

SMUD directors snub dam deals

By ANNE HELLER
SACRAMENTO UNION STAFF WRITER

Auburn Dam backers had better not count on the Sacramento Municipal Utility District to boost their case for building the long-stalled project.

SMUD directors said Thursday they have no interest in the controversial dam unless its estimated price of electricity drops dramatically.

The subject of the dam was raised during a board meeting by board President Joe Buonaiuto, who received a letter from Roseville City Councilman Phil Ozenick soliciting his help in pushing the project.

Buonaiuto said he raised the issue because "it is important to take the pulse of this board. (The dam) might very well be built."

The other utility directors, however, showed little enthusiasm for the project.

"From my point of view, it is a dead project," responded Cliff Wilcox, who has followed the proposed dam for several years as a member of the SMUD board. "The cost of the energy doesn't make sense for the district. There's so much energy we can get elsewhere at a price that makes sense to ratepayers."

Electricity generated by a full-service Auburn Dam would cost between 11.5 cents per kilowatt hour and 13.9 cents according to estimates by the Federal Bureau of

Reclamation and dam backers.

In contrast, SMUD has received offers of far-greater quantities of electricity at one-third the cost and recently signed long-term contracts with other utilities for power starting at 4 cents per kwh.

Beatrice Cooley, a spokeswoman for the environmental group Friends of the River, said Placer County officials are trying to coerce SMUD into helping them build the dam to keep their water costs down.

"SMUD has its share of controversy," Cooley said. "You ought to save us all time and trouble and stay out of this one."

The Auburn Dam has been proposed in five sizes, ranging from a so-called "expandable dry dam" used only for flood protection, to a full-service wet dam, supplying water and power in addition to flood protection.

"A lot of people in the community have a strong interest in a full-service dam. And a lot of people believe SMUD has some role to play in it," Buonaiuto said.

But Directors Ed Smeloff and Peter Keat said the Auburn Dam should be given no greater priority than dozens of other potential power projects the utility is following.

"We don't want to put this on the head of our list just because it's on the political agenda," Keat said.

Buonaiuto suggested SMUD staff make a presentation at a future board meeting on the utility's prospects for participating in the dam.

But the suggestion died for lack of support.

Wilcox, citing the high cost of power from the dam, said, "It doesn't make sense to take up any more of the staff's time on this. Our main focus is on keeping rates as low as possible." The dam project is "so far out of the realm, it doesn't make sense for us to participate," he said.

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Environment offsets interest in dam water

By **ROD BOYCE**
SACRAMENTO UNION STAFF WRITER

An East Bay water district that originally wanted more than half the water from behind a full-blown Auburn Dam now says it won't take the water at the expense of the environment.

Instead, the Contra Costa Water District says it will let a water district association that it belongs to guide the district's role in the long-controversial project.

"Whatever we do, we expect to do so that it is environmentally sound," said Ed Seegmiller, Contra Costa's general manager. "I don't intend on going any further than I have at the present time."

The water contracting group, which represents about 80 major users of the federal Central Valley Project, has begun studying how it can spread purchasing costs of water stored behind the maximum 2.3 million-acre-foot dam.

"I feel they can represent my interests better than I," Seegmiller said. "We have to take a hard look, and we've been trying to."

Environmental groups remained skeptical of the district's intentions.

"They haven't backed off sufficiently to our liking," said Tom Graff, senior attorney

for the Environmental Defense Fund.

"Contra Costa is out of its league in terms of the way it's handling this," Graff said. "They seem to persist while telling different people different stories."

Contra Costa wants to replace its lower-quality water drawn from the Sacramento-San Joaquin Delta with cleaner American River water diverted from below the Auburn Dam site. Contra Costa's water comes solely from the Delta, which is under intense development pressures that have kept water quality declining.

The district wants to increase the quality by using its planned Los Vaqueros Reservoir, which could take diverted Delta water during high winter and spring flows.

"They're still interested," said Ross Riolo, chairman of the quasi-governmental American River Authority. The ARA has proposed a \$700 million bond offer to pay a substantial portion of the dam's cost.

"They are willing to pay whatever it's going to cost," he said. "They want a potable water supply, which it seems they don't have now."

While the Central Valley Project Association

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ation has long supported a multi-purpose Auburn Dam, it has never studied the costs involved in integrating the dam's water into the mammoth federal project.

"It appears something is going to happen at Auburn and if we want to be involved, obviously now is the time to evaluate the circumstances," said association spokesman Jason Peltier.

"There's no question about the interest. It's (a matter of) what we need to make it real," he said.

Should all of the CYP's 250 water contractors collectively want Auburn's water, costs could be paid by either those who receive the water or by all contractors in exchange for a guaranteed future supply, Peltier said.

Contra Costa's broad statement of environmental concerns also coincided with angry letters to the district from state Assemblymen Philip Isenberg, D-Sacramento, and Thomas Bates, D-Oakland, both of whom criticized district plans to use the American River

as a water source.

"If your plan is to sacrifice 48 miles of river canyons . . . of the American River and divert water through a Peripheral Canal before it flows through the lower American River . . . you will find major opposition to your project," Isenberg said in a February letter to the district.

In his letter to district officials, Bates said that while he supports the Los Vaqueros project, "I absolutely do not support filling it with American River water."

The Central Valley Project Association met last week with a special Department of Interior task force negotiating details of the ARA's bond offer.

The ARA's financial adviser told the body, comprised of Placer and El Dorado counties, that their bond plan should work if secured by adequate water contracts. The San Francisco financial firm also said there should be sufficient investor demand to allow bonds to be sold at attractive interest rates.

EPA ruling puts new cloud in Auburn Dam plan's future

By **ROD BOYCE**
SACRAMENTO UNION STAFF WRITER

Auburn Dam, a sore spot among environmentalists, could face serious trouble from the federal Environmental Protection Agency if the project nears final approval.

EPA Administrator William Reilly, in a move hailed as a stunning victory for environmentalists, announced last week the EPA would begin proceedings that could kill a major Colorado dam.

Ripples from the extraordinary Two Forks Dam decision could affect all Western states — including this area's Auburn Dam — congressmen, Denver water officials and environmental groups said Monday.

But Auburn's supporters, and some in the EPA, warned against

making any connection between the two controversial multimillion-dollar projects.

"If EPA does it for Colorado, why can't they do it for California?" asked Rep. Dan Schaefer, R-Colorado.

Schaefer, at a Monday news conference in Denver with other politicians, feared an EPA ruling killing Two Forks would set a precedent for federal intervention in local land-use and water-use issues.

"Everything in the West is predicated on water, you've got to have water before you can do anything else," Schaefer said later.

But Reilly, the former head of the Conservation Foundation and the World Wildlife Fund, said the EPA does not intend to encroach

on local decision making.

"It means any state that wants to protect its water is going to have an uphill battle," said Ed Ruetz, spokesman for the Denver Water Department.

"The sad part is every time this dam has been given unbiased and factual presentation, it's won," Ruetz said.

Two Forks, supported by 40 Denver-area water providers, had been approved by regional EPA officials and the Army Corps of Engineers.

Reilly's review could force modification of the Corps construction permit or, as is expected, the dam's end.

"Drawing conclusions from Two Forks would be hazardous," said

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Rich Lathrup, who headed the project review for the regional EPA office.

"Reilly said all along that this decision on Two Forks turned on its unique aspects."

Two Forks, 24 miles southwest of Denver, would be built on the South Platte River just south of the confluence of the river's north fork.

The dam and its 1.3 million acre-foot reservoir, first proposed in the 1890s, would cost an estimated \$500 million to \$1 billion and would flood 29 miles of scenic canyon.

The project would provide enough water for about 360,000 people, water that dam supporters say is essential for the state's future.

Auburn Dam, about 30 miles northeast of Sacramento on the American River, could cost up to \$1.4 billion.

A 2.3 million acre-foot multipur-

pose dam would flood 48 miles of canyon, but five smaller and less-costly types are also proposed.

Auburn Dam supporters cite flood-control benefits for low-lying Sacramento, water for portions of Sacramento, Placer and El Dorado counties, and another recreation area as their reasons.

Together, Auburn and Two Forks sit side-by-side atop environmentalists' list of most damaging proposals.

"I don't feel like it's the end of things," said Bea Cooley, Friends of the River conservation director. "I hope what it means is that the federal government is really taking a serious look at environmental effects."

In starting the veto process, Reilly said Two Forks would destroy a high quality trout stream, wetlands, downstream whooping crane habitat, other environmental resources, and cause the loss of an "environmental treasure of national significance."

Auburn Dam opponents say

much the same thing about effects on the American River and its fish and wildlife.

"I think it's bad news for all large water projects, where ever they are," said Tom Graff, Environmental Defense Fund senior attorney.

Many conservation groups and congressional members viewed the Two Forks decision as an early test of the Bush administration's environmental commitment. Bush had painted himself an environmentalist during the 1988 presidential campaign.

"It would be premature to say it constitutes a major policy shift of the next four years," said Rep. Robert Matsui, D-Sacramento. "But it definitely begins to establish a tone."

Matsui said the Two Forks decision indicates environmental costs of future projects will be weighed against economic benefits.

"Large projects tipping that scale could face problems down the road," he said.

Big setback for Auburn Dam plan

Major customer says it doesn't want the water

By Jim Mayer
Bee Staff Writer

The latest effort to complete a large Auburn Dam suffered a severe blow Friday when the most likely customers for the water said they didn't want a drop from the expensive and controversial project.

The Central Valley Project Water Association, in a short letter to the U.S. Bureau of Reclamation, said it could not support a plan to build the long-stalled multipurpose dam.

One water official requesting anonymity said the rejection amounts to "a bullet in the head" of the plan by Placer and El Dorado counties to resurrect the project.

El Dorado County Supervisor Robert Dorr, who has pushed the plan for more than a year, was surprised by the association's decision.

"We thought they were receptive to the proposal and we had nothing to tell us otherwise," Dorr said. But the supervisor vowed to revise the strategy and seek other customers. "I don't think that stops anything."

The rejection bolsters efforts by Sacramento officials to build a cheaper flood-control dam near Auburn by weakening the argument that a multipurpose dam can quickly be built.

"This feedback from the federal water users is part of the creeping reality," said Rep. Vic Fazio, D-West Sacramento. "It is beginning to crash in on them."

Fazio argues it will be easier to get federal funding for a flood-control project than to finish the traditional dam authorized by Congress in 1965. That project was thwarted by earthquake fears in 1975, and has been delayed by economic and environmental concerns ever since.

The 2.3 million-acre-foot, \$1.4 billion dam is universally considered to be a relic from an era when the federal government funded massive water projects. Because the river is already dammed at Folsom, a giant dam at Auburn would flood 48 miles of river canyon while adding

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relatively little to the state's supplies.

To coax Washington into finishing Auburn, the counties, via a partnership called the American River Authority, offered in August 1988 to sell \$700 million in bonds to finance the water and power aspects.

The bonds would be repaid by marketing the hydroelectric power and water through the bureau's Central Valley Project. Financially blending Auburn's expensive product with the notoriously cheap water of the CVP was seen as the best chance dam supporters had to finish the dam.

The Department of Interior has been reviewing the proposal for months without publicly revealing whether it would support the financing plan.

Department spokesman Joe Hunter said Friday, "Certainly the position of the CVP water users is a significant consideration, but they are not the only potential customers."

However, as the offer is structured now, the CVP users are the only potential customer.

The ARA proposal requires the federal government to guarantee the bonds. That would require approval of the Office of Management and Budget, which officials thought would be the highest hurdle.

The bureau also would have to integrate the dam into the CVP, which politically would require the support of the CVP users.

While the group is traditionally an advocate for federal water projects, Association Manager Jason Peltier said Auburn comes with too many burdens.

"From the perspective of an engineer, looking at long-term water needs, the board believes the best decision would be to build a large multipurpose dam at Auburn," Peltier said. "But we cannot make a commitment to see it integrated into the CVP because of the uncertainties. At least not now."

The association was concerned that the water was too expensive at \$200 an acre-foot — 20 times what many farmers pay for CVP water now.

Peltier said water users were concerned that the project would be delayed for years if not ultimately killed by environmental concerns. The association was particularly leery of the U.S. Environmental Protection Agency,

‘They (the Central Valley water users) wanted to get off the playing field and allow flood control to go forward.’

— Bill Edgar, flood control agency official

which in the last year has aggressively exercised its veto over water projects.

But the overriding consideration, Peltier said, was a desire not to hold up Sacramento's flood-control improvements with the cantankerous fight that a big Auburn Dam promises.

"We recognize the flood-control imperative and don't want continued speculation about a multipurpose dam as part of the CVP to cloud decision-making," Peltier said.

Bill Edgar, director of the Sacramento Area Flood Control Agency, was pleased by the association's decision.

"They wanted to get off the playing field and allow flood control to go forward, so we can get our needs met and make sure the options for them are open for the future," Edgar said. "That's reasonable."

Dorr said the ARA would try and keep the multipurpose dam on the bargaining table. He said agency knows of other buyers "who want the water at any price," but declined to name them.

State Sen. John Doolittle, R-Rocklin, interviewed earlier this week, said: "If the CVP users don't want to buy in, then we sell bonds and do it another way."

Doolittle backed a measure introduced into the state Legislature this year to sell state general obligation bonds to finish the dam. While the bill was put on a back burner, the senator insisted the idea isn't dead.

"There will be no dry dam," Doolittle said. "We will have a multipurpose dam or nothing."

Announcement jolts dam proponents

From wire and staff reports

SACRAMENTO — Supporters of a large Auburn Dam faced a setback Friday when a large potential customer announced it won't support the plan.

The Central Valley Project Water Association wrote a short letter to the U.S. Bureau of Reclamation saying it would not support a plan to build the long-stalled multipurpose dam.

Since the bonds to build the large dam would be repaid by marketing the water through the bureau's Central Valley Project, that project's water users would be the main potential user of the water

from the dam.

"From the perspective of an engineer, looking at long-term water needs, the board believes the best decision would be to build a large multipurpose dam at Auburn," said Jason Peltier, association manager. "But we cannot make a commitment to see it integrated into the CVP because of the uncertainties. At least not now."

The association was also concerned the water would be too expensive at \$200 an acre-foot, 20 times what many farmers pay for CVP water now.

The plan surprised backers and bolstered efforts by Sacramento officials to build a cheaper flood-

control dam near Auburn.

"This feedback from the federal water users is part of the creeping reality," said Rep. Vic Fazio, D-West Sacramento. "It's beginning to crash in on them."

Fazio argues it will be easier to get federal funding for a flood-control project than to finish the traditional dam authorized by Congress in 1965. That project was halted by earthquake fears in 1975 and has been delayed by economic and environmental concerns since then.

Fazio has been one of the leaders of a group of lawmakers fighting for a so-called "dry dam" which would provide flood control without many of the recreational uses

of a larger and more expensive multi-purpose dam.

But not everyone is convinced that Friday's announcement means doom for efforts to construct a multi-purpose dam.

"I think we still have to work toward our goal, Bob Dorr, chairman of the American River Authority, said Saturday. The American River Authority, formed in 1982 to get the dam built, is made up of elected officials from Placer and El Dorado counties.

"I don't think this is going to have a detrimental effect on our ability to get the dam built," Dorr said. "We are still working to get the people who need the water to realize they need the water."