



Memorandum

Date: June 23, 1999

To: Jim Boyd
Energy Advisor to the Secretary for Resources

From: Lester A. Snow
Executive Director

Subject: California's Hydroelectric Facilities

This memorandum is in response to your request during the June 16, 1999 "Hydro Group" meeting for participants to identify opportunities and liabilities with potential future ownership and operation of hydroelectric facilities.

In our Integrated Storage Investigation, CALFED will consider how all types of storage, including reoperation of hydroelectric facilities, could fit into a comprehensive water management strategy. Potential benefits (opportunities) from the hydropower facilities to the Bay-Delta system could include:

- **New water yield** - While CALFED does not believe that the new water yield potential is large, there may local be water supply benefits. CALFED will not consider this project specific level of detail but will focus on the potential cumulative effects of reoperation on the Bay-Delta system and establishing guidelines to assure that CALFED's objectives are considered.
- **Timing of flows** - Even if new water yield proves to be insignificant, the hydroelectric reservoirs could help change the timing of flows to benefit the Bay-Delta system. This could be especially useful for CALFED's Environmental Water Account which needs access to storage for more real-time water management.

CALFED Agencies

California The Resources Agency
Department of Fish and Game
Department of Water Resources
California Environmental Protection Agency
State Water Resources Control Board
Department of Food and Agriculture

Federal Environmental Protection Agency
Department of the Interior
Fish and Wildlife Service
Bureau of Reclamation
U.S. Geological Survey
Bureau of Land Management
U.S. Army Corps of Engineers

Department of Agriculture
Natural Resources Conservation Service
U.S. Forest Service
Department of Commerce
National Marine Fisheries Service
Western Area Power Administration

Jim Boyd
June 23, 1999
Page Two

- **Facilities are existing** - Access to storage at the beginning of CALFED implementation is important to the Environmental Water Account. Since new storage facilities (groundwater or surface) could take many years to plan and construct, access to existing storage facilities must be secured. The hydropower reservoirs are one potential source of the needed storage.
- **Coordination with CALFED Watershed and Ecosystem Programs** - Most of the hydropower facilities are located within the upper watershed area. Project lands could be managed to benefit the Watershed Program. Riparian lands and flows could be managed to benefit CALFED's Ecosystem Restoration Program.
- **Potential to reopen stream reaches** - While most of the hydropower facilities are upstream of other major barriers (such as Lake Oroville) to upstream fish movement, some may directly prevent upstream movement of anadromous fish. The ISI will consider the opportunity for removal of barriers while appropriately mitigating the effects on water supply reliability.

As we have mentioned previously, any change in operations that is shown to be beneficial could be pursued regardless of future ownership of facilities on a compensated, willing participant basis.

From CALFED's perspective, we see no specific liabilities that haven't been identified by the other departments of the Resource Agency. The challenge will be improving the balance of environmental and water supply benefits obtained from operation of these facilities.

I am also attaching a summary of an ownership proposal provided by a representative of The Pacific Coast Federation of Fishermen's Associations. The essence of the proposal is for temporary (6 years) State ownership of the hydroelectric assets to complete the "clean-up of unfinished environmental business at each of the facilities". Their reasoning on the State purchase is that the lower interest rate on revenue bonds compared with private financing would generate net proceeds that would be used for environmental work and electric ratepayer dividend. Once the environmental work is completed, the facilities would be sold; they feel the facilities would be worth more than when purchased. If you want a presentation at your next "Hydro Group" meeting or want to discuss this proposal directly, you can call Guy D. Phillips at 415-488-1340.