

City of **Auburn**

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CLERK OF THE BOARD OF SUPERVISORS

November 25, 2008

Placer County Board of Supervisors
Attn: Chair Jim Holmes
175 Fulweiler Avenue
Auburn, CA 95603

Dear Chair Holmes:

At it's November 10th meeting, the Auburn City Council voted 5-to-0 to pass the enclosed resolution relating to the future operation of the Middle Fork Project.

Sincerely,



Keith Nesbitt, Mayor
City of Auburn

Encl. Board of Supervisors' Copies

cc: Supervisors: F. C. Rockholm, Robert Weygandt, Kirk Uhler, Bruce Kranz, Supervisor-Elect Jennifer Montgomery
Placer County Water Agency

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RESOLUTION NO. 08-144
RESOLUTION IN SUPPORT OF USING A SIGNIFICANT PORTION OF FUTURE
PROFITS FROM THE MIDDLE FORK PROJECT TO ACCOMPLISH SEWER
PLANT REGIONALIZATION IN PLACER COUNTY

WHEREAS, In 1961, voters in Placer County, overwhelming approved by a 25-to-1 margin the issuance of tax-free revenue bonds to finance the construction of an extensive network of water and electrical generation facilities on the American River and Rubicon River, soon to be known as the Middle Fork Project (MFP). Voters in the City of Auburn approved this forward-thinking proposal by a margin of 35-to-1, and

WHEREAS, In supporting the MFP, voters wanted the project to permanently provide water and electricity generation benefits to all residents in Placer County, including those living both the incorporated and unincorporated areas, and

WHEREAS, Since 1967, the Pacific Gas and Electric Company has been collecting receipts from customers on the sale of electricity from the MFP and paying off the revenue bonds that built the system, and

WHEREAS, The MFP consists of two major storage reservoirs, five smaller regulating reservoirs and diversion pools, and five powerhouses that began operation in 1967, and

WHEREAS, The MFP supplies water for homes, industry, and agriculture within western Placer County and clean renewable energy to the California electric grid, and

WHEREAS, The MFP is operated under a 50-year license, which expires on March 1, 2013 and the Placer County Water Agency (PCWA) and Placer County Board of Supervisors are currently working together in seeking a license renewal from the Federal Energy Regulatory Commission (FERC) to continue operations of the MFP, and

WHEREAS, Based on the requirements of the Federal Power Act of 1986, FERC must develop license conditions "with equal consideration of developmental and environmental values" and thus in order to obtain a license renewal, the MFP will have to be operated in the future to accomplish more specific developmental and environmental values, and

WHEREAS, The PCWA and Placer County have formed the Middle Fork Finance Authority to distribute any profits generated by the paid-off facilities after 2013, and

WHEREAS, Preliminary estimates are that these annual profits could, largely dependent on the volume of the annual winter snow pack and spring runoff, yield from zero to over \$100 million for water and electric generation investments, and

WHEREAS, There is a growing concern among voters that after contributing their hard-earned dollars to constructing and maintaining the MFP since 1961 that a significant portion, perhaps up to 50%, of any future profits after 2013 could be diverted and

expended through the county General Fund for programs that have nothing to do with constructing and maintaining water or electric generating projects in the incorporated and unincorporated areas of the county, and

WHEREAS, The Auburn City Council firmly believes that, keeping faith with the intent of all Placer County voters, that the first call on any future profits generated after 2013 and not used to upgrade and improve current reservoir storage and powerhouse capacity should be provided in pipeline construction grants to assist the county and cities like Auburn and Colfax to convey effluent to the regional waste water treatment plant Lincoln, and

WHEREAS, Even though there have been constructive and thoughtful discussions among many leaders in Placer County for over a decade about the need to connect various city and county sewage facilities to the regional plant in Lincoln, the main stumbling block has been the large upfront costs of constructing the necessary pipelines and the lack of adequate state and federal funds to offset any potential large sewer rate increase on residents, and

WHEREAS, The regional sewer project has the potential to permanently remove the discharge of all treated wastewater into small creeks like Auburn Ravine and to increase the amount of reclaimed water available in the southern portion of Placer County and thus meeting FERC's criteria that the MFP be re-licensed to accomplish both "developmental and environmental values;" and

WHEREAS, It is poor public policy and inconsistent with the will of the voters to require residents to pay higher sewer bills to meet ever-increasing clean water standards mandated by the state government while, at the same time, profits from the MFP are diverted toward programs not related to water and electric generation use, and

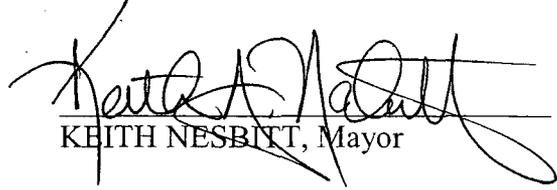
WHEREAS, Uncertainty about the intentions of Placer County and PCWA on whether some portion of any future profits from the MFP after 2013 will be used to fund projects that do not have any nexus to water and electric power generation makes it more difficult for cities like Auburn to make multi-million dollar decisions involving its waste water treatment plant operations and the rates charged to residents and business owners, and

WHEREAS, It would be in the best interest of all Placer County residents if the Placer County Board of Supervisors and the Directors of the PCWA state publicly by passing a resolution now, rather than after 2013, their strong intent and future efforts will be directed toward ensuring that any future profits from the MFP be used solely to support water and electric generation facilities, including the high priority of accomplishing sewer regionalization, and

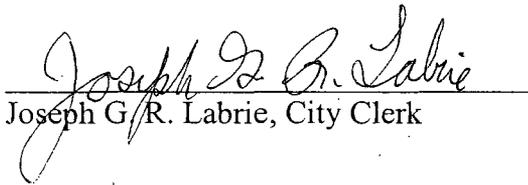
NOW, THEREFORE, BE IT RESOLVED by the Auburn City Council of Auburn California, assembled in a general meeting, submit a resolution to the Placer County Board of Supervisors and Directors of the Placer County Water Agency urging them to pass a resolution in the near future that clearly expresses their strong intent to, once they

obtain a license to operate the MFP, that all profits generated by the project will be used for water and electric generation projects, including grants to cities to help pay for the large pipeline costs necessary to accomplish the county-wide goal of connecting a number of waste water treatment plants to the proposed regional waste water treatment plant in the City of Lincoln.

DATED: November 10, 2008


KEITH NESBITT, Mayor

ATTEST:

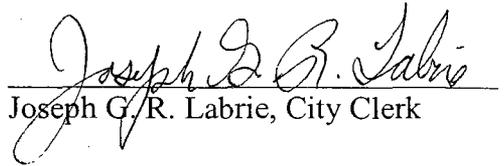

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 10th day of November 2008 by the following vote on roll call:

Ayes: Snyder, Hanley, Holmes, Powers, Nesbitt

Noes:

Absent:


Joseph G. R. Labrie, City Clerk