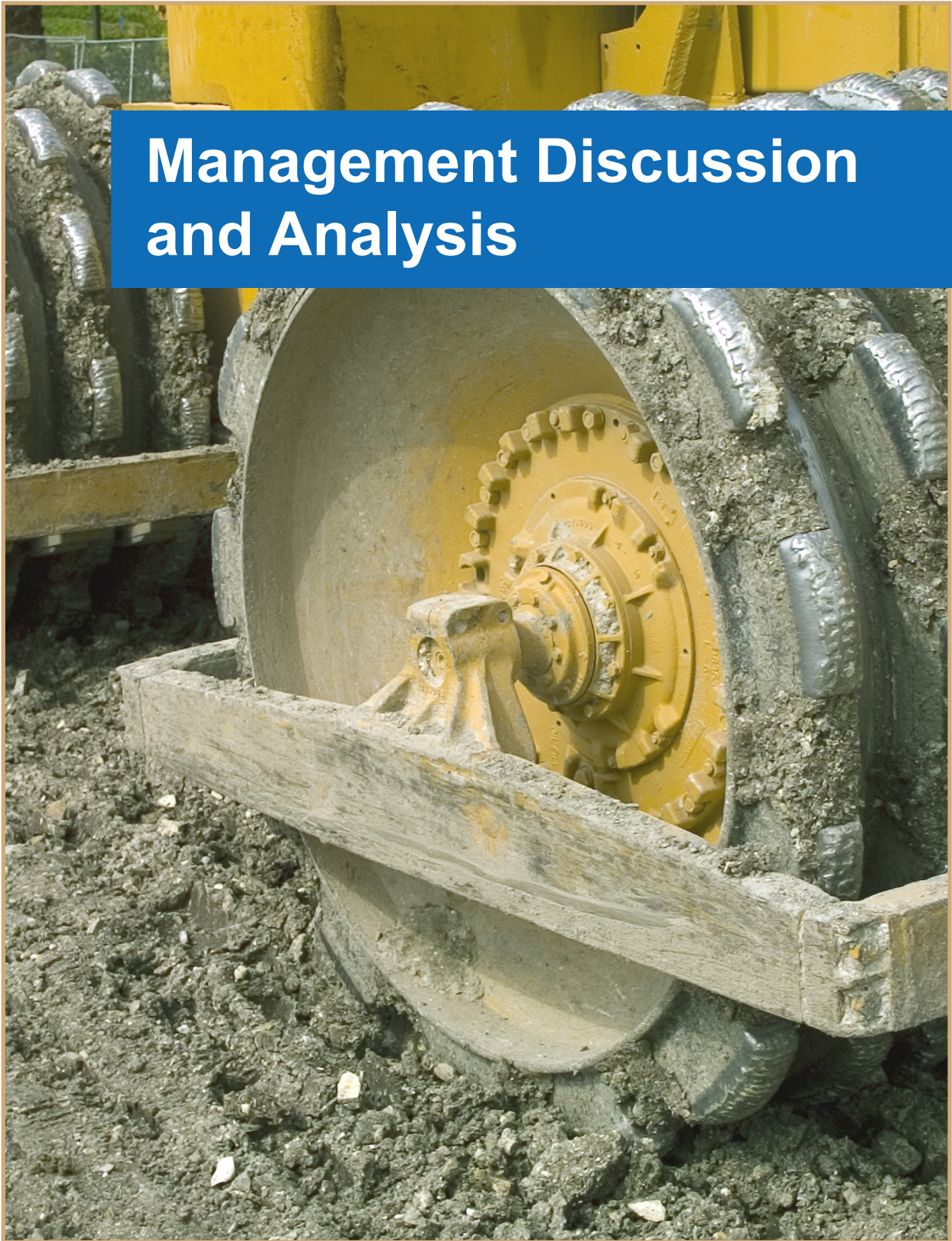
operation of Glen Canyon Dam. Fiscal year 2007 was the first full year of implementation for the Lower Colorado River Multi-Species Conservation Program, whose key accomplishments included the completion of six ponds for fish habitat at the Imperial National Wildlife Refuge and the securing of land and water in the Cibola Valley Conservation Area.

Reclamation collaborated with other action agencies, sovereign parties, and NOAA Fisheries to develop a new proposed action and Biological Opinion for the Federal Columbia River Power System and Reclamation's Upper Snake River Projects.

I have total confidence that the Bureau of Reclamation, in collaboration with partners, will continue to meet water management challenges. Reclamation has always been dedicated to getting the job done, and our commitment remains steadfast to serve our customers and the public.

A handwritten signature in black ink that reads "Robert W. Johnson". The signature is written in a cursive style with a large, prominent "J" at the end.

Management Discussion and Analysis



Mission and History

The mission of the Bureau of Reclamation is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public.

The fiscal year (FY) 2007 Management Discussion and Analysis is presented in four main categories, starting with Reclamation's Mission and History; then our Goals, Accomplishments, and Future Challenges; FY 2007 Performance Measure Highlights; and, finally, the Financial Analysis.

The Bureau of Reclamation (Reclamation) was created in 1902 to help settle the American West. Then called the "Reclamation Service," Reclamation was authorized by the Congress to assist local communities in building water projects to "reclaim" the arid West.

In the first 60 years, Reclamation became a leader in engineering and constructing water storage and delivery projects. Our projects, including Hoover Dam on the Colorado River and Grand Coulee Dam on the Columbia River, provided irrigation water that allowed farmers to settle the West even during droughts. Our large hydropower facilities supplied power generation that allowed industries and large cities to flourish.

Today, as the largest wholesaler of water in the country, we furnish water to more than 30 million people. Reclamation is also the second largest producer of hydropower in the Nation. Many of our projects have benefited the West for 50 or 60 years—a few for more than 100 years. We have continued to provide water and power during droughts and flood control during times of surplus water. Water from our projects has helped meet the needs of a growing Western population.

Over this same period, our focus has changed to managing existing resources. New construction is not as frequent as in the past. Increased population demands for domestic water, recreational activities, and water to maintain ecosystems have resulted in increasing demands on existing water supplies. Our facilities play a major role in meeting these demands, while our expertise



in managing water and researching new technologies provides new opportunities for us to contribute.

Water is still the most valuable and scarce resource in the West, and Reclamation continues to play a key role in making water available for the many demands placed on the West's water systems.

