

89TH CONGRESS 1st Session	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 295
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AUBURN-FOLSOM SOUTH UNIT, AMERICAN RIVER DIVISION,
CENTRAL VALLEY PROJECT, CALIFORNIA

MAY 6, 1965.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. ROGERS of Texas, from the Committee on Interior and Insular
Affairs, submitted the following

REPORT

[To accompany H. R. 485]

The Committee on Interior and Insular Affairs, to whom was referred the bill (H. R. 485) to authorize the Secretary of the Interior to construct, operate, and maintain the Auburn-Folsom South unit, American River division, Central Valley project, California, under Federal reclamation laws, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

Page 2, lines 17 and 18, strike out "the Secretary determines that it is economically justified and engineeringly feasible;" and insert "duly authorized by an Act of Congress:".

Page 2, line 18, add the following proviso:

Provided further, That no facilities, except those required for interconnecting the Auburn powerplant and the Folsom switchyard and those interconnecting the Folsom switchyard and the Elverta substation, shall be constructed for electric transmission or distribution service which the Secretary determines, on the basis of a firm offer of a fifty-year contract from a local public or private agency, can be obtained at less cost to the Federal government than by construction and operation of government facilities;

Page 4, line 8, through page 6, line 18, strike out all of section 3 and insert the following:

SEC. 3. (a) Subject to the provisions of subsections (b), (c), (d), and (e) of this section, the Secretary is authorized in connection with the Auburn-Folsom South unit (i) to construct, operate, and maintain or provide for the construction.

operation and maintenance of public outdoor recreation and fish and wildlife enhancement facilities, (ii) to acquire or otherwise to include within the unit area such adjacent lands or interests in land as are necessary for present or future public recreation or fish and wildlife use, (iii) to allocate water and reservoir capacity to recreation and fish and wildlife enhancement, and (iv) to provide for the public use and enjoyment of unit lands, facilities, and water areas in a manner coordinated with other unit purposes. The Secretary is further authorized to enter into agreements with Federal agencies or State or local public bodies for the operation, maintenance, and replacement of unit facilities, and to transfer unit lands or facilities to Federal agencies or State or local public bodies by lease or exchange, upon such terms and conditions as will best promote the development and operation of such lands or facilities in the public interest for recreation and fish and wildlife enhancement purposes.

(b) Costs of recreation facilities at Sugar Pine Reservoir shall be nonreimbursable, and the provisions of subsections (c), (d), and (e) of this section shall not be applicable to such facilities.

(c) (1) If, before commencement of construction of the unit, non-Federal public bodies agree to administer unit land and water areas for recreation or fish and wildlife enhancement or for both of these purposes pursuant to the plan for the development of the unit approved by the Secretary and to bear not less than one-half the separable costs of the unit allocated to either or both of said purposes, as the case may be, and all the costs of operation, maintenance and replacement incurred in connection therewith, the remainder of the separable capital costs so allocated shall be nonreimbursable.

(2) In the absence of such a pre-construction agreement recreation and fish and wildlife enhancement facilities (other than minimum facilities for the public health and safety at reservoir access points) shall not be provided, and the allocation of unit costs shall reflect only the number of visitor days and the value per visitor day estimated to result from such diminished recreation development without reference to lands which may be provided pursuant to subsection (e) of this section.

(d) The non-Federal share of the separable capital costs of the unit allocated to recreation and fish and wildlife enhancement shall be borne by non-Federal interests, under either or both of the following methods as may be determined appropriate by the Secretary: (i) payment, or provision of lands, interests therein, or facilities for the unit; or (ii) repayment, with interest, within 50 years of first use of unit recreation or fish and wildlife enhancement facilities: *Provided*, That the source of repayment may be limited to entrance and user fees or charges collected at the unit by non-Federal interests if the fee schedule and the portion of fees dedicated to repayment are established on a basis calculated to achieve repayment as aforesaid and are made subject to review and renegotiation at intervals of not more than five years.

(e) Notwithstanding the absence of preconstruction agreements as specified in subsection (c) of this section lands may be acquired in connection with construction of the unit to preserve its recreation potential, its fish and wildlife enhancement potential, or both.

(1) If non-Federal public bodies agree within ten years after initial unit operation to administer unit land and water areas for recreation and fish and wildlife enhancement pursuant to the plan for development of the unit approved by the Secretary and to bear not less than one-half the costs of land acquired therefor pursuant to this subsection and facilities and project modifications provided for those purposes and all costs of operation, maintenance and replacement incurred therefor, the remainder of the costs of such lands, facilities, and project modifications shall be non-reimbursable. Such agreement and subsequent development shall not be the basis for any allocation of joint costs of the unit to recreation or fish and wildlife enhancement.

(2) If, within ten years after initial operation of the unit, there is not an executed agreement as specified in paragraph (1) of this subsection, the Secretary may utilize the lands for any lawful purpose within the jurisdiction of the Department of the Interior, or may transfer custody of the lands to another Federal agency for use for any lawful purpose within the jurisdiction of that agency, or may lease the lands to a non-Federal public body, or may transfer the lands to the Administrator of General Services for disposition in accordance with the surplus property laws of the United States. In no case shall the lands be used or made available for use for any purpose in conflict with the purposes for which the project was constructed, and in every case preference shall be given to uses which will preserve and promote the recreation and fish and wildlife enhancement potential of the project or, in the absence thereof, will not detract from that potential.

(f) Subject to the limitations hereinbefore stated, joint capital costs allocated to recreation and fish and wildlife enhancement shall be nonreimbursable.

(g) Costs of means and measures to prevent loss of and damage to fish and wildlife shall be treated as unit costs and allocated among all unit purposes.

(h) As used in this Act, the term "nonreimbursable" shall not be construed to prohibit the imposition of entrance, admission, and other recreation user fees or charges.

Page 7, line 15, strike out "\$425,000,000," and insert "\$425,000,000 (1965 prices)".

H.R. 485 was introduced by Mr. Johnson of California. Identical bills were introduced by Mr. Sisk (H.R. 902), Mr. Moss (H.R. 2073), Mr. McFall (H.R. 2840), Mr. Miller (H.R. 3393), Mr. Leggett (H.R. 4262), Mr. Hagen of California (H.R. 6879), and Mr. Burton of California (H.R. 6874). All of the bills were before the committee for consideration.

PURPOSE

This legislation will authorize the Secretary of the Interior to construct, operate, and maintain the Auburn-Folsom South unit of the American River division, Central Valley project, California, under the Federal reclamation laws. The plan of development for the Auburn-Folsom South unit is a part of the comprehensive basinwide plan for use of the waters of the American River. It is designed to maximize economic utilization of the remaining waters of the American River Basin for irrigation, flood control, hydroelectric power, municipal and industrial water supply, fish and wildlife, and recreation purposes. It provides additional flood control which will protect the Sacramento metropolitan area against all probable floods. It will firm up the water supplies for a large segment of the agricultural valley lands of Sacramento and San Joaquin Counties and it will substantially improve the water supplies of the foothill areas of Placer, Sacramento, and El Dorado Counties. It will provide greatly increased recreational opportunities for the exploding population of northern California. It will develop the remaining hydroelectric power capabilities of the American River to assist in meeting the ever-increasing demand for electric power and energy. In summary, the construction of the Auburn-Folsom South unit will go a long way toward achieving full economic water development of the American River Basin.

BACKGROUND

The proposed Auburn-Folsom South unit stems from the general investigations of the Department of the Interior under reclamation law and from the specific congressional directive contained in the act of October 14, 1949, authorizing the American River Basin development. By that act, the Secretary was directed "to undertake a study of the water resources and requirements of the entire American River watershed and the areas serviceable therefrom and particularly of a diversion canal at the highest feasible level extending southerly from Folsom Reservoir as will permit the maximum beneficial use of the water for irrigation of the lands under said canal in El Dorado and Sacramento Counties." The project planning report, which was printed as House Document 305, 87th Congress, and the supplemental report which was printed as House Document 171, 88th Congress, are in direct response to this directive.

In the 87th Congress, the committee held hearings on the plan of development in House Document 305. That plan contemplated construction of Auburn Dam and Reservoir to a capacity of 1 million acre-feet and a powerplant to a capacity of 155,000 kilowatts.

During the latter part of 1962 and the early part of 1963, the Department restudied the project plan with the objective of fully developing the water resources of the American River Basin. The principal physical modification evolving from these studies was the proposal to construct Auburn Dam and Reservoir to a capacity of 2½ million acre-feet with the powerplant capacity increased to 240,000 kilowatts. The modified plan is set out in House Document 171 of the 88th Congress.

On May 4 and 5 of last year, the Subcommittee on Irrigation and Reclamation held exhaustive hearings on the Auburn-Folsom South unit and on August 18, 1964, the committee favorably reported

legislation to authorize this unit to the House. However, that legislation was not considered in the House. Both last year and in March of this year, when the subcommittee again held hearings, the legislation to authorize this unit received enthusiastic support from the State of California and from numerous groups and organizations interested in water development in the State. The committee received no testimony in opposition to the legislation.

NEED

The Auburn-Folsom South unit is urgently needed to meet California's rapidly increasing needs and demands for water for domestic, agricultural, municipal, and industrial purposes, for electric power and energy, for additional flood protection to the city of Sacramento, and for recreational opportunities. About half of the 400,000-acre irrigation service area in Sacramento and San Joaquin Counties is presently irrigated from local surface water supplies and by pumping from ground water. However, the constantly increasing withdrawal of ground water, coupled with several recent years of less than normal precipitation, has caused the ground water levels to recede as much as 40 feet in the past 10 years. The withdrawal of water in the service area has exceeded the natural recharge of the ground water aquifer in recent years by about 97,000 acre-feet annually. The farmers who are dependent upon ground water are experiencing increasing difficulty in obtaining water supplies, and there is no reasonable prospect that the considerable acreage of potentially productive lands which are not now irrigated can be developed successfully except through the exportation of surface water such as is proposed in this legislation. The seriousness of the water situation is further aggravated by the increasing dependence of the cities and towns in the area on the ground water aquifer for municipal and industrial water supplies. The Auburn-Folsom South unit would bring an annual increase of about 852,000 acre-feet of new water into this service area to support the existing economy and future growth of agricultural production, along with the expanding cities and industries.

Auburn Reservoir would be effective in protecting the city of Sacramento from floods which are beyond the capability of Folsom Reservoir alone to control. A major flood occurred in 1955 as Folsom Dam was being completed and the city was spared a disaster by virtue of the near empty Folsom Reservoir. Such readily available storage capacity may never exist again unless Auburn is built, but the 1955 floodflows could be equaled or exceeded at any time. There were disastrous floods in northern California last December but floodwaters in the Central Valley were for the most part contained by the existing dams of the Central Valley project. Even so, the rains stopped just in time to prevent spills at Folsom which would have overtopped the levees at Sacramento. The Auburn Reservoir would provide the additional storage which the Corps of Engineers indicates is necessary to protect the highly developed areas along the lower reaches of the American River and the densely populated Sacramento metropolitan area.

The electric power and energy needs are growing so fast that all power suppliers—investor owned, consumer owned, and Federal—are finding it difficult to keep up with the consumers' demands. Power facilities of all suppliers in California are fully integrated to handle

the ever-increasing requirements. The power and energy available from the Auburn powerplant would reduce the otherwise necessary curtailment of sales to present customers of the Central Valley project. The flexibility of the operation of the Auburn Dam and powerplant, with Folsom and Nimbus Reservoirs available for reregulation of its releases, will make it possible to operate to meet peaking power requirements.

Auburn Reservoir will be of vital importance to the Sacramento metropolitan area and other nearby urban area as a means of providing additional outdoor recreation opportunities. It will provide an average water surface area of about 8,700 acres during the recreation season of April through September. In addition, the combined operation of Auburn and Folsom Reservoirs will permit higher operating levels at Folsom and add tremendously to the recreation potential at that location.

PLAN OF DEVELOPMENT AND OPERATION

The plan of development for the Auburn-Folsom South unit is part of a comprehensive basinwide plan for use of the waters of the American River which was developed as an integral part of the Central Valley project ultimate plan. The unit consists of the Auburn Dam, Reservoir, and powerplant, the Folsom South Canal, the Foresthill Divide development, the Folsom-Malby development, and recreation facilities. The Auburn Dam would be a high earthfill structure, rising about 690 feet above the existing streambed. It would be located on the North Fork of the American River, 2 miles southeast of Auburn and 30 miles northeast of Sacramento, Calif. The site is in a narrow V-shaped canyon and is geologically sound and adequate for a dam and reservoir of the size proposed. A concrete-lined chute spillway would be capable of discharging 200,000 cubic feet per second of floodflows at the time that the reservoir contains a surcharge of 110,000 acre-feet. Outlet works, discharging through steel pipe in the diversion tunnel, would be capable of evacuating the flood control space or of releasing cold water as required for fish enhancement purposes.

The reservoir formed by the dam would have a total capacity of about 2,500,000 acre-feet. The active capacity of the reservoir would be 2,131,000 acre-feet, which would be used for flood control, irrigation, municipal and industrial water, and power storage purposes.

At normal water surface elevation, Auburn Reservoir would cover an area of 10,390 acres. The entire reservoir would be in the rugged and essentially undeveloped canyons of the middle and north forks of the American River. Several roads cross the reservoir site at present and would have to be relocated. Bridges would be provided as necessary to carry these roads across the reservoir.

The Auburn powerplant would be located at the toe of the dam and would consist initially of three turbine-driven units capable of generating 80,000 kilowatts each for a total installed capacity of 240,000 kilowatts. Operation of Auburn powerplant would provide an increase in the Central Valley project power system generation of about 646 million kilowatt-hours annually. Accounting for transmission losses, the energy available to the project at load centers by virtue of Auburn powerplant operation would be increased by 613 million kilowatt-hours annually, and the dependable capacity of the

system would be increased by 169,000 kilowatts. H.R. 485 authorizes the basic facilities to permit future installation of two additional units if later studies show them to be desirable and feasible.

The project operating plan calls for furnishing from the reservoir 390,000 acre-feet of water annually for irrigation and municipal and industrial water supply purposes. The reservoir operation would assure additional flood protection to the American River Basin area and the city of Sacramento. The combined operation of Auburn Reservoir and the existing Folsom and Nimbus Reservoirs would result in important improvements in fishery and would provide extensive additional recreation opportunities.

The Folsom South Canal would be the main water delivery feature of the unit. It would begin at Lake Natoma above Nimbus Dam and would flow southward by gravity about 67½ miles along the east side of the San Joaquin Valley to a terminal at Lone Tree Creek, southeast of Stockton, Calif. The canal would be concrete lined for its entire length. It would have an initial capacity of 3,500 cubic feet per second, the capacity required to service the Folsom South area. At a point about 24 miles south of the diversion point a connection would be made with the proposed Hood-Clay pump canal, a feature of the potential East Side division. From this point southward, the Folsom South Canal would carry water for the potential East Side division as well as for the Folsom South service area. The capacity immediately below the Hood-Clay connection would be 7,000 cubic feet per second gradually decreasing to 5,000 cubic feet per second near the point where the East Side Canal alignment departs from the Folsom South Canal.

The use of Folsom South Canal as a dual facility to serve the future East Side division, as well as the Folsom South service area, is proposed as a matter of long-range economy. Expenditure of the amount necessary to build this canal initially to a sufficient capacity to serve the dual purpose of supplying the East Side division, as well as the Folsom South area, would result in substantial future savings in construction of the East Side division.

The proposed Foresthill Divide development would be located between the arms of the Auburn Reservoir which follow the North Fork and Middle Fork of the American River. The plan of development involves construction of Sugar Pine Dam and Reservoir of 16,500 acre-feet capacity on Shirttail Creek, a pressure pipeline to a regulating reservoir, and an irrigation distribution system. It would provide irrigation, municipal, and industrial water service to a gross area of 5,000 acres and enhance fish and wildlife and recreation resources.

The service area of the Folsom-Malby development lies between the American and Consumnes Rivers. This is a rapidly expanding area which includes sections of western El Dorado County and eastern Sacramento County at elevations higher than the Folsom South Canal. The plan of development involves a pumping plant at the existing Folsom Reservoir, from which a 10.8-mile pipeline would deliver water to the proposed County Line Reservoir on Deer Creek near the Folsom-Malby lands. Through these facilities a municipal and industrial water supply would be delivered to an area of about 12,000 acres. County Line Reservoir would also provide for fish and wildlife enhancement, recreation, and flood protection to downstream lands.

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FINANCIAL AND ECONOMIC ASPECTS

The estimated cost of the Auburn-Folsom South unit, as authorized in this legislation, is \$424,670,000. A breakdown of this amount among features and units is given in the following tabulation:

Auburn Dam and Reservoir.....	\$231,312,000
Auburn powerplant.....	25,233,000
Switchyard and transmission.....	13,866,000
Operating facilities.....	750,000
Fish and wildlife mitigation lands.....	141,000
Recreation lands and basic facilities.....	10,803,000
Auburn subtotal.....	282,105,000
Folsom South area.....	86,086,000
Foresthill Divide area.....	7,523,000
Folsom-Malby area.....	11,916,000
East Side Canal enlargement.....	23,540,000
Subtotal.....	411,170,000
Foundations and penstock for future power installation.....	13,500,000
Total.....	424,670,000

Cost allocation

The investment cost for the Auburn-Folsom South unit, not including the foundation and penstock for future power installation, is \$427,170,000, derived as follows:

Construction costs.....	\$411,170,000
Interest during construction:	
Municipal and industrial.....	2,091,000
Commercial power.....	12,012,000
Recreation and fish and wildlife.....	474,000
Total.....	14,577,000
Central Valley project power transfer for Auburn-Folsom South unit pumping.....	1,423,000
Total investment cost.....	427,170,000

A tentative allocation of the investment cost of the Auburn-Folsom South unit is as follows:

Reimbursable costs: ¹	
Irrigation.....	\$170,637,000
Municipal and industrial water.....	29,655,000
Commercial power ²	148,855,000
Recreation and fish and wildlife enhancement.....	6,200,000
Subtotal².....	355,347,000
Deferred use: East Side division.....	23,540,000
Nonreimbursable costs: ¹	
Flood control.....	9,324,000
Recreation and fish and wildlife enhancement:	
(a) Joint costs ³	32,782,000
(b) Separable costs ⁴	6,177,000
Subtotal.....	48,283,000
Total investment cost².....	427,170,000

¹ The allocations to recreation and fish and wildlife enhancement have been assigned to the reimbursable or nonreimbursable category in accordance with the proposed Federal Water Project Recreation Act (H.R. 5289).

² Should the \$13,500,000 cost for providing basic facilities for future power installations be incurred, these amounts would be increased accordingly.

³ All joint costs allocated to recreation and fish and wildlife enhancement would be nonreimbursable.

⁴ Includes \$5,727,000, one-half of separable recreation costs, plus \$450,000 representing the cost of recreation facilities at the Sugar Pine Reservoir which will be in a national forest and be under the jurisdiction of the Secretary of Agriculture.

Repayment

It is proposed that water be made available in the Folsom South service area at \$2.75 per acre-foot for irrigation water and \$14 per acre-foot for municipal and industrial water. In the Folsom-Malby area, municipal and industrial water service would be provided at \$32 per acre-foot. Water service in the Foresthill area would be made available at \$2.50 per acre-foot for irrigation water, and \$85 per acre-foot for municipal and industrial water. These rates are in accordance with general policy and provisions of reclamation law under which irrigators repay in accordance with their computed ability and municipal and industrial water users are expected to pay the entire costs allocated to that function with interest over a period of not more than 50 years. The repayment analysis shows that the Auburn-Folsom South unit irrigation water users would be able to repay about two-thirds of the costs allocated to that purpose, the other one-third being derived from other project sources. The power developed at Auburn powerplant that is not utilized for pumping of irrigation water for project purposes would be marketed through the existing commercial power system of the Central Valley project.

The Auburn-Folsom South unit, being an integral part of the Central Valley project, is analyzed for financial feasibility as an increment of that project. All reimbursable costs of the project, including the Auburn-Folsom South unit, will be repaid within 50 years from the date construction of the last feature is completed. The date when full repayment would be accomplished is estimated to be fiscal year 2022. The analysis shows that, on that date, all reimbursable costs, including over \$147 million in interest payments on the power and municipal water investments, would have been repaid to the United States and a surplus of about \$462 million would be available to assist in the development of additional increments of the Central Valley project or return to the U.S. Treasury.

A financial summary of the Central Valley project without and with the Auburn-Folsom South unit follows:

[In thousands of dollars]

	Base Central Valley project ¹	Auburn-Folsom South	Central Valley project with Auburn-Folsom South
Cost allocation:			
Reimbursable:			
Irrigation.....	888,770	170,637	1,059,407
Municipal and industrial.....	56,774	29,655	86,429
Commercial power.....	252,444	148,855	399,876
Waterfowl conservation.....	9,199	0	9,199
Recreation and fish and wildlife enhancement.....	0	6,200	6,200
Total reimbursable.....	1,207,187	355,347	1,561,111
Nonreimbursable:			
Flood control.....	73,844	9,324	83,168
Navigation.....	12,177	0	12,177
Fish and wildlife mitigation.....	8,992	0	8,992
Recreation and fish and wildlife enhancement.....	25,797	38,959	64,756
Highway relocation.....	2,646	0	2,646
Total nonreimbursable.....	123,456	48,283	171,739
Deferred use.....	6,200	23,640	29,740
State share of San Luis unit.....	176,760	0	176,760
Total project cost.....	1,513,603	427,170	1,939,360

See footnotes at end of table, p. 10.

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[In thousands of dollars]

	Base Central Valley project ¹	Auburn-Folsom South	Central Valley project with Auburn-Folsom South
Repayment of reimbursable costs:			
Allocated costs repaid:			
Irrigation.....	737,963		883,618
Municipal and industrial.....	78,717		138,898
Commercial power.....	391,612		534,108
Waterfowl conservation.....	² -1,125		-1,213
Recreation and fish and wildlife enhancement.....	0		6,200
Total repayment.....	1,207,187		1,561,111
Interest payments:			
Municipal and industrial.....	42,606		50,238
Commercial power.....	53,607		96,999
Total interest.....	96,213		147,237
Indicated surplus:			
Municipal and industrial.....	57,413		129,067
Commercial power.....	364,157		333,453
Total.....	³ 421,570		462,520

¹ Figures consistent with fiscal year 1966 budget submittals.² Water supplied to San Joaquin grasslands under Public Law 674-83. Revenues do not completely cover costs of water service.³ Base Central Valley project would pay out in fiscal year 2018. Addition of 4 years' costs and revenues to base project would increase indicate surplus to \$521,136,000, which is directly comparable to the indicated surplus of \$462,520,000 with Auburn-Folsom South unit added.*Benefit-Cost Ratio*

A comparison of the benefits and cost of the Auburn-Folsom South unit reveals its economic justification with an overall excess of benefits over costs in the ratio of 3.6 to 1. The benefits are broken down in the following table:

[In thousands of dollars]

	Auburn and Folsom South features	Folsom-Malby area	Foresthill Divide area	Total
Annual equivalent benefits:				
Irrigation.....	45,537		324	45,861
Municipal and industrial.....	879	361	132	1,372
Commercial power.....	6,546			6,546
Flood control.....	375	80		455
Recreation.....	5,407	504	41	5,952
Fish and wildlife.....	478	60	48	586
Other.....	110			110
Less other benefits forgone.....		-127		-127
Less existing CVP storage.....	-218	-25		-243
Total benefits.....	59,114	853	545	60,512

COMMITTEE AMENDMENTS

Several of the amendments adopted by the committee need some explanation and discussion. In connection with the authority set out in section 1 to provide the basic facilities for future power installation the committee adopted language which makes it clear that future power units cannot be added without additional congressional authorization.

In connection with the authority to construct electric transmission lines for interconnecting the Auburn powerplant with the Central

Valley project power system, the committee added the following provision:

Provided further, That no facilities, except those required for interconnecting the Auburn powerplant and the Folsom switchyard and those interconnecting the Folsom switchyard and the Elverta substation, shall be constructed for electric transmission or distribution service which the Secretary determines, on the basis of a firm offer of a fifty-year contract from a local public or private agency, can be obtained at less cost to the Federal Government than by construction and operation of Government facilities.

This language is similar to language adopted by the committee and approved by the Congress in connection with the authorization of the San Luis unit of the Central Valley project several years ago. The committee understands that, with respect to the San Luis unit, the Department has negotiated a contract with the Pacific Gas & Electric Co. which is favorable to the United States.

The San Luis unit transmission lines were needed to bring electric energy to the unit works for project pumping whereas the transmission lines for the Auburn-Folsom South unit are for interconnecting a generating plant with the Central Valley project power system, a difference which prompted the committee to exempt the lines connecting the Auburn powerplant and the Folsom switchyard and the Folsom switchyard and the Elverta substation from the required finding. However, it should be pointed out that transmission service in lieu of these exempted lines is not prohibited should the Secretary find that (1) it can be obtained at less cost than by construction of these lines and (2) that project power operations would not be adversely affected.

The committee rewrote section 3 of the legislation. This amendment relates to cost allocation and cost-sharing policies with particular reference to recreation and fish and wildlife. The language adopted makes this legislation consistent with the provisions of general legislation covering these matters which has been approved by the committee though not yet enacted (H.R. 5269). The effect of the amendment is to authorize development of the full recreation and fish and wildlife enhancement potential of the unit and to encourage non-Federal administration for these purposes. The full potential of the unit for serving these purposes will be developed only if there is agreement by a non-Federal body to administer those areas not designated for Federal administration and to advance or repay not less than \$6,200,000 of the cost of lands and facilities in these areas.

SECTION-BY-SECTION ANALYSIS

Section 1 provides authority to the Secretary of the Interior to construct, operate, and maintain the Auburn-Folsom South unit and sets out the principal physical works included in the unit. In connection with construction of the electric transmission system for interconnection with the Central Valley project the Secretary's authority is limited as discussed hereinbefore. In connection with the Auburn powerplant the Secretary is authorized to make provision for ultimate development of the hydroelectric capacity which is estimated at 400,000 kilowatts, but capacity beyond the initial 240,000 kilowatts

is not to be added without further authorization by Congress. In connection with the Folsom South Canal, the Secretary is authorized to include excess capacity to serve the proposed East Side division of the Central Valley project at such time as that development is authorized and constructed.

Section 2 provides that the Auburn-Folsom South unit shall be fully integrated with the existing and future features of the Central Valley project. Language in this section also requires that the Auburn Dam and County Line Dam be operated for flood control in accordance with criteria established by the Corps of Engineers.

Section 3 establishes the policies and procedures for inclusion of recreation and fish and wildlife enhancement as unit purposes. The Secretary is authorized to construct, operate, and maintain or provide for the construction, operation, and maintenance of public outdoor recreation and fish and wildlife enhancement facilities and to acquire such lands or interests in land as are necessary for these purposes. He is also authorized to enter into agreements with non-Federal public bodies for the administration of those areas not designated for Federal administration. The Sugar Pine Reservoir is the only area designated for Federal administration. This is because it is in a national forest. Under the required agreements, not less than half the separable capital costs¹ of lands and facilities in the areas designated for local administration will have to be advanced or repaid to the Federal Government while the remainder, plus all the costs of lands and facilities in areas designated for Federal administration and all the joint costs of the unit allocated to recreation and fish and wildlife enhancement, will be borne by the Federal Government. Unless there are such agreements covering the areas designated for local administration, the full potential of the unit for serving these purposes will not be developed. Only facilities necessary for public health and safety will be constructed.

In order to preserve the full recreation and fish and wildlife enhancement potential of the unit for a limited time the Secretary can acquire the necessary lands and hold them for a period of 10 years. If, within this 10-year period, agreement is reached for local administration and cost sharing, the development of the recreation and fish and wildlife enhancement potential can be undertaken. If, however, there is no agreement during this 10-year period, the Secretary must utilize the lands for some other lawful and justified purpose, transfer the lands to some other Federal agency or lease them to a public body, or transfer the lands to the General Services Administration for disposition. The use of the lands cannot conflict with the purposes of the unit and preference must be given to uses which preserve and protect the recreation and fish and wildlife enhancement potential.

Section 4 requires the Secretary to give consideration to the reports and plans of the State of California for developing its water resources, and to consult with local interests who are affected by the proposed development.

Section 5 contains language relating to the project water supply and makes it clear that this legislation does not authorize an allocation of water and that recommendations for the use of water in connection with the Auburn-Folsom South unit shall be in accord with State water laws.

¹ This item includes interest during construction wherever appropriate.

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Section 6 authorizes \$425 million be appropriated for the construction of the Auburn-Folsom South unit. The amount can be adjusted to reflect ordinary fluctuations in construction costs applicable to the types of construction involved in the unit. Language in this section also authorizes the appropriation of such sums as may be required for operation and maintenance of the project.

COMMITTEE CONCLUSIONS AND RECOMMENDATIONS

The Committee on Interior and Insular Affairs concludes that the Auburn-Folsom South unit is a sound and feasible development from a physical and economic standpoint and that it is the most desirable and next logical addition to the Central Valley project. The proposed unit meets every standard test of current reclamation doctrine and policy. For every dollar spent on the development, almost \$4 in benefits to the various project purposes will be returned to the Nation. Full repayment of the reimbursable costs will occur within 50 years.

The committee believes that water service in the area is urgently needed, both for irrigation and municipal purposes, that the additional flood control provided by the unit will assure additional protection to the city of Sacramento, that the expansion in recreational opportunities will be a tremendous asset that is urgently needed in the Sacramento metropolitan area, and that the additional electric power and energy will assist greatly in meeting the ever-expanding power needs of California.

The Committee on Interior and Insular Affairs, therefore, recommends that H. R. 485, as amended, be enacted.

DEPARTMENTAL REPORT

The report of the Department of the Interior recommending enactment of this legislation follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 26, 1965.

HON. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. ASPINALL: This supersedes our report of February 16, 1965, on the various bills to create the Auburn-Folsom South unit. Pending before your committee are H.R. 485, H.R. 902, H.R. 2073, and H.R. 2840. These bills would authorize the Secretary of the Interior to construct, operate, and maintain the Auburn-Folsom South unit, American River division, Central Valley project, California, under Federal reclamation laws.

We firmly support the Auburn-Folsom South addition to the Central Valley project, and urge early enactment of legislation that will permit this vital project to contribute its many benefits to the United States.

This project is in the heart of rapidly growing California, constantly thirsting for more water and for additional electric power. It assures more water and additional low-cost power along with many other benefits in an area where population is increasing by leaps and bounds.

Here water is an ever-precious commodity, where progress can be aided or impeded by the vagaries of seasonal precipitation.

Painstaking studies by the Department of the Interior, begun immediately after the disastrous floods of 1955, reveal that this proposal not only is a model of multipurpose development, but also is buttressed by a benefit-to-cost ratio of nearly 4 to 1—an exceptionally impressive margin which merits consideration by the Congress.

Many vital benefits would accrue. Among these are the raising of steadily sinking ground water tables, the addition of millions of additional kilowatt-hours of electricity annually to ever-growing power needs, the recapture and reuse of drainage water and the provision of water for industrial and municipal growth as well as for agriculture.

Further, there will be additional recreational benefits, enhancement of fish and wildlife habitat and, finally, additionally needed flood protection for Sacramento.

Auburn Dam, the key feature of this \$425 million multipurpose project, will block the American River about 30 miles northeast of Sacramento and will create a 2½ million acre-foot reservoir to store water for power, for municipal and industrial purposes, and for irrigation. Its basic generating plant of 240,000 kilowatts will add 613 million kilowatt-hours of electricity to the hydroelectric capability of the Central Valley project area. Even greater returns will be realized when the ultimate capacity of Auburn is expanded, under growing demands, to 400,000 kilowatts. The damsite is ideally located near gravel and other deposits to keep construction costs to a minimum.

From Auburn Reservoir will flow 390,000 acre-feet of water annually to meet municipal, industrial, and irrigation requirements in a region that features some of the most productive land in the world—if assured adequate moisture.

An accessory service of Auburn will be that of helping curb flood in the American River Basin area and the city of Sacramento. Additionally, its operation with existing Folsom and Nimbus Reservoirs will improve fishing and recreation.

Equally important, but not as spectacular as Auburn Dam, is the Folsom South Canal on the American River downstream from Auburn. This 67-mile canal, curving through the rich east side area of the Central Valley down to Stockton, would bring 852,000 acre-feet of water annually to serve nearly 400,000 acres in Sacramento and San Joaquin Counties, most of which is presently irrigated from wells where ground water tables are dropping. Local interests would be expected to build deep wells and other facilities to insure optimum use of water.

Some 420 acre-feet per day of water would funnel into municipalities for residential and industrial uses as the canal meets its dual-purpose role.

The fast-growing Forest Hill Divide area, lying between the arms of the Auburn Reservoir, will benefit through construction of Sugar Pine Dam and Reservoir on Shirttail Creek. Here will be provided municipal, industrial, and irrigation water for a mountain community of 5,000 acres which has no other foreseeable source of water. Again, additional benefits would result for recreation and wildlife.

The Folsom-Malby segment, rounding out the multiple-use features of the Auburn-Folsom project, lies between the American and Consumnes Rivers. This area, like others in the project, is burgeoning and requires more water for farms, some industry, and suburban

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growth. The service area includes sections of western El Dorado County and eastern Sacramento County lying higher than the Folsom South Canal. Accordingly, a pumping plant would be built at the existing Folsom Reservoir and a pipeline some 10 miles long would deliver water to the proposed County Line Reservoir on Deer Creek, near the Folsom-Malby service area. Through these facilities the municipal and industrial water would also be delivered. Here again there will be fish and wildlife benefits, important recreation benefits, and some minor flood control.

There is an urgency to the Auburn-Folsom South project as a logical next addition to the Central Valley project for many of the areas it will serve are plagued persistently by drought, while much needed water flows unused down the American and its tributaries. The State of California cannot undertake this merited project because of its tremendous obligation of \$1.7 billion in other critically needed water supply works.

Here is a project, however, that will assure continued growth and which counts as one of its strongest points the unusually high ratio of benefits to investment. In it, local interests will do their part to provide facilities essential to the Federal plan of action.

Traditionally, wide gaps of time always separate project authorization, appropriations, construction, and delivery of water. It is for this reason that I appeal for early authorization of Auburn-Folsom South unit of the Central Valley project.

The Central Valley project, an exceptionally valuable foundation stone in our Nation's economy, was authorized in 1937. But one of the main structures, the Friant-Kern Canal, did not carry its initial water until more than 15 years later. Contra Costa Canal—actually the first feature to be started—was not completed until 1948—11 years after authorization.

It is my opinion that because of the urgent water and power needs, the benefits to the State and to the Nation, and the leadtime between authorization and actual construction, we should move forward on this proposal as soon as possible. It is my hope that the Congress will agree that the Auburn-Folsom South unit is the next logical addition to the Central Valley project where the Federal Government has been so successful in making an investment in multiple-purpose projects which have in turn greatly enhanced the economy of the Nation.

I have appended a more extended statement concerning the project condensed from our reports to the Congress of January 15, 1962 (H. Doc. 305, 87th Cong.), and October 21, 1963 (H. Doc. 171, 88th Cong.). The statement also contains for the committee's consideration some suggested amendments to the bills, and the information required by Public Law 84-801. One of these amendments would insure that authorization would be consistent with the provisions of law and policy respecting allocation of water resource project costs to recreation and fish and wildlife enhancement applicable to other similar Federal projects and programs at the time construction is initiated.

The Bureau of the Budget has advised that enactment of legislation to authorize the Auburn-Folsom South unit would be consistent with the objectives of the administration.

Sincerely yours,

STEWART L. UDALL,
Secretary of the Interior.

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On October 21, 1963, the Department of the Interior transmitted to the Congress a supplemental report recommending modifications in the plan of development for the Auburn-Folsom South unit which our studies subsequent to completion of the January 15, 1962, planning report indicated to be desirable. The supplemental report also reflects the "Policies, standards, and procedures in the formulation, evaluation, and review of plans for use and development of water and related land resources," approved by the President on May 15, 1962 (S. Doc. 97, 87th Cong.). The provisions of proposed legislation to provide uniform policies with respect to recreation and fish and wildlife benefits and costs of Federal multipurpose water resource projects, recently transmitted to the Congress are reflected in the following discussion.

The Auburn Dam, as recommended for construction in the supplemental report of October 21, 1963, would create a reservoir with a storage capacity of approximately 2,500,000 acre-feet; it would include a powerplant with an initial installation of 240,000 kilowatts and provision for subsequent expansion to about 400,000 kilowatts. After making allowance for all foreseeable upstream water requirements, the dam and reservoir would supply 390,000 acre-feet of water annually to fulfill the irrigation and municipal and industrial water supply functions of the unit and also provide additional flood protection to the American River Basin area and the city of Sacramento. The unit is expected to add 613 million kilowatt-hours annually to Central Valley project hydroelectric power generation. Operation of Auburn Reservoir in conjunction with the existing Folsom and Nimbus Reservoirs would also result in important improvements in fishery and recreation resources.

The Folsom South Canal, as described in the Department's report of January 15, 1962, would provide means for conveying American River water for irrigation and municipal use in an area on the east side of the Central Valley extending from the American River southward to the city of Stockton. Some 852,000 acre-feet of water annually would be conveyed from natural flows of American River and from conservation yield of Auburn and Folsom Reservoirs to serve irrigation water to 398,000 acres in Sacramento and San Joaquin Counties. In addition to the distribution and drainage systems to serve the Folsom South area, a deep well development program estimated to cost \$1,566,000 would be required to insure coordinated use of surface and ground water supplies. Installation of the deep wells is considered to be the responsibility of local interests.

The Forest Hill Divide area lies between the arms of the Auburn Reservoir which follow the north fork and middle fork of the American River. The plan of development involves construction of Sugar Pine Dam and Reservoir of 16,500 acre-foot capacity on Shirttail Creek, a pressure pipeline to a regulating reservoir, and an irrigation distribution system. It would provide irrigation, municipal, and industrial water service to a gross area of 5,000 acres and enhance fish and wildlife and recreation resources. The severe drought of the past few years has accentuated the need to alleviate existing water shortages and to provide for expanded irrigation and municipal and industrial water use in the Forest Hill Divide area. The plan described above is compati-

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ble with plans contemplated by the Forest Hill Divide Public Utility District and the Placer County Water Agency.

The service area of the Folsom-Malby development lies between the American and Consumnes Rivers. This is a rapidly expanding area which includes sections of western El Dorado County and eastern Sacramento County at elevations higher than the Folsom South Canal. The plan of development involves a pumping plant at the existing Folsom Reservoir, from which a 10.8-mile pipeline would deliver water to the proposed County Line Reservoir on Deer Creek, near the Folsom-Malby lands. Through these facilities a municipal and industrial water supply would be delivered to an area of about 12,000 acres. County Line Reservoir would also provide for fish and wildlife enhancement, recreation, and flood protection to downstream lands.

The Bureau of Reclamation is now engaged in feasibility studies of the initial phase, East Side division, Central Valley project, which would involve major canals, reservoirs, pumping plants, and other facilities to provide water from the American and Sacramento Rivers to irrigate lands and supply the municipal and industrial needs of a large area on the east side of San Joaquin Valley extending southward as far as the city of Bakersfield. The northerly portion of the proposed East Side Canal would coincide with the Folsom South Canal. By building the Folsom South Canal initially to a capacity adequate to serve both the Folsom South unit and the East Side division, substantial savings in construction cost of the East Side division can be realized. The bills which have been introduced would provide authority for the Secretary to build the Folsom South Canal to that capacity. We strongly endorse this economical approach.

The specific project features for which authorization is recommended are listed below with the current estimated costs:

Auburn Dam, Reservoir, powerplant, and appurtenant facilities	\$282, 105, 000
Folsom South features	86, 086, 000
Forest Hill Divide features	7, 523, 000
Folsom-Malby features	11, 916, 000
East Side enlargement	23, 540, 000
Total basic unit	411, 170, 000
Provision for power installation	13, 500, 000
Total construction authorization	424, 670, 000
Rounded to	425, 000, 000

Anticipated long-range requirements for peaking power make it advisable to design Auburn Dam and powerplant so that additional generating units may be installed when needed. Because of its location at the head of the 1 million acre-foot Folsom Reservoir, Auburn powerplant would be particularly well suited to generation of peaking power and possibly pump storage operation. We propose to provide necessary foundations and other facilities in the powerhouse for two future units at an additional cost estimated to be \$3,500,000. Detailed design studies may also indicate the desirability of initially installing an additional penstock at an estimated further cost of \$10 million. These estimated costs, totalling \$13,500,000 are not included in the cost estimate tabulation above. If included in the unit, they would raise the cost of construction to \$424,670,000.

Existing laws relating to the Central Valley project, particularly the act of October 17, 1940 (54 Stat. 1198), provide authority for the construction of distribution system works. Although all or part of these systems may be built independently by local interests, the Congress should recognize that under existing laws the entire distribution complex may have to be built or financed by the United States.

Development of recreation facilities, including necessary land acquisition, is proposed at and near the Auburn Reservoir and other impoundments of the unit. The recreation plan prepared by the National Park Service and the Bureau of Outdoor Recreation is in conformity with the tenets of Senate Document 97, 87th Congress, "Policies, Standards, and Procedures in the Formulation, Evaluation, and Review of Plans for the Use and Development of Water and Related Land Resources." The plan indicates the facilities needed for optimum realization of the unit's recreation potential. The limit of justifiable project recreation expenditure was established through consideration of a least-cost, nonproject alternative recreation plan.

In previous cost allocations and financial analyses for the Auburn-Folsom unit and for the Central Valley project as a whole, the operation, maintenance, and replacement costs allocated to nonreimbursable functions were assigned to reimbursable functions. A corresponding increase was made in the allocation of construction costs to the non-reimbursable functions. As a result of the adjustment in both reimbursable and nonreimbursable functions, equity of cost allocation among functions was maintained. This procedure was adopted many years ago as a bookkeeping and administrative convenience.

This procedure was changed, beginning with our fiscal year 1966 budget justifications to the Congress, to recognize the allocated operation, maintenance, and replacement costs as a direct charge against each function of the project in compliance with views expressed in hearings by congressional committees. This change in procedure for assignment of operation, maintenance, and replacement costs does not affect the estimated construction costs of the Auburn-Folsom South unit or the overall Central Valley project.

The investment costs for the Auburn-Folsom South unit is \$427,170,000, derived as follows:

Construction costs.....	\$411, 170, 000
Interest during construction:	
Municipal and industrial.....	2, 091, 000
Commercial power.....	12, 012, 000
Recreation and fish and wildlife.....	474, 000
Total.....	14, 577, 000
Central Valley project power transfer for Auburn-Folsom South unit pumping.....	1, 423, 000
Total investment cost.....	427, 170, 000

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A tentative allocation of investment costs of the Auburn-Folsom South unit, reflecting the foregoing change in procedure for assignment of operation, maintenance, and replacement costs, is as follows:

Reimbursable costs: ¹	
Irrigation.....	\$170, 637, 000
Municipal and industrial water.....	29, 655, 000
Commercial power ²	148, 855, 000
Recreation and fish and wildlife enhancement.....	6, 200, 000
Subtotal ²	<u>355, 147, 000</u>
Deferred use (East Side division).....	23, 540, 000
Nonreimbursable costs: ¹	
Flood control.....	9, 324, 000
Recreation and fish and wildlife enhancement:	
(a) Joint costs ³	32, 782, 000
(b) Separable costs ⁴	6, 177, 000
Subtotal.....	<u>48, 283, 000</u>
Total investment cost ²	<u>427, 170, 000</u>

¹ The allocations to recreation and fish and wildlife enhancement have been assigned to the reimbursable or nonreimbursable category in accordance with the proposed Federal Water Project Recreation Act (H. R. 5269).

² Should the \$13,500,000 cost provision of facilities for future power installations be incurred, these amounts would be increased accordingly.

³ All joint costs allocated to recreation and fish and wildlife enhancement would be nonreimbursable.

⁴ Includes \$5,727,000, 1/2 of separable recreation costs, plus \$450,000 representing the cost of recreation facilities at the Sugar Pine Reservoir which will be in a national forest and be under the jurisdiction of the Secretary of Agriculture.

The proposed charges for municipal and industrial water would repay all costs allocated to that purpose with interest. Power and energy generated by the Auburn powerplant would be marketed through the Central Valley project at project rates. The irrigation water rates at canalside would meet all costs of operation and maintenance of the works and contribute toward the capital costs allocated to irrigation.

Surplus revenues from power and municipal and industrial water sales of the entire Central Valley project would within 50 years repay the portion of the irrigation allocation of the project which is beyond the repayment capacity of the water users in the project account.

Benefits from all sources have been determined. The economic justification for the unit is clearly established by the finding that the benefits exceed the costs in the ratio of 3.6 to 1, based on a 100-year period of analysis and 3 1/4-percent interest rate.

We suggest that the following amendments be made to the bills: For purposes of reference, amendments are keyed to H. R. 485.

1. Page 3, lines 10, 13, and 16, capitalize the words "east side".
2. Delete the word "basic" from line 10, page 4.
3. Strike the portion of section 3 from the period on line 11, page 5, to the period on line 14, page 6.
4. Renumber section 3 as subsection 3(a) and add new subsections "(b)" through "(h)" as follows:

"(b) Joint costs allocated to recreation and fish and wildlife enhancement shall be nonreimbursable.

"(c) Costs of recreation facilities at Sugar Pine Reservoir shall be nonreimbursable.

"(d)(1) If, before commencement of construction of the unit, non-Federal public bodies agree to administer unit land and water

areas for recreation and fish and wildlife enhancement pursuant to a plan of development and to bear not less than one-half the separable costs of the unit allocated to those purposes and all the costs of operation, maintenance, and replacement of recreation and fish and wildlife enhancement lands and facilities, not more than one-half the separable capital costs allocated to recreation and fish and wildlife enhancement shall be nonreimbursable.

"(2) In the absence of such a preconstruction agreement recreation facilities and facilities and project modifications for fish and wildlife enhancement (other than minimum facilities for the public health and safety at reservoir access points shall not be provided, and the allocation of unit costs shall reflect only the number of visitor days and the value per visitor day estimated to result from such diminished recreation and fish and wildlife enhancement development without reference to lands which may be provided pursuant to subsection (f) of this section.

"(e) The non-Federal share of the separable investment costs of the unit allocated to recreation and fish and wildlife enhancement shall be borne by non-Federal interests, under either or both of the following methods as may be determined appropriate by the Secretary: (i) payment, or provision of lands, interests therein, or facilities for the unit; or (ii) repayment, with interest, within 50 years of first use of unit recreation or fish and wildlife enhancement: *Provided*, That the source of repayment may be limited to entrance and users fees or charges collected at the unit by non-Federal interests if the fee schedule and the portion of fees dedicated to repayment are established on a basis calculated to achieve repayment as aforesaid and if the fee schedule and the portion of fees dedicated to repayment are made subject to review and renegotiation at intervals of not more than five years.

"(f) In the absence of preconstruction agreements as specified in subsection 3(d)(1) lands may be acquired in connection with construction of the unit to preserve the recreation and fish and wildlife enhancement potential of the unit.

"(1) If non-Federal public bodies agree within ten years after initial unit operation to administer unit land and water areas for recreation and fish and wildlife enhancement pursuant to a plan of development and to bear not less than one-half the costs of lands acquired pursuant to this subsection and facilities and project modifications provided for those purposes and all costs of operation, maintenance and replacement of recreation and fish and wildlife enhancement facilities, not more than one-half the costs of such lands, facilities, and project modifications may be borne by the United States and such costs shall be nonreimbursable. Such agreement and subsequent development shall not be the basis for any reallocation of joint costs of the unit to recreation or fish and wildlife enhancement.

"(2) If, within ten years after initial operation of the unit, there is not executed an agreement as specified in paragraph (1) of this subsection the Secretary may convey the possession and control of any lands acquired pursuant to this subsection by deed, lease, or otherwise, to any Federal agency or to any person or non-Federal body, for the purpose of recreation, fish and wildlife enhancement, or use as a summer residence, or for the operation on such lands of pleasure resorts for boating, fishing, or any similar purpose, or for any other purpose which would not conflict with the purposes for which the

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unit was constructed: *Provided*, That no transfer authorized herein, except transfer by conveyance at fair market value under the then existing conditions, shall be made without approval of the President of the United States.

"(g) As used in this Act, the term 'nonreimbursable' shall not be construed to prohibit the imposition of entrance, admission, and other recreation user fees or charges.

"(h) Costs of means and measures to prevent loss of and damage to fish and wildlife resources shall be treated as project costs and allocated among all unit purposes."

The management and cost-sharing requirements of subsections 3(d), 3(e), and 3(f) would, of course, be inapplicable to Sugar Pine Reservoir, which will be administered by the Secretary of Agriculture.

5. Section 5 of the bill is unnecessary and should be deleted.

6. In section 6, after the figure \$425,000,000, add "(1962 prices)".

The feasibility report of January 15, 1962, and the supplemental report of October 21, 1963, on the Auburn-Folsom South unit make adequate allowances for future water uses in the upstream foothill areas. If it is deemed essential to include assurances on this point in the authorizing legislation, we would have no objection to substitution of the following language for the existing section 5:

"SEC. 5. Before initiating any diversions of water from the American River Basin in connection with the operation of the Auburn-Folsom South unit, Central Valley project, the Secretary shall determine the quantity of water required to satisfy all existing and anticipated future needs within that basin and the diversions shall at all times be subordinate to the quantities so determined."

Estimated additional man-years of civilian employment and expenditures for the 1st 5 years of proposed new or expanded programs

	1st	2d	3d	4th	5th
Estimated additional man-years of civilian employment: Executive direction:					
Executive.....	2	2	2	2	2
Clerical.....	2	2	2	2	2
Total, executive direction.....	4	4	4	4	4
Administrative services and support:					
Accountant.....	5	8	11	12	12
Clerical.....	9	16	22	23	24
Property management.....	8	13	16	16	16
Records maintenance.....	5	8	8	8	8
Total administrative services and support.....	27	45	57	59	60
Substantive (program):					
Engineering aids.....	38	84	120	120	120
Engineers.....	33	70	96	96	96
Geologists.....	5	7	9	9	9
Total, substantive.....	76	161	225	225	225
Total, estimated additional man-years of civilian employment.....	107	210	286	288	289
Estimated additional expenditures:					
Personal services (in thousands of dollars).....	749	1,470	2,175	2,290	2,305
All other (in thousands of dollars).....	4,403	10,931	24,557	45,446	55,946
Total estimated additional expenditures (in thousands of dollars).....	5,152	12,401	26,732	47,736	58,251

SUPPLEMENTAL VIEWS

The bill, H.R. 485, to authorize the Secretary of the Interior to construct, operate, and maintain the Auburn-Folsom South unit, American River Division, Central Valley project, California, under Federal reclamation laws has been carefully considered by the Committee on Interior and Insular Affairs, and in general, is worthy of approval. However, certain basic flaws in this legislation should be corrected by the Congress before final enactment. These basic flaws relate to the rate of interest applicable to the cost allocation for hydroelectric facilities at Auburn Dam, and the repayment requirement of construction costs.

The Secretary of the Interior submitted a supplemental report to the Congress on the Auburn-Folsom project dated October 21, 1963 (H. Doc. 171, 88th Cong., 1st sess.). In this supplemental report the Secretary of the Interior stated that—

the addition of Auburn-Folsom South unit increases project surplus revenues by \$72,221,000.

Lengthening the repayment period of the project without Auburn-Folsom South unit to cover the same period as the enlarged project would accumulate an additional \$147,818,000 in surplus revenues. Thus, the net incremental affect attributable entirely to the unit is the *decrease*¹ of \$75,597,000 in surplus revenues.

Thus, it should be noted that the Secretary of the Interior admitted in effect that construction of this project would result in a decrease in the Central Valley project surplus revenues of almost \$76 million. Even this decrease is kept from being substantially larger because of the extension of the repayment period when the unit is added.

The total construction cost of Auburn Dam and Reservoir is estimated at \$282,105,000. The construction costs of the other features of the unit are estimated at \$129,065,000 giving a total estimated construction cost for the entire unit of \$411,170,000. Including interest during construction of \$13,517,000, the total cost of the unit becomes \$424,687,000.

The portion of the total cost allocated to power is \$123,784,000 (see page 32 of the Secretary's supplemental report).

It is obvious from the above data that the Auburn powerplant as planned by the Department of the Interior falls far short of being self-liquidating when probably "surplus" revenues over the 50-year Auburn-Folsom repayment period of \$72,221,000 will only cover 58 percent of the \$123,784,000 cost allocated to power. In fact, the \$72,221,000 would not be adequate to cover even the interest cost on \$123,784,000, let alone provide any funds for repayment.

In order to show financial feasibility of this project, the Department of the Interior proposes to extend the repayment period of existing Central Valley power units and use revenues from those units after they are paid out to provide financial assistance to the Auburn power facilities.

This unilateral extension of the repayment period is, in my opinion, contrary to clearly established congressional policies. When the reclamation program first began, irrigators who benefited directly were required to repay the total allocated cost in a 10-year period without

¹ Italic supplied.

interest. But through a series of subsequent acts of Congress, they now repay only a small portion of the irrigation cost allocation—still without interest—in 50 years plus a 10-year development period. The remainder—and usually this is the larger portion of the irrigation allocation—is repaid from power revenues and this is still without interest.

While it is true that statutes governing the reclamation program are evolutionary in character there has been a trend toward firming the requirement that all costs allocated to commercial power be repaid with interest within 50 years. But all too often Federal power systems—and the Central Valley project seems to be joining this group—are not meeting this test and new proposals such as contained in H.R. 485 seek to dilute and liberalize these basic requirements.

For example, the Bonneville Power Administration arbitrarily decided to undertake tricky bookkeeping to extend the payout requirements of projects under its jurisdiction. The Senate Appropriations Committee, as recently as April 23, 1965, in its report on the second supplemental appropriations bill, 1965, expressed itself vigorously on this type of accounting hocus-pocus. The committee report states, on page 28:

The committee notes, however, that at the present Bonneville power rate the costs allocated to power cannot be returned within a period of 50 years. The committee expects that the Bonneville Power Administration will immediately take the necessary steps to raise their rates sufficiently to insure repayment of all costs chargeable to power. Since projects in this area were individually approved and authorized by the Congress on the basis that the costs allocated to power would be repaid with interest over a period of 50 years, the committee expects them to be repaid on that basis.

Since the units of the Central Valley project were also approved and authorized on the basis that costs allocated to power would be repaid with interest over a period of 50 years, the House of Representatives should also expect that they be repaid on that basis. The same principle can and must apply to the Auburn-Folsom unit.

During consideration of H.R. 485 I proposed an amendment to the bill which would have specifically required the Auburn-Folsom South unit to meet this criterion. I think the House of Representatives should accept its responsibility and approve an amendment to accomplish this purpose before the bill is approved.

H.R. 485, as approved by the Committee on Interior and Insular Affairs, contains no specific reference to the interest rate which must be used for purposes of computing interest during construction and interest on the unpaid balance. I proposed an amendment to this bill during committee consideration to clarify this point also. That amendment stated in substance:

The interest rate used for purposes of computing interest during construction and interest on the unpaid balance shall be determined by the Secretary of the Treasury, as of the beginning of the fiscal year in which construction is initiated, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for 15 years from date of issue.

Far too many Federal hydroelectric projects are being heavily subsidized by the Nation's taxpayers by charging interest rates substantially below the cost to the Federal Government of obtaining the money. The interest rates vary substantially but all of them are below the 4¼ percent which represents the present real cost of money to the Federal Government.

It has been readily admitted by the General Counsel of the Treasury Department that the extent to which interest rates on Federal projects is lower than the rate reflecting market yields a Federal subsidy is involved. President Kennedy's Committee on Federal Credit Programs, which filed its report February 11, 1963, recommended use of market yields to measure the cost of Treasury borrowing and urging that where subsidies are necessary the subsidy element be explicitly recognized and disclosed. If, therefore, Congress intends for the power rates for the Auburn-Folsom unit to be subsidized by all the Nation's taxpayers rather than having the power users themselves pay the full cost, then let it be stated. Congress, in discharging its responsibilities should not, in my opinion, leave such an important decision to chance.

Traditionally the Congress and the American people have been sold on the idea that incidental hydroelectric power in connection with Federal projects for other worthwhile functions would be a paying partner. Too often in recent times projects have been proposed and unfortunately some have been approved that result in power being a sponging partner to irrigation and reclamation. There is no doubt in my mind that California needs additional irrigation water that would be supplied by the Folsom South unit. It is unfortunate, however, that the Auburn Dam has to be added, which will result in the last analysis in weakening, if not destroying, the financial stability of the entire Central Valley project.

Therefore, to correct these two glaring deficiencies in H.R. 485, I propose to offer the following amendment for consideration by the House of Representatives at the appropriate time during debate on this legislation:

Provided, That construction of the powerplant at the Auburn Dam shall not be commenced until the Secretary of the Interior has entered into firm agreements which would insure that the power which would be produced as a result of the unit construction would be sold at rates sufficient to repay with interest within 50 years all costs allocated to power of the Auburn-Folsom South unit, American River division, Central Valley project, California, authorized by this act.

The interest rate used for purposes of computing interest during construction and interest on the unpaid balance shall be determined by the Secretary of the Treasury, as of the beginning of the fiscal year in which construction is initiated, on the basis of the computed average interest rate payable by the Treasury upon its outstanding marketable public obligations which are neither due nor callable for redemption for 15 years from date of issue.

I sincerely urge each of my colleagues who are concerned about reclamation and fiscal responsibility to join me in this amendment.

JOHN P. SAYLOR.

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