

REMARKS
BY
MICHAEL A. CATINO, REGIONAL DIRECTOR
MID-PACIFIC REGION
U.S. BUREAU OF RECLAMATION
TO
MEETING ON NON-FEDERAL FINANCIAL PARTICIPATION
AUBURN-FOLSOM SOUTH UNIT, CVP
AUBURN, CALIFORNIA
APRIL 8, 1982

LADIES AND GENTLEMEN:

Welcome to Auburn and this important meeting on potential non-Federal financial participation in a major Federal water project.

I am pleased that you have taken the time to meet with us today to explore this clearly non-traditional concept. To my best knowledge, this is the first such public meeting to address this subject on a project of this magnitude. If, by working together, we can come up with a positive, workable proposal, I am optimistic that we will overcome one of the last major obstacles to construction of this needed project.

You will recall that the Auburn-Folsom South project has been the center of several issues over the past decade.

Former Secretary of the Interior Andrus resolved the issue of seismic safety when he announced his decision that a safe dam can be constructed at the Auburn damsite. This conclusion grew out of several years of extremely detailed geologic, seismic and design studies, initiated after the Oroville earthquake of August 1975. The dam, which we now refer to as "CG-3", will be a concrete gravity type structure, somewhat similar to Shasta Dam. Auburn Dam will be designed to withstand seismic parameters originally suggested by the State of California and subsequently adopted by the Secretary. In our experience, no dam has ever been constructed under such demanding safety standards.

Accordingly, the question -- Can a safe dam be built at the Auburn site? -- has been answered and that issue is behind us. Auburn will be a safe dam.

The second major issue confronting the Auburn-Folsom South Unit is related to the use of water from the project. Specifically, how much water can be diverted at Nimbus Dam to the Folsom South Canal service area, as opposed to how much must remain in the river to support downstream flows? This issue was left unresolved by former Secretary Andrus. However, he did establish the requirement that the issue be resolved before any further construction on the unit could occur.

At the present time, we are developing plans to modify the authorized unit, which we believe will resolve the riverflow issue. These studies will be completed late this year, and the resulting report and supplemental environmental statement will be processed in 1983. The purpose of our current alternatives study is to develop plans to meet the water needs in the authorized Folsom South Canal service area and to provide minimum flows in the Lower American River above those provided in present agreements and water contracts. The dual nature of our goal in these studies deserves emphasis. We intend to satisfy the needs of both the river and the service area and we believe it can be done. We believe it has to be done, because it appears to us that nothing is likely to move forward on the unit until this issue is resolved.

At this point, the first two reaches of the Folsom South Canal, 27 miles out of its total authorized length of 68 miles, have been completed. Water deliveries are being made to the Sacramento Municipal Utility District's Rancho Seco Nuclear Powerplant and, under temporary arrangements, to several districts in Sacramento County. Permanent water service contracts totaling 225,000 acre-feet for municipal and industrial water service from the Folsom South Canal have been executed with the Sacramento Municipal Utility District (75,000 acre-feet) and East Bay Municipal Utility District (150,000 acre-feet). However, further water service contract negotiations and canal construction on the remaining 41 miles are being delayed pending completion of the Folsom South-Lower American River alternative studies. Jurisdiction over these matters is being retained by the Federal District Court as a result of the 1974 litigation regarding adequacy of the Auburn-Folsom South Unit Environmental Statement.

I should also mention at this point that Placer County Water Agency holds water rights and contracts covering diversion of 237,000 acre-feet of American River water from Auburn Reservoir, when it is constructed. We assume much of that water would be used in western Placer County.

The next issue to be overcome is the one we are here to discuss today. It involves financing of the unit. As you know, this Administration is advocating partnership arrangements in water projects both as a device to incorporate more local control over governmental activities and as a means to reduce Federal expenditures. I'm sure you all read the papers and realize that development money is a scarce item these days. There doesn't seem to be a lot of it available at the Federal level, either.

Assuming that we can work out an arrangement and thus overcome our financial hurdle, the next step would be to seek reauthorization of the unit from the Congress. The reauthorization would include whatever modifications are proposed to the unit and increase the unit's appropriation ceiling. We would also incorporate whatever provisions are necessary to accommodate a partnership arrangement. Subsequently, construction could begin, assuming funding is available.

With this general background information, I would like to have Bruce Moyes, the Project Design Coordinator from our Engineering and Research Center in Denver, briefly describe the design concepts for Auburn Dam. I'd like to have you get the facts directly from the "man in charge" as to what we actually intend to install in the American River.

Bruce: _____.

Next, I'll have Rod Somerday, our Project Construction Engineer here in Auburn, give us the details of our tour of the construction site. The tour will be completed by lunchtime. After lunch we'll reassemble back here to discuss any ideas you may have for participating in the unit.

Rod: _____.

Welcome back:

This afternoon, I want to exchange ideas and to explore any specific suggestions on possible financial arrangements that would appear to be attractive to you. Then, for those who are interested in pursuing this matter further, I also would like to organize and schedule the activities necessary to confirm and work out the details of your participation.

Let me set the stage by saying that the present Administration is seeking the participation of non-Federal interests in projects such as the Auburn-Folsom South Unit. At the present time, we have no established guidelines as to format or extent of any possible partnership. We encourage any innovative ideas or suggestions you may have in this regard.

The "operative" word here is "innovation." Sooner or later, we'll probably get some guidelines but I'd like to think that this group can set the standard for what is to follow and that what comes out of this session will play a major role in whatever guidelines are established in the future.

Next, let me give you a few of the numbers you will need in your deliberations.

The cost of constructing the Auburn power facilities would be about \$250 million out of a total cost of over \$1.8 billion. This is an appraisal grade estimate made at January 1980 price levels. The estimate is for a 300 megawatt plant and includes the powerplant, a switchyard, and a transmission route to Elverta, near Sacramento. About 589 gigawatt-hours annually would be attributed to the Auburn Project.

reasonable allocation??

It is important to note that the sale of Auburn power would involve costs in addition to those cited above. These are expenses related to the project which must be recovered in accordance with current Reclamation policy and law. These additional costs include:

- a. Interest during construction on the powerplant.
- b. Operation, maintenance, and replacement costs for the powerplant.
- c. A share of the joint costs of the dam and reservoir. *dy bc*
- d. Repayment assistance to agriculture.

Our current studies of the unit are not complete, and we will not have a detailed allocation and repayment schedule until approximately the end of the year. However, we have made a preliminary cost allocation estimate based on the studies of the unit in 1980. The estimated cost allocated to Auburn power is approximately \$530 million. This includes powerplant costs (construction, interest during construction, operation,

maintenance, and replacement) and power's share of the joint costs. No estimate of repayment assistance to agriculture has been made. ←

In addition to the dam and powerplant facilities, we estimate that about \$108 million (1980 prices) would be needed for completion of the Folsom South Canal.

One more thing you should know concerns our schedule. I am under orders to get our draft reports to the Commissioner of Reclamation by the end of this year. This means that we will need an indication of your willingness to participate by June 1. This would be followed by a firm commitment by August 1 which would include concepts of participation. ← After that date, we would concentrate with you on the details of a draft of contract.

In the month of September, necessary meetings would be scheduled with the Commissioner and Secretary to evaluate the draft of contract.

Assuming the contract elements can be finalized, we will then proceed to develop the Auburn-Folsom South Unit reauthorization proposal package. Generally, the reauthorization would provide for the cost ceiling increase and the financing principles developed in the contract.

In summary, the reauthorization proposal will be timed to coincide with finalization of the supplemental environmental impact statement and our current Lower American River alternatives study. These documents will contain our proposal to meet the water needs of the Folsom South Canal service area and the flow regimen of the Lower American River. With all of these requirements in place, we should be in an excellent position to move to the new Congress for hearings on reauthorization some time after January 1983.

For those of you who wish to pursue potential non-Federal financing participation on the unit power facilities and canal, I would like to identify information you will need from us. We will supply the data to you as soon as possible.

And now it's your turn. Who wants to be first?

AUBURN-FOLSOM SOUTH UNIT
BACKGROUND AND INFORMATION

COST

The cost of constructing the Auburn power facilities would be about \$250,000,000. This is an appraisal grade estimate made at the January 1980 price level. The estimate is for a 300 MW plant and includes the powerplant, a switchyard, and a transmission system to Elverta. About 589 CW-hours annually would be attributed to the Auburn Project.

It is important to note that the sale of power from Auburn would involve costs in addition to those cited above. These are expenses related to the project which must be recovered in accordance with current Reclamation policy and law. These additional costs include:

- a. Interest during construction on the powerplant.
- b. Operation, maintenance, and replacement costs for the powerplant.
- c. A share of the joint costs of the dam and reservoir.
- d. Repayment assistance to agriculture.

Our current studies of the Unit are not complete, and we will not have a detailed, allocation, and repayment schedule for approximately one year. However, we have made a preliminary cost allocation estimate based on the studies of the Unit in 1980. The estimated cost allocated to Auburn power is approximately \$530,000,000. This includes powerplant costs (construction, interest during construction, operation, maintenance,

BACKGROUND AND INFORMATION

and replacement) and power's share of the joint costs. No estimate of repayment assistance to agriculture has been made.

BACKGROUND

The foundation for the previously contemplated concrete arch dam at Auburn has been completed. However, construction was then halted pending the completion and outcome of extremely geologic seismic and design studies which were initiated following the Oroville earthquake of August 1975. In 1979, Secretary of the Interior Andrus established seismic parameters for Auburn Dam; and on December 30, 1980, he announced his decision that a safe dam can be constructed at the Auburn damsite. He concluded that a concrete gravity dam is the best design for safety purposes. The seismic parameters adopted by the Secretary are those originally suggested by the State of California. The State has reviewed Bureau plans for the concrete gravity dam and will review future detailed designs and monitor construction.

A major issue which must be resolved concerns the future use of water from both the proposed Auburn and existing Folsom Lakes to maintain acceptable minimum flows in the American River downstream from the Folsom South Canal diversion point at Nimbus Dam. We believe that a resolution of this issue to the satisfaction of the contending interests is a prerequisite to continued construction of both Auburn Dam and the Folsom South Canal.

STATUS

We are presently developing plans to modify the authorized Unit which we believe will resolve the river flow issue. These studies will be completed late this year, and the resulting report and supplemental environmental statement will be processed in 1983.

The next step will then be to seek reauthorization of the Unit from the Congress to incorporate whatever modifications are proposed to the Unit and to increase the Unit's appropriation ceiling. Subsequently, construction could begin if funding is available.



United States Department of the Interior

**BUREAU OF RECLAMATION
MID-PACIFIC REGIONAL OFFICE
2800 COTTAGE WAY
SACRAMENTO, CALIFORNIA 95825**

**IN REPLY
REFER TO: MP-720
500.**

MAR 26 1982

I have scheduled a meeting on Thursday, April 8, 1982, at Auburn Construction Engineer's office at 9:30 a.m. to discuss items relating to possible non-Federal participation in the development of the Auburn-Folsom South Unit.

At our meeting we will provide a brief status report on various aspects of the Auburn-Folsom South Unit. We will also include a tour of the Auburn Dam construction site. Enclosed is a map indicating how to get to the Auburn Office and a tentative meeting agenda.

As you are aware, the present Administration is seeking the participation of non-Federal interests in projects such as the Auburn-Folsom South Unit. At the present time, we have no established guidelines as to format or extent of any possible partnership and encourage any innovative ideas or suggestions you may have in this regard.

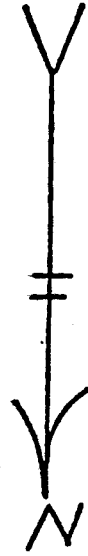
I look forward to meeting with you to exchange ideas and to explore any specific suggestions on possible financial arrangements that would appear to be attractive to you. For those who are interested in pursuing this matter further, I also would like to organize and schedule the activities necessary to confirm and work out the details of your participation.

We would appreciate receiving an indication of the number of people planning to attend. Please contact Mr. Rod Somerday, (916) 885-0611, at our Auburn Office.

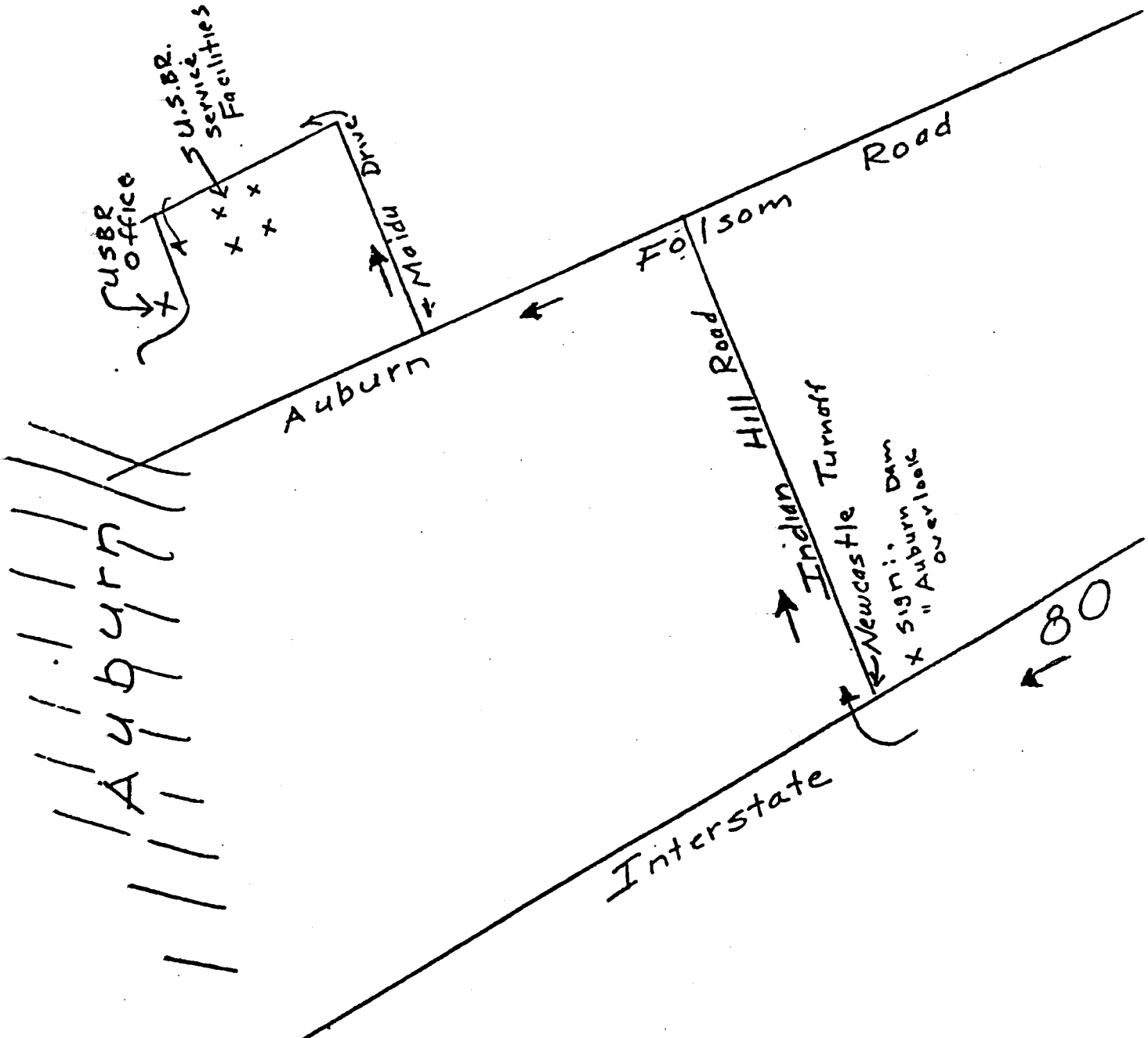
Sincerely yours,

**M. A. CATINO
REGIONAL DIRECTOR**

Enclosures



Location
U.S. B.R.
Office



**POTENTIAL AUBURN-FOLSOM SOUTH
UNIT PARTNERSHIP INTERESTS MEETING**

**April 8, 1982
Tentative Agenda**

Opening Statement Michael Catino, Regional Director	9:30
Field Tour	10:15
Lunch (No Host)	12:00-1:30
Summary and Discussions	1:30-3:00

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