I have been asked to appear before this committee today to discuss the Bureau of Reclamation's role in connection with a research contract issued in May 1974 by the Energy Research and Development Administration, formerly the Office of Coal Research to Bechtel Corporation.

Mr. Kent Frizzell and Mr. James F. Kelly will address the specific questions presented in Senator Frank Church's letter of 11/5/75 regarding the nature and extent of the Department of the Interior's involvement in the Bechtel contract. Although the information provided Senator Abourezk on November 7, 1975, presents the fundamental position of the Bureau of Reclamation in regard to this matter, I would like to make an additional statement for the record. Following these remarks, I will be happy to respond to questions from the Committee members.

The Bureau's association with Bechtel, or its subsidiary Energy Transportation Systems Incorporated (ETSI) has been through its applications for water at Shadehill and Oahe Reservoirs in South Dakota. Although the Shadehill Reservoir water application was received by the Bureau of Reclamation on April 8, 1974, approximately one month prior to the award of the Bechtel contract, the Bureau of Reclamation had no knowledge of the study at the time the application was made. I personally was unaware of a Mines-Bechtel contract until I read Senator Abourezk's letter of making queries about
it. Our organization was not contacted by the Office of Coal Research with regard to the contract, nor did we review or comment on the results of the study.

There was no apparent reason for the Office of Coal Research to apprise the Bureau of Reclamation of the study, and conversely there was no reason for our organization to contact that office. Having no knowledge of the study we were not involved in the approval, review, nor monitoring of the contract.

Our association with ETSI has been solely from a water supply standpoint. As previously mentioned, the Bureau has received applications from ETSI for water from Shadehill and Oahe Reservoirs. Final action on these requests has not been taken. Water from Shadehill Reservoir heretofore has been earmarked primarily for irrigation purposes. Final action on the Oahe request is being withheld pending completion of an environmental impact statement, and implementation of a potential water marketing program which will or could involve all the Northern Great Plains States of Wyoming, North Dakota, South Dakota, and Montana. The State of South Dakota has expressed its desire to contract with the Federal Government for industrial water which the State would then remarket to industrial users.