

The following is a brief history of the Placer County Water Agency, the construction of the Middle Fork American River Project and the early development of the Water System under the Placer County Board of Supervisors which is taken from *The Heritage of Water* by Jan Fonseca.

The Formation of the Placer County Water Agency

In 1948 Congressman Clair Engle visited the Placer County Board of Supervisors and advised them to take advantage of newly enacted counties of origin statutes and file for the water rights that Placer County would need in the future.

Mr. Engle's visit resulted in the Placer County's September 16, 1948 resolution authorizing the Upper American River Project and forming the Upper American River Project Board. The resolution declared that Placer County had made, and would continue to make, application for water, power and storage rights on the American River and its tributaries. The resolution stated, "*The County of Placer fully intends to secure said rights and proceed to make immediate and beneficial use of said rights for irrigation and power production.*" The board[?] consisted of the five supervisors, five members of the Planning Commission and one member at large were appointed to direct a steering committee.

By December 8, 1948, filings necessary to secure water for Placer County's future use had been made. But to perfect those water rights it would be necessary to construct the diversion, storage and power facilities necessary to put the water to beneficial use.

The next step was to create a strong entity by which Placer County could act in the development and protection of its water resources. Under the county government, the preliminary work had been accomplished with great efficiency but a new body was needed with sufficient authority to fulfill the hopes created after years of grueling work by Placer County citizens and government.

Assemblyman Francis Lindsay's bill, the Placer County Water Agency Act, was approved by the California Legislature and signed by the Governor on July 3, 1957. Preamble follows:

"An Act to create the Placer County Water Agency, prescribing its powers and duties, providing for its organization, operation, and management, and authorizing the acquisition of property and works to carry out the purposes of the district, authorizing the issuance of indebtedness, providing for the issuance of bonds, providing for the levy and collection of taxes for the payment of such indebtedness, providing for the levying of bonds payable solely from revenues of the district, providing for the levy and collection of taxes for the payment of general district expenses and for cooperation and contracts with the entity." (*Calif. Stats. 1957 c. 1234*)
Section 1. of this article states: "A county water agency is hereby created to be known as the Placer County Water Agency. Said agency shall consist of all the territory lying within the exterior boundaries of the County of Placer. Said agency shall be a "local agency" as defined by Section 54307 of the Government Code."

When it was established, the Placer County Board of Supervisors served as an ex-officio Board of Directors for the newly formed agency.

The Middle Fork American River Project

In 1958 the prestigious engineering firm of Porter, Urquhart, McCreary and O'Brien, (PUMO) (later McCreary-Koretsky Engineers) was selected to prepare a general plan for the development of water resources in Placer County.

In June 1960 Sanford Koretsky outlined a proposed Middle Fork of the American River Project to Water Agency directors. The key to the project was the development of hydroelectric power to pay for the cost of constructing the dams and tunnels necessary to develop the water for use in Placer County.

A partnership was forged with PG&E in which they agreed to pay all of the operating costs for the project and pay off the debt for construction in return for all of the power produced. The Water Agency, for its part, agreed to issue tax free revenue bonds, got the rights to all of the water developed and would get the project turned over free and clear after 50 years when the bonds are finally retired in the year 2013.

On June 20, 1961, an election was held in Placer County and the citizens voted an overwhelming 25 to 1 to authorize the issuance of \$140 million in revenue bonds for the Middle Fork American River Project.

The Water Agency and the Bureau of Reclamation had a serious dispute regarding the water rights for the project. The Water Agency had estimated that the county's total future water demand would require an additional 237,000 acre feet of water and it filed for those rights on the American River. However, the Bureau of Reclamation also filed for water rights on the American River for its Auburn Dam project. The Water Agency and the Bureau of Reclamation filed protests before the State Water Resources Control Board against each other's water rights application on the American River. A settlement was finally reached in 1962 when the Bureau of Reclamation agreed to enter into a contract with the Water Agency to sell it 117,000 acre-feet of CVP water. And the Water Agency agreed to reduce its annual consumptive water right request to 120,000 acre feet, even though the storage capacity of the project would have been about 340,000 acre feet.

On November 21, 1962 the State of California approved Placer County Water Agency's American River water rights.

Another difficulty arose in the form of a design conflict between the Middle Fork Project and the U. S. Bureau of Reclamation's proposed Auburn Dam project. There were conflicts regarding the location of Project facilities.

The Water Agency's original plans, submitted to the Federal Power Commission, the predecessor of the present Federal Energy Regulatory Commission (FERC), included construction a third large dam and storage reservoir known as the American Bar Dam, which was to be in addition to French Meadows and Hell Hole storage reservoirs.

The American Bar Dam was planned to be located about one-half mile downstream from where Oxbow Powerhouse was ultimately constructed. The American Bar Reservoir would have added another 100,000 plus acre feet of storage capacity to the project. However, after the design was complete, the Bureau of Reclamation insisted that the Water Agency move the Dam further up river, to the present Oxbow location, to make room for their proposed 2.3 million acre foot Auburn Dam project.

Moving the project upstream not only reduced the total storage capacity of the Middle Fork Project to its present 340,000 acre-feet but cut the Water Agency off from additional runoff sources. The lower Middle and North Forks of the Middle Fork of the American River and Volcano Canyon Creek would have been captured in storage if the American Bar Dam had been built, but instead run unheeded into Folsom Reservoir.

What the Water Agency expected to receive in return for relocating its facilities was improved, gravity delivery of its water through its Auburn Ravine Tunnel from the Auburn Reservoir.

By January 15, 1963, the completed Middle Fork American River Project Plan was submitted to the board of directors and, by resolution, construction bids were invited.

On March 5, 1963, a construction joint venture, calling itself the American River Constructors, (ARC), submitted the only bid for the project. The group was made up of the Henry J. Kaiser Company as the lead firm and included Morrison Knudsen Company, Inc.; the Macco Corporation; Perini Corp., Richard Costain, Ltd. of Great Britain and Campenon Limited Enterprises of Paris, France.

On March 13, 1963, the Federal Energy Regulatory Commission approved Placer County Water Agency's licenses.

On April 30, 1963, the agency signed the construction contracts to build the Middle Fork Project.

By October 1964, the huge project was reportedly 46% completed, and in December of 1964 the federal government authorized filling of the reservoir of the project's French Meadows Dam. Expectations were high that the project would be completed as planned and on schedule.

Then, on December 23, 1964, Mother Nature placed a heavy hand on the project. Torrential rains dumped 67,000 acre feet of water in French Meadows Reservoir, filling it to more than half of its capacity in a single day, while storm waters on the Rubicon River burst the 20% completed Hell Hole Dam. Floodwater cascaded downstream and created havoc along the way.

The bursting of Hell Hole Dam was a disaster. Fortunately, there was no loss of life, but there was considerable property damage and of course now there was the additional cost of rebuilding Hell Hole Dam.

The Middle Fork Project was finally completed in 1967, although the lawsuits would drag on for years. When completed the project consisted of two major storage reservoirs, with a total storage capacity of 340,000-acre feet, five additional diversion and regulating dams, 118,383 feet of tunnels and penstocks and five powerhouses with a total installed generating capacity of 217,453 Kilowatts. Between 1967 and 2000 the energy production for the project has averaged 1,044,380,000 kilowatt hours per year, enough for about 100,000 houses.

Besides the power facilities, the Middle Fork Project also included the construction of the 15,658 foot long Auburn Ravine Tunnel and a 1,600 horsepower pump station near Auburn to supply the Water Agency's water rights from the American River to western Placer County.

Aside from the flood of 1964, the resulting lawsuits and the difficulties with the Bureau of Reclamation, the Middle Fork Project was a success. Sanford Koretsky was called to New York City where he was honored as "Engineering Man of the Year" by the American Society of

Civil Engineers. The award was given him for excellence in the design of the Middle Fork American River Project, and the unique way in which the project developed the water resources in the high elevations for distribution in the lower areas of Placer County.

Recreational opportunities in the high country of the county were realized with the installation of camping and picnic sites, boat ramps, swimming beaches and hiking trails located adjacent to the project reservoirs. The recreational areas are located in both the Tahoe and El Dorado National Forests and are managed and maintained by the U. S. Forest Service under a contract with the Water Agency.

The Water System

Today's primary water system in Placer County is an outgrowth of the mining system constructed to meet the needs of the gold rush. The South Yuba Water Company assembled most of the original mining canal system under their ownership by the early 1900's. Then in 1905 the South Yuba Water Company sold out to the PG&E.

PG&E saw the potential for the water system to provide increased hydroelectric power for a growing California. After purchasing South Yuba's system, PG&E improved reservoirs and built a series of powerhouses on the mainstem of the canal system which crosses Placer County.

The system begins at Lake Spaulding, which is on the Yuba River, but also near the headwaters of the Bear River, above Alta, and runs across central Placer County to the North Fork of the American River below Auburn. This system became known as the Drum-Spaulding Hydro System. Power system facilities included Drum Powerhouse, Halsey forebay and powerhouse near Bowman, Rock Creek Reservoir near Auburn and Wise forebay and powerhouse near Newcastle.

PG&E continued to be interested in the water business also, maximizing their revenue from the sale of water to the region's thriving agriculture industry after it passed through the series of powerhouses on its way west. Lake Theodore, Lake Authur and Mammoth Reservoir were constructed at about the same time (1905 to 1910) on the non-power system to provide reliability and regulating capability for their water sales. In the 1940's PG&E built the county's first water filtration plants at Auburn, Newcastle, Penryn, Loomis and Rocklin and began serving treated water to the residents in those communities.

The rich, unique and attractive rural culture of western Placer County today is the product of the water supply and distribution system built by the gold rush miners and developed and improved for hydroelectric energy production.

But growth was becoming more rapid in western Placer County and so was the demand for water service. Placer County officials and big developers had big plans in the economic boom years following World War II. The Board of Supervisors wanted to develop an industrial park along State Highway 65 in western Placer County to bring jobs into the area. The Sunset Petroleum Company wanted to develop the exclusive Sunset Whitney golf course development project on several hundred acres in Rocklin. Both projects needed a new source of treated water.

In 1967 the Placer County Board of Supervisors agreed to form Water Works District No. 1 and issue assessment bonds for the construction of the Sunset Water Treatment Plant and pipelines to serve the Sunset Whitney project and the Sunset Industrial Park.

Meanwhile, PG&E was seeking to get out of their remaining retail water supply obligations to concentrate on their more lucrative electric generation business. By 1966 they were very interested in selling off their Lower Placer System and the new Placer County Water Agency was showing an interest in going into the business.

The ultimate purchase decision by the Water Agency was determined by five basics:

1. The Water Agency would be able to deliver water at consistently lower rates than could be offered by a private investor.
2. Improvements could be financed and repaid through the sale of revenue bonds on a long-term user-pay basis.
3. As a public entity the Water Agency would be eligible for State and Federal grant funds for improvements not available to a private investor.
4. The Water Agency would be in business solely to provide a utility service to the people of the community who would own the system. The profit element would be absent and thus the need for return to a private investor would be eliminated.
5. The inevitable increase in rates could be delayed, and, once established, would not reach the proportion as that which might be expected in a private operation.

An open election in what was to comprise the Water Agency's water service Zone No. 1 was held on August 8, 1967, and by a two-to-one margin voters favored the purchase of PG&E's irrigation and domestic water system by the Water Agency.

The system had been appraised at \$5 million. Long months of negotiations by Water Agency directors, attorneys and management brought the eventual purchase price down to \$1,198,000. Issuing some of the Water Agency's previously unsold Middle Fork Project revenue bonds raised the money for the purchase.

The Water Agency finally concluded a deal to purchase PG&E's Lower System in 1968.

The Water Agency formed Zone No. 1 as a geographical service area and financial entity to fund the acquisition of PG&E's facilities. PG&E agreed to provide up to 100,000 acre-feet of water per year to Zone No. 1 from their Yuba/Bear River system. However, PG&E retained ownership of Lake Spaulding and the mainstem of the canal and all of their hydroelectric power plants.

With the completion of the Sunset Water Treatment Plant and the purchase of the Zone No. 1 irrigation and domestic water system from PG&E in 1968, the Water Agency was in the retail water business. But the Water Agency was hanging by a financial thread.

PG&E's water rates were low and its water system operating costs had been subsidized by its power revenue and maintenance had been long deferred and many improvements were needed. Then Roseville, the Water Agency's largest customer at the time, quit taking water when they completed their new pipeline from Folsom Reservoir.

In 1974 Zone 1 the Water Agency held a special election to approve a bond issue and accept a Davis-Grunsky loan to pay for the first big round of improvements to the system. The plan called for construction of two new water treatment plants and over eleven miles of pipeline. A new 10-mgd Foothill WTP near Newcastle would replace the aging 1940's vintage facilities at Penryn, Loomis and Rocklin, and a new 5-mgd Bowman WTP would expand service to Auburn.

An Independent Water Agency Board of Directors

The Board of Supervisors had long counted on the assistance of a Citizen's Advisory Board in making policy decisions. The Advisory Board consisted of citizens who were more intently focused on the County's water resource issues than the Board of Supervisor's had the time to be.

On January 16, 1975, the Placer County Water Agency Act was amended to allow for an independently elected board of directors. While the County recognized the benefits of establishing the Water Agency as an independent water utility, separate from the County's land use decision making authority, it also wanted to maintain the partnership between the County and the Water Agency for the day when the bonds would finally be retired and the power sale contract with PG&E expired.

That continuing partnership is specified in section 7.3 of the amended Placer County Water Agency Act which provides, in part: "No contract for the sale of electrical energy shall be executed, nor shall any revenues received pursuant to any contract for the sale of electrical energy entered into after January 1, 1975, be spent, unless previously approved by the board of supervisors of the county."