

# Auburn

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 reclamation bureau, which he oversees, manages federal water projects.

The assistant secretary was speaking to supervisors from San Joaquin, Sacramento, El Dorado, Amador, Alpine, Tuolumne and Calaveras counties.

Many of the supervisors, particularly those from San Joaquin and Sacramento counties, are interested in the proposed Auburn Dam and extension of Folsom-South Canal to bring water from behind the pro-

posed dam into eastern San Joaquin County.

Carruthers, a professor of economics in private life, told the supervisors the "Reagan-Watt administration" favors water projects and wants to get water development moving in the West. But not under the present rules.

The federal government now finances such powerhouses alone and recovers much — but not all — of the cost by selling the power at very low rates to municipal customers like SMUD, the Modesto and Tur-

lock irrigation districts and some cities.

The rates are low because the newer, most costly powerhouses like New Melones Dam on the Stanislaus River, are averaged in with older but still power-producing dams like Shasta or Folsom.

"I'll be candid with you," Carruthers said. "We're going to have to hard-line the economics of these water projects. We're going to have to get a return on the capital that's invested by the citizens of the United States, with some interest."

He explained the government now subsidizes some federal water project purposes, such as irrigation, flood control and wildlife protection.

Farmers receiving federal water have not had to pay interest on project construction, and flood control and wildlife have been considered national objectives, to be paid for by the taxpayers.

Carruthers heads a subcommittee studying ways to change those rules. "I'd suspect the price will go up in nearly every case to those people who are beneficiaries," he said.

## Non-Federal Funding Urged For Auburn Dam

SoC Bee 1-19-82

By Thorne Gray  
 Modesto Bee Staff Writer

STOCKTON — The Reagan administration is molding a policy that would "seriously jeopardize" construction of the Auburn Dam on the American River unless private or non-federal public agencies help pay for it, an administration official said Monday.

"We're here to sell pieces of Auburn Dam to those of you who can afford it," said Garrey E. Carruthers, Interior Department assistant secretary in charge of the U.S. Bureau of Reclamation.

"We're looking for new partners in water development," Carruthers told a gathering of Central California county supervisors.

Asked to clarify the remark later, Carruthers said the proposal is to let private or non-federal public agencies — like the Sacramento Municipal Utility District, counties or cities — help build federal dams in exchange for the power they would generate. The government would settle for a royalty on the power, he said.

"We can no longer continue to go to the federal till . . . and totally finance and recover part of that financing for water projects as we've done in the past," he said.

"And so we've looked to the non-federal sector and part of that non-federal sector may be some of your counties, who have a definite interest in flood control, an interest in hydro-power development, have an interest in perhaps irrigation or have an interest in municipal and industrial supplies of water.

"We're looking for partners to help us finance these water projects in the future. When we find those partners we're going to become very aggressive in water development as we used to be some years ago."

There are many proposed federal water projects and some will draw partners, Carruthers said. Without such partners, he said, "I would think that would seriously jeopardize the Auburn case."

Carruthers is assistant secretary of land and water resources under Interior Secretary James Watt. The

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# Auburn Dam project <sup>Exhibit X-11</sup> experiences rebirth

By Reed Fujil  
Assistant News Editor

Construction of the Auburn Dam — stalled by earthquake safety and environmental concerns, and the federal budget squeeze — may be stirring to life again.

In an unprecedented action, the U.S. Bureau of Reclamation is inviting non-federal entities to help finance the \$1.8 billion water project. In return, of course, any partners would hope to reap a portion of the project's water, hydroelectric production, or other benefits.

More than 50 persons — elected officials, utility executives, bureaucrats, businessmen, news reporters and just plain folks — met Thursday in Auburn to discuss such a partnership.

During the day, officials gave background information on the project; the construction site was toured; and, after lunch, financial

discussions were held.

While no deals were made at the meeting, strong interest was expressed by several organizations. Among those were the Placer County Water Agency, Placer and El Dorado County supervisors, Pacific Gas and Electric Co., and Sacramento Municipal Utility District.

If any of those attending the meeting at the Auburn Construction Engineer's office had expected bureau officials to outline minimum requirements for co-sponsoring the project, they were disappointed.

Michael A. Catino, USBR regional director, said he would welcome any proposals for non-federal participation in the water project and that there were no preconceived limitations.

"At the present time, we have no established guidelines as to format or extent of any possible partnership," he said

"No one has said the starting mark is 25 percent (participation). See if you can get 35 percent," Catino noted. He reported that Interior Secretary James Watt told bureau officials just to see what offers would develop.

"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," Catino said.

After the meeting, USBR spokesman Jerry King emphasized that potential partners could practically make their own best deals.

King noted that the Reagan administration has made (non-federal financing) something of a touchstone for going ahead with major federal undertakings ...

The point, he said, was to reduce federal spending and to allow greater local control of federal projects.

Catino did ask that any organizations interested in a financing partnership indicate their interest by June 1 and make a firm commitment by Aug. 1.

While those dates were flexible, the bureau official said he hoped to draft a contract in September in time to seek Congressional reauthorization next January.

Catino said that earthquake safety questions about the dam have been settled and added that other issues concerned with year-round minimum water releases should be resolved by the end of the year.

If the project is given a green light, it may be 1993 before the first watt of electricity is produced at the site, officials said. Planning and design will take three years.

Page A2 - The Fresno Bee

Mon., April 19, 1982

## Watt insists he won't tolerate US park damage

BURLINGTON, Vt. (UPI) — Interior Secretary James Watt said Sunday he would not tolerate any damage to 75 million acres of national park land.

"It is not to be drilled; it's not to be mined; it's not to be cut; it's to be preserved for future generations," Watt said of the land under his jurisdiction.

"I have poured my life into these parks," said Watt, who has come under fire for plans to open public land to developers.

"Have you got it?" he asked reporters before speaking at the University of Vermont.

Watt said he blamed his image on the efforts of six to 10 national groups, including the Sierra Club and the National Audubon Society.

"I get irritated everytime I read it," Watt said.

Watt stressed he does not want to touch the national parks, but would open 340 million acres of other public lands for "orderly, phased, environmentally sensitive development."

# Utilities willing to help pay for Auburn Dam

BY PAUL BARNES  
SACRAMENTO UNION STAFF WRITER

AUBURN — The U.S. Bureau of Reclamation got what it wanted Thursday from state utility officials — interest in Auburn Dam.

A preliminary meeting to find out what private and public money might eventually help pay for the \$1.8 billion Auburn Dam took place in a construction office where windows open on the scrapped-out canyon that some day could hold 2 million acre feet of water.

The Department of the Interior is interested in putting a project together. Michael Catino, regional director of the bureau, told utility representatives.

Jim Watt (secretary of the inter-

rior) has told me to see what I can work out."

Although figures are preliminary, Catino said that a power plant at the dam would cost about \$530 million. The project must go back to Congress for re-authorization, however, and that figure will escalate, he said.

Utilities are still interested in the 300 megawatts of power that will be available if the dam is ever built.

"They already have a message from us," said Ann Taylor, president of the Sacramento Municipal Utility District board.

"We are absolutely interested if the project is economically feasible, and we would take a good portion of the power available," she said.

Catino said he was willing to sell

the entire 300 megawatts to partners who would help pay for the dam.

SMUD Director Paul Carr, who also attended, said the project looks good to him "because it is a federal proposal and that is a plus in this state."

Carr said SMUD is "willing to negotiate a fair price."

Nolan Daines, an executive for Pacific Gas and Electric Co., said his utility is more interested in purchasing power than in becoming an owner.

"I'm not sure ownership is good for us," he said. "Raising capital is difficult to do. We would have to sell stock below value."

Catino has asked utilities to respond with definite interest to the offer of a partnership by June 1.

Once that interest is shown, preliminary agreements would be signed Aug. 1. Then a detailed contract would be written.

"I set those dates at my own kitchen table," he told the group, "because I want to get the package to the 1983 Congress."

Although the afternoon brought out easy discussion, state officials added a note of complexity.

Wayne Restri of the state Department of Water Resources said that California wants the bureau to have commitments for 75 percent of the water Auburn will hold before construction begins.

He also said that the bureau must guarantee that between 1,500 and 2,000 cubic feet per second of water flows remain in the Lower American

River for recreation and fishery.

Catino, in responding to Taylor about the state's requirements, said that DWR "did not have too much of an impact on the ability to proceed with the dam. We will not hold up construction of the dam for water contracts."

He said, in fact, that the bureau agreed that contracts for water were an important first step and that it was simply good business to get them early.

Edwin Koster, director of the Placer County Water Agency, said his organization had filed an application with the Federal Energy Regulatory Commission for a permit to build the dam itself.

Koster said the Placer plan would be to build "a feasible project" that

would most likely be substantially smaller than the bureau's plan.

"We have been waiting 16 years for Auburn Dam, and we can't wait much longer," Koster said. "The time is now to build or let Placer County build the dam itself."

Koster said he was willing to enter a partnership with El Dorado County to build his version of Auburn Dam.

"The dam was authorized in 1955, and all we have is a hole in the ground," Koster said. "If we build it, it will be with private financing."

With the existing federal proposal, Catino said that once final approval is given it could take another decade before power sparks transmission lines leading out of the Auburn powerhouse.



## Springtime is perfect for lovin' and fishin'

The catfish were biting at Gibson Ranch County Park for Tony Anderson Jr. and a relocation experiment. This week's





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# DEPARTMENT of the INTERIOR

## news release

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FOR IMMEDIATE RELEASE

August 6, 1982

The U.S. Bureau of Reclamation has asked potential non-Federal investors in Auburn Dam power development for more formal indications of interest, Bureau Mid-Pacific Regional Director Michael A. Catino said today.

Several public and private organizations contacted the Bureau following information sessions held in April to discuss the partnership proposal designed to help finance construction of the Auburn-Folsom South Unit of the Central Valley Project.

Among those who expressed interest in the idea were American Hydroelectric Development Corporation, American River Authority, Cushionrail International, East Bay Municipal Utility District, Modesto Irrigation District, and Sacramento Municipal Utility District.

(more)

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The Bureau is now asking potential partners for a more formal expression of interest through a Memorandum of Understanding, Letter of Intent, or other such agreement. A sample draft was sent late last month to the parties that have expressed continuing interest since April, Catino said.

The suggested Memorandum of Understanding covers such specifics as a percentage estimate of expected contribution to construction costs; expected power entitlement; expected contribution to operation and maintenance costs; and cost ceiling limitations the potential partners might require as a condition of investment, in terms of mills per kilowatt-hour.

The Bureau's accompanying letter notes that while the draft agreement provides for participation in Auburn power development, suggestions are also invited to expand the agreement to cover participation in the water supply aspects of the project.

The Bureau requested execution of the agreements by the end of August in anticipation of discussions with the Commissioner of Reclamation and Secretary of the Interior on the availability of "up-front" funds for Auburn construction. The Bureau noted that the documents would be useful in supporting legislation to reauthorize construction of the project on a partnership basis.

Both the Bureau's letter and suggested Memorandum of Understanding stress that a signed agreement at this time is not an irrevocable commitment by either the interested parties or the Bureau. According to the Bureau, such a commitment would not be required until after formal negotiation and execution of a contract, following reauthorization of the project by Congress.

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