

The original documents are located in Box 15, folder “12/17/74 S3537 Willow Creek Oregon Water Resources Project (vetoed)” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 12 1974



VETOED
12/17/74
DELIVERED TO
SECRETARY OF THE
SENATE 12/17/74 (8:15pm)

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3537 - Willow Creek, Oregon,
water resources project
Sponsor - Sen. Hatfield (R) Oregon and
Sen. Packwood (R) Oregon

Last Day for Action

December 17, 1974 - Tuesday

Purpose

Authorizes reformulation of a previously authorized flood control project in eastern Oregon and payment of more than \$500,000 to relocate a small municipal water system in advance of construction of the flood control project.

Agency Recommendations

Office of Management and Budget	Disapproval (Veto message attached)
Department of the Army	Disapproval (Veto message attached)
Department of the Interior	Disapproval
Council on Environmental Quality	Disapproval

Discussion

The Army Corps of Engineers was authorized by the Flood Control Act of 1965 to build a dam and lake on Willow Creek in eastern Oregon. The enrolled bill would authorize reformulation and modification of the project, using as a basis for cost-benefit analysis the 3¼ percent interest rate which was in effect at the time of the original authorization. It would also authorize Army to participate



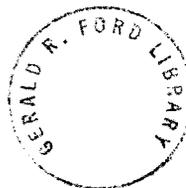
in the construction of a new water supply system for a nearby town (since the project, if built, would inundate the existing system) and to pay the Federal share of costs of the new system before construction of the dam and lake is begun.

The primary purpose of the project would be to control flooding in the town of Heppner (population 1,600). Severe thunderstorm flooding claimed 247 lives in Heppner in 1903, and although a disaster of these proportions has not reoccurred, the area frequently is flooded to a lesser degree, causing economic losses. Funds for the initial construction stage of the project were appropriated in fiscal year 1974, but no work has begun.

In a recent review of the project authorization, the Corps' District Engineer and the Chief of Engineers recommended deleting certain features and reducing the benefits attributable to others. However, they also proposed continuing use of the old interest rate, inclusion of certain additional benefits in computation of the benefit/cost ratio, and payment of the Federal share for the water supply system in advance of construction of the project.

The result of these recomputations was a higher benefit/cost ratio for the project and a reduction of its overall cost from approximately \$14 million to \$13.1 million. The Chief of Engineers report was submitted to the Secretary of the Army for the usual review, and a copy also was furnished to the House and Senate Public Works Committees. Committee reports on the bill are based on the recommendations in the Chief of Engineers report.

In its testimony before the House committee, Army opposed enactment of the bill, stating that questions had been raised by the Department and OMB concerning the techniques employed in the report, and that "economic justification for (the project) . . . thus remains an important question for resolution within the Administration." (The Senate had passed the bill prior to the House hearings and without Administration testimony or reports.)



Army and OMB recommend disapproval because we question whether the project can be justified economically, and also because we have strong reservations about paying in advance for the relocation and expansion of Heppner's water supply system. Interior and CEQ also recommend disapproval on the grounds that the economic analysis does not comply with current principles and standards.

- Some of the methods used to compute benefits and costs involve techniques which have not generally been employed. For example, benefits are computed partly by factoring in future increases in personal income to increase the value of properties protected against flooding, a technique that has not been approved for general use. A more significant problem is that costs are computed using the interest rate of $3\frac{1}{4}$ percent that was in effect at the time of the original authorization. We believe that costs should have been computed on the basis of the $5\frac{7}{8}$ percent rate currently authorized.
- As CEQ points out in its enrolled bill letter, the environmental impact should be reassessed based on an updated economic analysis, and a deficient 1973 environmental impact statement should be revised.
- Heppner's water supply system must be expanded for reasons not connected with the building of the dam (a pulp mill is being built, and the number of persons to be served by the water system will increase from 1,600 to 2,000); the \$550,000 which this bill would authorize the Corps to advance for this purpose would be lost if a final determination were made that the dam and lake should not be built.

Countervailing arguments to the foregoing points can be advanced along the following lines:

- The evaluation techniques used by the Chief of Engineers in relation to this project are realistic; the low interest rate is simply carried forward from the original authorization,



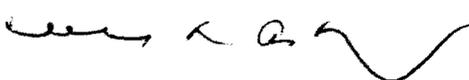
as it would be if the project were not reauthorized, and, in any event, the overall cost of the project has been reduced.

- A revised environmental impact statement can still be prepared prior to construction.
- Heppner has floated \$450,000 worth of bonds for its water system, apparently in the expectation that the Federal project would be built, although no assurances to this effect were given the town by Federal officials; if the bill is disapproved, the town will need to finance the additional \$550,000 itself.
- If the Federal project is begun after the water supply system has been built, it would cost \$190,000 more than would be provided under this bill.

After considering the above arguments, we have joined with Army, Interior and CEQ in recommending disapproval. Basically, the precedent which this bill could set by using low interest rates and questionable unapproved standards in computing benefits and costs would undermine the principles and standards recently established for project evaluation. We do not think that the fact that this was a previously authorized project alters the situation. Moreover, this is certainly no time to approve questionable projects when Congress is being urged to defer spending for many others.

The 1965 authorization for this project is no longer appropriate in light of intervening changes, and, if the bill is vetoed, Army indicates it is prepared to do a current evaluation of the project, using approved evaluation principles and standards. A revised project report could then be submitted to the Congress following the customary Executive review.

We have prepared an alternate veto message which we recommend for your consideration in lieu of the one prepared by the Department of the Army.


Director

Enclosures



VETOED
12/17/74
DELIVERED TO THE SECRETARY (8:15 pm)
OF THE SENATE 12/17/74

ACTION

THE WHITE HOUSE
WASHINGTON

Last Day: December 17

December 16, 1974

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE
SUBJECT: Veto Message S. 3537 - Willow Creek, Oregon Water Resources Project

Attached for your consideration is S. 3537, sponsored by Senator Hatfield and Senator Packwood. Under this legislation the Secretary of Army is authorized to reformulate and modify a flood control project in eastern Oregon and pay more than \$500,000 to relocate a small municipal water system in advance of construction of the flood control project.

BACKGROUND

The primary purpose of the project would be to control flooding in the town of Heppner (population 1,600). This bill would conflict with established Administration policy in that it raises unresolved issues in regard to the general principles and standards governing the evaluation of water resources projects. The project should be considered for construction on the basis of current evaluation principles and standards. Any other course would be indefensible at a time when we are asking Congress to defer funding for numerous other water resources projects.

Roy Ash provides you with additional background information in his enrolled bill report at Tab A.

RECOMMENDATIONS

Secretary Morton, Secretary Callaway, Roy Ash, Chairman Peterson, Bill Timmons, General Scowcroft, Phil Areeda and Ken Cole all recommend veto and that you sign the veto message which has been approved by Paul Theis.



DECISION - S. 3537

Veto _____
Sign Veto Statement (Tab B)

Sign _____ (Tab C)





DEPARTMENT OF THE ARMY
WASHINGTON, D.C. 20310

10 DEC 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Dear Mr. Ash:

The Department of the Army recommends that the President withhold his approval from enrolled enactment S. 3537, 93d Congress, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)."

The reasons for this recommendation are in the draft of a Veto Message inclosed for the signature of the President, should he approve the proposed action.

The Act, if approved, would authorize reformulation of a previously authorized but unconstructed Federal water resources development project on Willow Creek, Oregon. The presently estimated total Federal cost of constructing the reformulated project, which the Act authorizes, is \$13.1 million.

Sincerely,

A handwritten signature in cursive script that reads "Howard H. Callaway".

Howard H. Callaway
Secretary of the Army

1 Incl
As stated



TO THE SENATE:

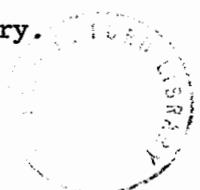
I return herewith, without my approval, S. 3537, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)."

The Act amends the authorization of the project for flood protection and other purposes on Willow Creek, Oregon, to enable the Secretary of the Army, acting through the Chief of Engineers, to reformulate the project, construct the reformulated project, and participate with the city of Heppner, Oregon, in the advanced relocation of elements of the city's water supply system which must be relocated as a result of project construction.

This approach would be in accord with recommendations which have been made for modification of this project by the Chief of Engineers in a recent special report to the Secretary of the Army on this project. However, administrative review of this report has surfaced some very important issues which must be resolved concerning certain of the planning and economic evaluation techniques employed in the report prior to acting on any of its recommendations.

I appreciate that there remains a demonstrated need for protection of the city of Heppner from the type of flooding and loss of life it has suffered in the past. Accordingly, I have directed that the issues raised by the aforementioned special report of the Chief of Engineers on the Willow Creek project be further addressed and resolved on an expedited basis for report thereon to the Congress together with any further recommendations on the project which might prove necessary.

THE WHITE HOUSE



**EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006**

December 10, 1974

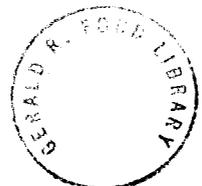
MEMORANDUM FOR W. H. ROMMEL
OFFICE OF MANAGEMENT AND BUDGET

ATTENTION: MS. MOHR

SUBJECT: Enrolled Bill, S. 3537, "To modify section
204 of the Flood Control Act of 1965."

This bill proposes to reformulate and modify a project of the Army Corps of Engineers known as Willow Creek Lake near Heppner, Oregon. The Corps of Engineers prepared a draft environmental impact statement on this project and submitted it to CEQ in January of 1973. The statement was criticized fairly extensively by the Department of the Interior in February of that same year; their comments recommended that the draft statement be reassessed to include considerably more information on recreation, geology, water quality, and secondary environmental impacts. The Council has received neither a revised draft nor a final impact statement to date, although we understand the Corps has a final statement in preparation.

The project's benefit-cost ratio is given in 1973 draft statement as 1.2 to 1.0; no additional supporting economic data are presented. If the project is to be reformulated, it is our position that the existing draft environmental statement should be updated or replaced, and that, in order properly to assess the environmental impact of the project, the economic analysis should be updated also, in compliance with the current principles and standards of the Water Resources Council including use of the current discount rate.



We see no reason for the exemption from this requirement presently written into the existing bill; we therefore recommend that the bill be vetoed, and that the President indicate his willingness to accept a substitute bill incorporating current environmental and economic policies.

Gary L. Widman
Gary L. Widman
General Counsel



TO THE SENATE

I have today withheld my approval from S. 3537, "To modify section 204 of the Flood Control Act of 1965."

This bill would authorize a revised Willow Creek Project in Oregon and provide for advance payment of the Federal share of the cost of relocating the water system of the nearby town of Heppner.

The Department of the Army, on behalf of the Administration, opposed this bill in committee on the grounds that it raised unresolved issues in regard to the general principles and standards governing the evaluation of water resources projects.

These departures include:

- Re-evaluation of the project by using questionable methods for calculating benefits.
- Coupled with these methods of computing benefits, retention of an interest rate of 3 1/4 percent provided for in the original 1965 project authorization, compared to the present rate of 5 7/8 percent now being used.
- Authorization for advance payment of the Federal share of the costs of relocating the town's water system, as compared to the standard approach of awaiting the actual beginning of construction of a project.



While I fully understand the desire of the town of Heppner to obtain Federal assistance in financing its water system, I cannot, in good conscience, accept the departures which S. 3537 would make from the established principles and standards that are employed in the evaluation of other water resources projects.

In my judgment the Willow Creek Project should be considered for construction on the basis of current evaluation principles and standards. Any other course would be indefensible at a time when the Congress is being asked to defer funding for numerous other water resources projects.

THE WHITE HOUSE

December , 1974





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

DEC 11 1974

Dear Mr. Ash:

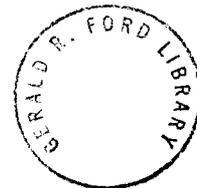
This responds to your request for our views on the enrolled bill S. 3537, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)", which is before the President for approval.

We recommend that the President not approve the bill.

The bill would modify the authorizing legislation of a flood control project on Willow Creek, Oregon, to provide for reformulation and construction of the project for purposes of flood control, recreation, fish and wildlife, and future irrigation in accordance with reclamation law of costs allocated to irrigation. It would also authorize advance participation with the City of Heppner, Oregon, in the design and construction of those elements of the city's water supply which must be relocated as a result of project construction. The bill also provides that the discount rate applicable to the project prior to enactment would remain in effect for purposes of cost-benefit analyses.

Our objections to the bill are as follows:

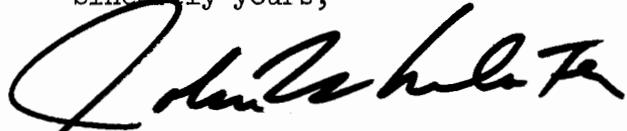
1. It should be analyzed under the current "Principles and Standards for Planning Water and Related Land Resource" approved by the President on August 3, 1973.
2. The project should in any event be based on a current discount rate. Use of the original project rate is objectionable.
3. Although the Corps of Engineers is to undertake the Willow Creek project work, the bill calls for inclusion of future irrigation as a purpose with repayment under applicable reclamation laws. Our



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review of the project indicates that it is highly unlikely that the irrigation purpose is justified and that irrigation costs will probably not be repaid.

Sincerely yours,



Under Secretary of the Interior

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C. 20503



THE WHITE HOUSE

MEMORANDUM

WASHINGTON

LOG NO.: 745

Date: December 13, 1974

Time: 9:45 a.m.

dl/mt

FOR ACTION: NSC/S
Mike Duval
Bill Timmons
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

✓ 12/13/74

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 13

Time: 3:00 p.m.

SUBJECT: Enrolled Bill S. 3537 - Willow Creek, Oregon
Water Resources Project

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Because of the President's trip to Martinique early tomorrow, it is imperative the attached enrolled bill be ready late this afternoon.

Please return to Judy Johnston, Ground Floor, West Wing

no comment

[Signature]



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 12 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3537 - Willow Creek, Oregon,
water resources project
Sponsor - Sen. Hatfield (R) Oregon and
Sen. Packwood (R) Oregon

Last Day for Action

December 17, 1974 - Tuesday

Purpose

Authorizes reformulation of a previously authorized flood control project in eastern Oregon and payment of more than \$500,000 to relocate a small municipal water system in advance of construction of the flood control project.

Agency Recommendations

Office of Management and Budget

Disapproval (Veto message attached)

Department of the Army

Disapproval (Veto message attached)

Department of the Interior
Council on Environmental Quality

Disapproval
Disapproval

Discussion

The Army Corps of Engineers was authorized by the Flood Control Act of 1965 to build a dam and lake on Willow Creek in eastern Oregon. The enrolled bill would authorize reformulation and modification of the project, using as a basis for cost-benefit analysis the 3½ percent interest rate which was in effect at the time of the original authorization. It would also authorize Army to participate

10/24/74

in the construction of a new water supply system for a nearby town (since the project, if built, would inundate the existing system) and to pay the Federal share of costs of the new system before construction of the dam and lake is begun.

The primary purpose of the project would be to control flooding in the town of Heppner (population 1,600). Severe thunderstorm flooding claimed 247 lives in Heppner in 1903, and although a disaster of these proportions has not reoccurred, the area frequently is flooded to a lesser degree, causing economic losses. Funds for the initial construction stage of the project were appropriated in fiscal year 1974, but no work has begun.

In a recent review of the project authorization, the Corps' District Engineer and the Chief of Engineers recommended deleting certain features and reducing the benefits attributable to others. However, they also proposed continuing use of the old interest rate, inclusion of certain additional benefits in computation of the benefit/cost ratio, and payment of the Federal share for the water supply system in advance of construction of the project.

The result of these recomputations was a higher benefit/cost ratio for the project and a reduction of its overall cost from approximately \$14 million to \$13.1 million. The Chief of Engineers report was submitted to the Secretary of the Army for the usual review, and a copy also was furnished to the House and Senate Public Works Committees. Committee reports on the bill are based on the recommendations in the Chief of Engineers report.

In its testimony before the House committee, Army opposed enactment of the bill, stating that questions had been raised by the Department and OMB concerning the techniques employed in the report, and that "economic justification for (the project) . . . thus remains an important question for resolution within the Administration." (The Senate had passed the bill prior to the House hearings and without Administration testimony or reports.)



Army and OMB recommend disapproval because we question whether the project can be justified economically, and also because we have strong reservations about paying in advance for the relocation and expansion of Heppner's water supply system. Interior and CEQ also recommend disapproval on the grounds that the economic analysis does not comply with current principles and standards.

- Some of the methods used to compute benefits and costs involve techniques which have not generally been employed. For example, benefits are computed partly by factoring in future increases in personal income to increase the value of properties protected against flooding, a technique that has not been approved for general use. A more significant problem is that costs are computed using the interest rate of 3½ percent that was in effect at the time of the original authorization. We believe that costs should have been computed on the basis of the 5 7/8 percent rate currently authorized.
- As CEQ points out in its enrolled bill letter, the environmental impact should be reassessed based on an updated economic analysis, and a deficient 1973 environmental impact statement should be revised.
- Heppner's water supply system must be expanded for reasons not connected with the building of the dam (a pulp mill is being built, and the number of persons to be served by the water system will increase from 1,600 to 2,000); the \$550,000 which this bill would authorize the Corps to advance for this purpose would be lost if a final determination were made that the dam and lake should not be built.

Countervailing arguments to the foregoing points can be advanced along the following lines:

- The evaluation techniques used by the Chief of Engineers in relation to this project are realistic; the low interest rate is simply carried forward from the original authorization.



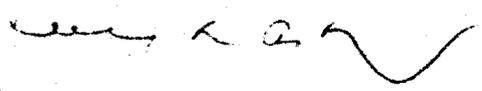
as it would be if the project were not reauthorized, and, in any event, the overall cost of the project has been reduced.

- A revised environmental impact statement can still be prepared prior to construction.
- Heppner has floated \$450,000 worth of bonds for its water system, apparently in the expectation that the Federal project would be built, although no assurances to this effect were given the town by Federal officials; if the bill is disapproved, the town will need to finance the additional \$550,000 itself.
- If the Federal project is begun after the water supply system has been built, it would cost \$190,000 more than would be provided under this bill.

After considering the above arguments, we have joined with Army, Interior and CEQ in recommending disapproval. Basically, the precedent which this bill could set by using low interest rates and questionable unapproved standards in computing benefits and costs would undermine the principles and standards recently established for project evaluation. We do not think that the fact that this was a previously authorized project alters the situation. Moreover, this is certainly no time to approve questionable projects when Congress is being urged to defer spending for many others.

The 1965 authorization for this project is no longer appropriate in light of intervening changes, and, if the bill is vetoed, Army indicates it is prepared to do a current evaluation of the project, using approved evaluation principles and standards. A revised project report could then be submitted to the Congress following the customary Executive review.

We have prepared an alternate veto message which we recommend for your consideration in lieu of the one prepared by the Department of the Army.



Director



Enclosures

TO THE SENATE

I have today withheld my approval from S. 3537, "To modify section 204 of the Flood Control Act of 1965."

This bill would authorize a revised Willow Creek Project in Oregon and provide for advance payment of the Federal share of the cost ~~of relocating~~ ^{to relocate} the water system of the nearby town of Heppner.

The Department of the Army, on behalf of the Administration, opposed this bill in committee on the grounds that it raised unresolved issues ~~in regard~~ ^{relative} to the general principles and standards governing the evaluation of water resources projects.

These departures include:

- Re-evaluation of the project by using questionable methods for calculating benefits.
- Coupled with these methods of computing benefits, retention of an interest rate of 3 1/4 percent provided for in the original 1965 project authorization, compared to the present rate of 5 7/8 percent now being used.
- Authorization for advance payment of the Federal share of the costs ~~of relocating~~ ^{to relocate} the town's water system, as compared to the standard approach ~~of~~ ^{to await} awaiting the actual beginning of construction of a project.



While I fully understand the desire of the town of Heppner to obtain Federal assistance in financing its water system, I cannot, in good conscience, accept the departures which S. 3537 would make from the established principles and standards that are employed in the evaluation of other water resources projects.

In my judgment, the Willow Creek Project should be considered for construction on the basis of current evaluation principles and standards. Any other course would be indefensible at a time when the Congress is being asked to defer funding for numerous other water resources projects.

THE WHITE HOUSE

December 1974





DEPARTMENT OF THE ARMY
WASHINGTON, D.C. 20310

10 DEC 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Dear Mr. Ash:

The Department of the Army recommends that the President withhold his approval from enrolled enactment S. 3537, 93d Congress, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)."

The reasons for this recommendation are in the draft of a Veto Message inclosed for the signature of the President, should he approve the proposed action.

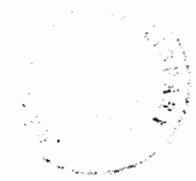
The Act, if approved, would authorize reformulation of a previously authorized but unconstructed Federal water resources development project on Willow Creek, Oregon. The presently estimated total Federal cost of constructing the reformulated project, which the Act authorizes, is \$13.1 million.

Sincerely,

A handwritten signature in cursive script that reads "Howard H. Callaway".

Howard H. Callaway
Secretary of the Army

1 Incl
As stated



TO THE SENATE:

I return herewith, without my approval, S. 3537, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)."

The Act amends the authorization of the project for flood protection and other purposes on Willow Creek, Oregon, to enable the Secretary of the Army, acting through the Chief of Engineers, to reformulate the project, construct the reformulated project, and participate with the city of Heppner, Oregon, in the advanced relocation of elements of the city's water supply system which must be relocated as a result of project construction.

This approach would be in accord with recommendations which have been made for modification of this project by the Chief of Engineers in a recent special report to the Secretary of the Army on this project. However, administrative review of this report has ^{raised} ~~surfaced~~ some very important issues which must be resolved concerning certain of the planning and economic evaluation techniques employed in the report prior to acting on any of its recommendations.

I appreciate that there remains a demonstrated need for protection of the city of Heppner from the type of flooding and loss of life it has suffered in the past. Accordingly, I have directed that the issues raised by the aforementioned special report of the Chief of Engineers on the Willow Creek project be further addressed and resolved on an expedited basis for report thereon to the Congress together with any further recommendations on the project which might prove necessary.





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

DEC 11 1974

Dear Mr. Ash:

This responds to your request for our views on the enrolled bill S. 3537, "To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085)", which is before the President for approval.

We recommend that the President not approve the bill.

The bill would modify the authorizing legislation of a flood control project on Willow Creek, Oregon, to provide for reformulation and construction of the project for purposes of flood control, recreation, fish and wildlife, and future irrigation in accordance with reclamation law of costs allocated to irrigation. It would also authorize advance participation with the City of Heppner, Oregon, in the design and construction of those elements of the city's water supply which must be relocated as a result of project construction. The bill also provides that the discount rate applicable to the project prior to enactment would remain in effect for purposes of cost-benefit analyses.

Our objections to the bill are as follows:

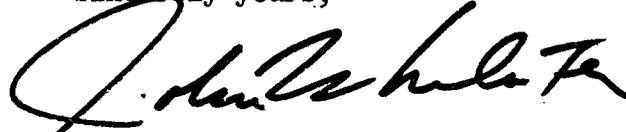
1. It should be analyzed under the current "Principles and Standards for Planning Water and Related Land Resource" approved by the President on August 3, 1973.
2. The project should in any event be based on a current discount rate. Use of the original project rate is objectionable.
3. Although the Corps of Engineers is to undertake the Willow Creek project work, the bill calls for inclusion of future irrigation as a purpose with repayment under applicable reclamation laws. Our



Save Energy and You Serve America!

review of the project indicates that it is highly unlikely that the irrigation purpose is justified and that irrigation costs will probably not be repaid.

Sincerely yours,



Under Secretary of the Interior

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C. 20503



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

December 10, 1974

MEMORANDUM FOR W. H. ROMMEL
OFFICE OF MANAGEMENT AND BUDGET

ATTENTION: MS. MOHR

SUBJECT: Enrolled Bill, S. 3537, "To modify section
204 of the Flood Control Act of 1965."

This bill proposes to reformulate and modify a project of the Army Corps of Engineers known as Willow Creek Lake near Heppner, Oregon. The Corps of Engineers prepared a draft environmental impact statement on this project and submitted it to CEQ in January of 1973. The statement was criticized fairly extensively by the Department of the Interior in February of that same year; their comments recommended that the draft statement be reassessed to include considerably more information on recreation, geology, water quality, and secondary environmental impacts. The Council has received neither a revised draft nor a final impact statement to date, although we understand the Corps has a final statement in preparation.

The project's benefit-cost ratio is given in 1973 draft statement as 1.2 to 1.0; no additional supporting economic data are presented. If the project is to be reformulated, it is our position that the existing draft environmental statement should be updated or replaced, and that, in order properly to assess the environmental impact of the project, the economic analysis should be updated also, in compliance with the current principles and standards of the Water Resources Council including use of the current discount rate.

We see no reason for the exemption from this requirement presently written into the existing bill; we therefore recommend that the bill be vetoed, and that the President indicate his willingness to accept a substitute bill incorporating current environmental and economic policies.

Gary L. Widman
Gary L. Widman
General Counsel

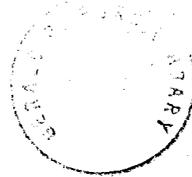


THE WHITE HOUSE
WASHINGTON
December 13, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS
FROM: WILLIAM E. TIMMONS *BT*
SUBJECT: Action Memorandum - Log No. 745
Enrolled Bill S. 3537 - Willow Creek,
Oregon Water Resources Project

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 775
745

Date: December 13, 1974

Time: 9:45 a.m.

FOR ACTION: NSC/S no obj, to veto -
 Mike Duval
 Bill Timmons *veto*
 Phil Areeda *veto*
 Paul Theis -

cc (for information): Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 13

Time: 3:00 p.m.

SUBJECT: Enrolled Bill S. 3537 - Willow Creek, Oregon
 Water Resources Project

ACTION REQUESTED:

For Necessary Action For Your Recommendations
 Prepare Agenda and Brief Draft Reply
 For Your Comments Draft Remarks

REMARKS:

Because of the President's trip to Martinique early tomorrow, it is imperative the attached enrolled bill be ready late this afternoon.

Please return to Judy Johnston, Ground Floor, West Wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 745

Date: December 13, 1974

Time: 9:45 a.m.

FOR ACTION: NSC/S ✓
Mike Duval ✓
Bill Timmons
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 13

Time: 3:00 p.m.

SUBJECT: Enrolled Bill S. 3537 - Willow Creek, Oregon
Water Resources Project

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

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Please return to Judy Johnston, Ground Floor, West Wing

~~NSC OK per~~
no objection to veto. Horowitz



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 745

Date: December 13, 1974

Time: 9:45 a.m.

FOR ACTION: NSC/S
Mike Duval
Bill Timmons
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones

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DUE: Date: Friday, December 13

Time: 3:00 p.m.

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Water Resources Project

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Because of the President's trip to Martinique early tomorrow, it is imperative the attached enrolled bill be ready late this afternoon.

Please return to Judy Johnston, Ground Floor, West Wing

*Veto
P. Areeda*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 12 1974

To
Harrison Henderson
9:15 a.m. - 12/13/74
7
Leid
7:00 a.m. - 12/12/74

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3537 - Willow Creek, Oregon,
water resources project
Sponsor - Sen. Hatfield (R) Oregon and
Sen. Packwood (R) Oregon

Last Day for Action

December 17, 1974 - Tuesday

Purpose

Authorizes reformulation of a previously authorized flood control project in eastern Oregon and payment of more than \$500,000 to relocate a small municipal water system in advance of construction of the flood control project.

Agency Recommendations

Office of Management and Budget	Disapproval (Veto message attached)
Department of the Army	Disapproval (Veto message attached)
Department of the Interior	Disapproval
Council on Environmental Quality	Disapproval

Discussion

The Army Corps of Engineers was authorized by the Flood Control Act of 1965 to build a dam and lake on Willow Creek in eastern Oregon. The enrolled bill would authorize reformulation and modification of the project, using as a basis for cost-benefit analysis the 3½ percent interest rate which was in effect at the time of the original authorization. It would also authorize Army to participate



in the construction of a new water supply system for a nearby town (since the project, if built, would inundate the existing system) and to pay the Federal share of costs of the new system before construction of the dam and lake is begun.

The primary purpose of the project would be to control flooding in the town of Heppner (population 1,600). Severe thunderstorm flooding claimed 247 lives in Heppner in 1903, and although a disaster of these proportions has not reoccurred, the area frequently is flooded to a lesser degree, causing economic losses. Funds for the initial construction stage of the project were appropriated in fiscal year 1974, but no work has begun.

In a recent review of the project authorization, the Corps' District Engineer and the Chief of Engineers recommended deleting certain features and reducing the benefits attributable to others. However, they also proposed continuing use of the old interest rate, inclusion of certain additional benefits in computation of the benefit/cost ratio, and payment of the Federal share for the water supply system in advance of construction of the project.

The result of these recomputations was a higher benefit/cost ratio for the project and a reduction of its overall cost from approximately \$14 million to \$13.1 million. The Chief of Engineers report was submitted to the Secretary of the Army for the usual review, and a copy also was furnished to the House and Senate Public Works Committees. Committee reports on the bill are based on the recommendations in the Chief of Engineers report.

In its testimony before the House committee, Army opposed enactment of the bill, stating that questions had been raised by the Department and OMB concerning the techniques employed in the report, and that "economic justification for (the project) . . . thus remains an important question for resolution within the Administration." (The Senate had passed the bill prior to the House hearings and without Administration testimony or reports.)



Army and OMB recommend disapproval because we question whether the project can be justified economically, and also because we have strong reservations about paying in advance for the relocation and expansion of Heppner's water supply system. Interior and CEQ also recommend disapproval on the grounds that the economic analysis does not comply with current principles and standards.

- Some of the methods used to compute benefits and costs involve techniques which have not generally been employed. For example, benefits are computed partly by factoring in future increases in personal income to increase the value of properties protected against flooding, a technique that has not been approved for general use. A more significant problem is that costs are computed using the interest rate of $3\frac{1}{4}$ percent that was in effect at the time of the original authorization. We believe that costs should have been computed on the basis of the $5\frac{7}{8}$ percent rate currently authorized.
- As CEQ points out in its enrolled bill letter, the environmental impact should be reassessed based on an updated economic analysis, and a deficient 1973 environmental impact statement should be revised.
- Heppner's water supply system must be expanded for reasons not connected with the building of the dam (a pulp mill is being built, and the number of persons to be served by the water system will increase from 1,600 to 2,000); the \$550,000 which this bill would authorize the Corps to advance for this purpose would be lost if a final determination were made that the dam and lake should not be built.

Countervailing arguments to the foregoing points can be advanced along the following lines:

- The evaluation techniques used by the Chief of Engineers in relation to this project are realistic; the low interest rate is simply carried forward from the original authorization,



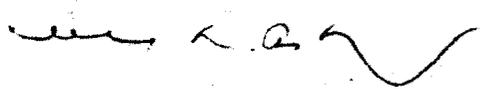
as it would be if the project were not reauthorized, and, in any event, the overall cost of the project has been reduced.

- A revised environmental impact statement can still be prepared prior to construction.
- Heppner has floated \$450,000 worth of bonds for its water system, apparently in the expectation that the Federal project would be built, although no assurances to this effect were given the town by Federal officials; if the bill is disapproved, the town will need to finance the additional \$550,000 itself.
- If the Federal project is begun after the water supply system has been built, it would cost \$190,000 more than would be provided under this bill.

After considering the above arguments, we have joined with Army, Interior and CEQ in recommending disapproval. Basically, the precedent which this bill could set by using low interest rates and questionable unapproved standards in computing benefits and costs would undermine the principles and standards recently established for project evaluation. We do not think that the fact that this was a previously authorized project alters the situation. Moreover, this is certainly no time to approve questionable projects when Congress is being urged to defer spending for many others.

The 1965 authorization for this project is no longer appropriate in light of intervening changes, and, if the bill is vetoed, Army indicates it is prepared to do a current evaluation of the project, using approved evaluation principles and standards. A revised project report could then be submitted to the Congress following the customary Executive review.

We have prepared an alternate veto message which we recommend for your consideration in lieu of the one prepared by the Department of the Army.


Director



Enclosures

TO THE SENATE

I have today withheld my approval from S. 3537, "To modify section 204 of the Flood Control Act of 1965."

This bill would authorize a revised Willow Creek Project in Oregon and provide for advance payment of the Federal share of the cost of relocating the water system of the nearby town of Heppner.

The Department of the Army, on behalf of the Administration, opposed this bill in committee on the grounds that it raised unresolved issues in regard to the general principles and standards governing the evaluation of water resources projects.

These departures include:

- Re-evaluation of the project by using questionable methods for calculating benefits.
- Coupled with these methods of computing benefits, retention of an interest rate of 3 1/4 percent provided for in the original 1965 project authorization, compared to the present rate of 5 7/8 percent now being used.
- Authorization for advance payment of the Federal share of the costs of relocating the town's water system, as compared to the standard approach of awaiting the actual beginning of construction of a project.

While I fully understand the desire of the town of Heppner to obtain Federal assistance in financing its water system, I cannot, in good conscience, accept the departures which S. 3537 would make from the established principles and standards that are employed in the evaluation of other water resources projects.

In my judgment the Willow Creek Project should be considered for construction on the basis of current evaluation principles and standards. Any other course would be indefensible at a time when the Congress is being asked to defer funding for numerous other water resources projects.

THE WHITE HOUSE

December , 1974

December 17, 1974

Received from the White House a sealed envelope said to contain S. 3537, An Act to modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085), and a veto message thereon.

for Robert B. Dove
Secretary of the Senate

8¹⁵ p.m.
Time received

WILLOW CREEK DAM, OREG.

JULY 31, 1974.—Ordered to be printed

Mr. GRAVEL, from the Committee on Public Works,
submitted the following

REPORT

[To accompany S. 3537]

The Committee on Public Works, to which was referred the bill (S. 3537) to modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085), having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

GENERAL STATEMENT

This legislation, proposes substantial and significant changes in the scope and purpose of the Willow Creek Dam project, as necessitated by developments since the plan was initially authorized in 1965. In addition, the bill authorizes advance Federal participation with the city of Heppner in the design and construction of certain elements of the city's new water system.

The basic purpose of the bill is to place much greater emphasis on flood control objectives throughout the Willow Creek drainage area than envisioned under the original multi-purpose project concept. At the same time the original requirements for municipal and industrial water supply, channel improvements, and irrigation features would be reduced or eliminated since these needs have been otherwise met since the project was first approved.

The provisions of S. 3537 are entirely in keeping with recommendations of the Corps of Engineers made in the context of the altered project priorities and needs of the area.

While the modifications are fully warranted and appropriate the changes are of such scope as to require formal approval by the Congress rather than being undertaken under the general authority of the corps.

The bill's sponsors and officials of the city of Heppner, Oreg., now seek expedited approval of the legislation for both operational and financial reasons.

The second phase of the city's new municipal water system construction can be most effectively carried out only if correlated with the design of the corps project.

Failure to do so would involve an estimated additional cost of about \$500,000, with approximately \$200,000 of that to be borne by the Federal Government and the remainder by the city.

In recognition of that fact, S. 3537 authorizes advance Federal participation with the city authorities in the design and construction of those elements of the water system which must be relocated as a result of Willow Creek project construction.

The benefit-cost ratio of the revised project is calculated at 1.4 to 1, and preconstruction planning and design is virtually complete.

Prior to the decision that project changes would require congressional approval, an allotment of \$450,000 had been budgeted in fiscal year 1974 for initial construction. Those funds were placed in reserve when it was decided to seek the reformulation authorization.

In view of that, it is anticipated that the project can be initiated with little delay when S. 3537 is approved.

HEARINGS

S. 3537, a bill modifying Section 204 of the Flood Control Act of 1965 (79 Stat. 1085) and providing for substantial changes in the scope and purpose of the Willow Creek Dam project, was introduced in May of 1974. Prior to its introduction, the committee held a hearing on the proposal, as outlined by its sponsors, in Washington, D.C. Testimony was received from Senator Mark Hatfield, Senator Bob Packwood, and representatives from the city of Heppner.

COST OF LEGISLATION

Section 252(a)(1) of the Legislative Reorganization Act of 1970 requires publication in this report of the committee's estimate of the costs of reported legislation, together with estimates prepared by any Federal agency. Based on estimates from the Corps of Engineers, no additional cost is required to carry out this section.

ROLLCALL VOTES

Section 133 of the Legislative Reorganization Act of 1970 and the rules of the Committee on Public Works require that any rollcall votes be announced in this report. During the committee's consideration of this bill, no rollcall votes were taken. The measure was unanimously ordered reported by a voice vote of the committee.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, it is reported that this bill effects no change in existing law.



MODIFYING SECTION 204 OF THE FLOOD CONTROL ACT
OF 1965

NOVEMBER 19, 1974.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. BLATNIK, from the Committee on Public Works,
submitted the following

REPORT

[To accompany S. 3537]

The Committee on Public Works, to whom was referred the bill (S. 3537) to modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085), having considered the same, report favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

The purpose of S. 3537 is to authorize modifications to the Willow Creek, Oregon project which have become necessary subsequent to the original project authorization.

GENERAL

The Willow Creek project was authorized by the Flood Control Act of 1965, substantially in accordance with the recommendations of the Chief of Engineers in House Document numbered 233, Eighty-ninth Congress.

The authorized plan consists of a multiple purpose reservoir on Willow Creek, directly upstream from the town of Heppner, Oregon, together with limited downstream channel improvement. The project serves the purposes of flood control, irrigation, recreation, fish and wildlife enhancement, water supply, and water quality.

During the post-authorization studies, it was determined that the most practicable project for flood control would be a storage reservoir without the channel improvement. The Bureau of Reclamation made a feasibility study which found that irrigation is not economically justifiable at the present time. The city of Heppner withdrew its



request for water supply storage and EPA determined that water quality storage was not necessary. It was also determined that recreation and fishing use would be adversely affected by poor water quality in the reservoir during the summer season.

Accordingly, the authorized plan has been modified to provide a reservoir of the same capacity but with increased flood control storage. The water supply storage and channel improvement have been deleted. The recreation development and fish and wildlife purposes have been reduced, and the irrigation storage has been reduced and postponed to future use.

These proposed modifications to the project are of such significance as to require legislation. The Chief of Engineers has prepared a special report on the modifications, and that report is presently with the Secretary of the Army. The cost of the modified project is \$13 million (\$1 million less than the authorized project) and the benefit-cost ratio is 1.4, based on an interest rate of 3¼ percent, the prevailing interest rate at the time of project authorization.

The city of Heppner is proceeding with the required modification of its water supply system to meet an anticipated population increase. The Willow Creek project will require relocation of parts of the city's water supply system. If the Corps is able to participate now in the advance relocation of the water supply system, it will save about \$190 thousand in Federal expense which would otherwise be incurred later in relocating the modified system. This advance participation would be possible with the enactment of S. 3537.

The Willow Creek basin is totally unprotected from thunderstorm flooding of the disastrous proportions which claimed 247 lives in the flood of 1903. Although there has not been a recurrence of such a flood since then, it could happen at any time. The project is needed to protect against another similar disaster, and against the frequent lesser flooding which occurs in the area.

It is the intent of the Committee that the modifications to the project be in accordance with the special report of the Chief of Engineers on Willow Creek, Oregon, dated May 15, 1974, and printed in this Committee report.

COST OF THE LEGISLATION

Enactment of this legislation will not result in any additional cost to the United States. This estimate has been prepared pursuant to Rule XIII(7) of the Rules of the House of Representatives.

VOTE

The Committee ordered the bill reported by voice vote.

SPECIAL REPORT OF THE CHIEF OF ENGINEERS

DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., May 15, 1974.

The Secretary of the Army:

1. I submit for transmission to Congress my special report on the previously authorized Willow Creek, Oregon project. The purpose of this report is to support a request for specific Congressional action to modify the project authorization.

2. The detailed advanced engineering and design studies of the District and Division Engineers reveal that revision of the project purposes is necessary and that these proposed changes are consistent with the present and future needs of the Willow Creek basin and are technically feasible. The Board of Engineers for Rivers and Harbors has reviewed these studies and generally concurs with the findings of the District and Division Engineers. However, the Board noted in its review that it appeared that Congressional approval or reauthorization would be required prior to construction.

3. I have carefully evaluated the need for and desirability of modification of the authorized project purposes. The views of the city of Heppner, those of the State and other interested agencies and the views of the general public have formed the basis for these modifications. I have concluded these changes to be in the public interest.

4. *Authority.*—The Willow Creek Lake project was authorized for construction by Sec. 204 of the Flood Control Act of 1965 (Public Law 89-298). The applicable portion of the Act reads as follows: "The project for flood protection on Willow Creek, Oregon, is hereby authorized substantially in accordance with the recommendations of the Chief of Engineers in House Document Numbered 233, Eighty-ninth Congress, at an estimated cost of \$6,680,000."

5. *Authorized Plan.*—

a. The authorized plan provided for construction of a multiple-purpose reservoir on Willow Creek, directly upstream from the town of Heppner in Morrow County, located in eastern Oregon, together with limited downstream channel improvement. Authorized project purposes included flood control, irrigation, recreation, fish and wildlife enhancement, water supply, and water quality control. Of the gross storage capacity of 11,500 acre-feet, 1,300 acre-feet were to be operated exclusively for flood control, 300 acre-feet for water quality control, 100 acre-feet for municipal and industrial water supply, and 7,900 acre-feet for joint use including flood control, irrigation, sports fishing and recreation; the remaining 1,900 acre-feet were inactive storage provided for sedimentation needs, fish survival and esthetics. At maximum controlled elevation 2098, the lake would have a surface area of 224 acres. The storage at minimum lake elevation 2042 would be 1,900 acre-feet with a surface area of 76 acres.

b. The main features of the project were: (1) a rockfill dam about 155 feet in height with an overall length of approximately 1,700 feet; (2) a 300 foot wide ungated spillway located in a rock cut in the left abutment designed to pass a flow of 72,000 cubic feet per second (cfs); (3) a flood control outlet consisting of a 37 foot wide slot located in the center of the spillway to automatically release up to 1,500 cfs from the exclusive flood control storage space; (4) an irrigation outlet to provide downstream releases of up to 60 cfs; and (5) improvement of the Willow Creek channel through the city of Heppner by means of clearing, widening, and bank protection to provide a channel capacity of 1,500 cfs. A map showing the physical relationship of the authorized project to Heppner is shown at Exhibit 1.

6. *Post-Authorization Studies.*—

a. Post-authorization studies included a complete re-examination of the basin's needs and objectives. Various practicable alternatives were investigated particularly as related to flood control. The alternatives

investigated included flood plain zoning to prevent future development which would be subject to flood damage, flood proofing to minimize damages to existing structures, relocation of a portion of the town of Heppner, a single-purpose flood control channel, and storage for flood control and other water needs both with and without channel improvement. A multiple-purpose storage project physically similar to the authorized plan but without channel improvement was found to be the most practicable and economical solution for flood control and other water uses. Additional hydrologic and water quality studies were made; the recreational potential of the reservoir project has been re-evaluated and irrigation, water supply, and flow augmentation needs were re-examined.

b. Hydrologic studies made in accordance with revised criteria have resulted in an increase in the estimated standard project thunderstorm flood. Some of the storage which previously had been considered usable jointly for flood control and irrigation had to be reassigned for exclusive flood control use in order to provide adequate control of thunderstorm floods. Joint use storage available for irrigation was reduced accordingly.

c. The Bureau of Reclamation made a feasibility study which found that irrigation is not economically justifiable at the present time. The Bureau concluded, however, that within a few years there would be a probable need for irrigation water and recommended that the opportunity for storing a reasonable amount of water not be foreclosed in any project that might be constructed (see correspondence at Exhibits II and III).

d. The city of Heppner withdrew its request for water supply storage. Water quality studies indicated that expensive treatment would be required to make project water usable for domestic purposes. The city concluded that a new well would provide a more economically feasible alternative.

e. Water quality studies also showed that the reservoir would not support the recreation and fishing potential which previously had been considered attributable to the project. Recreation and fishing use would be adversely affected by poor water quality from about mid-July to the end of the recreation season and by reduction in the conservation pool that resulted from elimination of joint-use storage and deferral of the irrigation storage. Facilities were therefore reduced commensurate with revised estimates of use.

f. Water quality control needs were reviewed by the Environmental Protection Agency pursuant to its responsibility under the Federal Water Pollution Control Act Amendments of 1972 (PL 92-500). EPA found that treatment at the source could be achieved to eliminate discharge into Willow Creek from sources downstream of the dam and that storage for flow augmentation for assimilation of wastes was not required. The water quality function therefore was deleted.

7. Description of Recommended Plan of Development.—

a. The authorized plan of development has been modified as a result of the above post-authorization findings to provide a project for greater protection in the interest of flood control, a lower degree of recreation development and fish and wildlife enhancement, reduced storage for future irrigation, and elimination of water supply and water quality control as project purposes. The plan provides a storage reservoir of

the same gross capacity as the authorized project but with an increased assignment of space for exclusive flood control use. Limited recreation facilities are included in the recommended plan. Outlet controls have been added to the end of the diversion conduit which will permit automatic evacuation of exclusive flood control storage space, controlled releases for future irrigation, and allow complete drainage of the entire reservoir, if desired or necessary.

b. The storage allocation of the reservoir has been changed from the authorized project as shown in the following tabulation:

Project function	Recommended project, A-F		
	Authorized project, A-F	Initial development	Ultimate development ¹
Exclusive flood control.....	1,300	9,500	6,000
Joint-use (flood control, irrigation, wildlife, sport fishing and recreation)....	7,900	0	3,500
Water quality control.....	300	0	0
Municipal and Industrial water supply.....	100	0	0
Permanent inactive pool for environmental and esthetic purposes.....	500	600	600
Sediment, A-F.....	1,400	1,400	1,400
Total acre-feet.....	11,500	11,500	11,500

¹ At such time as irrigation storage becomes economically feasible.

c. During the initial development phase, the recommended project will maintain a constant year-round lake level except when flood flows enter the reservoir. During those periods, the lake will rise to a level that will control that particular flood. Releases will be automatic through the outlet until the minimum lake storage of 2,000 acre-feet is reached. With ultimate development the lake will fluctuate approximately 18 feet from the beginning of the summer to the end of the irrigation season because of releases from the lake for irrigation.

d. The project will limit flood control releases from the dam to 500 cfs when the pool is at the spillway crest. Existing channel capacity is adequate and the previously authorized channel improvement is not needed.

8. Project Costs, Benefits, and Economic Analysis.

a. The economic analysis of the reformulated project presented in this report is based on an interest rate of 3¼ percent which is the rate applicable in accordance with Section 80(b) of PL 93-251. The referenced Section is quoted as follows:

“(b) In the case of any project authorized before January 3, 1969, if the appropriate non-Federal interests have, prior to December 31, 1969, given satisfactory assurances to pay the required non-Federal share of project costs, the discount rate to be used in the computation of benefits and costs for such project shall be the rate in effect immediately prior to December 24, 1968, and that rate shall continue to be used for such project until construction has been completed, unless otherwise provided by a statute enacted after the date of enactment of this Act”

As noted in paragraph 4, the project was authorized in 1965. Acceptable assurances of local cooperation for the authorized project were furnished by responsible local interests in May 1969, well in advance of the 31 December 1969 deadline. The following tabulation

presents a comparison of the costs and benefits of the authorized project at the time of authorization and at present day values with those of the recommended project. Project life is 100 years.

PROJECT COSTS, BENEFITS, AND ECONOMIC ANALYSIS

Item	Authorized project		Recommended project July 1973 base
	January 1963 base	July 1973 base	
CONSTRUCTION COSTS			
Federal:			
Lands and damages.....	\$272,000	\$509,000	\$438,000
Relocations.....	1,070,000	2,330,000	2,395,000
Reservoir.....	24,000	51,000	88,000
Dam.....	4,018,000	8,901,000	7,714,000
Fish and wildlife.....	27,000	61,000	4,000
Access roads.....	0	0	3,000
Channels.....	94,000	204,000	0
Levees.....	10,000	22,000	0
Recreation facilities.....	95,000	183,000	144,000
Buildings, grounds and utilities.....	0	0	0
Permanent operating equipment.....	14,000	32,000	22,000
Engineering and design.....	548,000	1,008,000	1,372,000
Supervision and administration.....	507,000	999,000	920,000
Total Federal cost.....	6,679,500	14,300,000	13,100,000
Non-Federal:			
Lands and damages.....	8,000	14,500	0
Relocations.....	2,500	5,000	0
Total non-Federal¹.....	10,500	19,500	0
Total project cost.....	6,690,000	14,319,500	13,100,000
ANNUAL BENEFITS			
Project function:			
Flood control.....	130,800	409,200	554,000
Irrigation.....	85,900	107,400	37,000
Water quality control.....	7,300	12,200	0
Municipal and industrial water supply.....	2,400	4,600	0
Recreation.....	26,500	34,000	19,000
Fish and wildlife.....	26,900	42,000	13,000
Economic development administration.....	0	0	54,000
Total benefits.....	279,800	609,400	677,000
ANNUAL COSTS			
Federal:			
Interest and amortization.....	222,100	511,600	460,800
Operation, maintenance and replacement.....	11,000	9,900	20,700
Total.....	233,100	521,500	481,500
Non-Federal			
Interest and amortization.....		700	0
Operation, maintenance and replacement.....		14,000	5,300
Total.....		14,700	5,300
Total annual project costs.....		536,200	486,800
B/C ratio:			
Without EDA benefits.....	1.2	1.14	1.28
With EDA benefits.....			1.39

¹ Non-Federal costs do not include 1/2 the project separable costs for recreation and fish and wildlife enhancement which are reimbursable in accordance with Public Law 89-72, as amended. The amounts for the authorized and recommended projects are \$100,000 and \$83,000, respectively.

² Based on irrigation storage of 3,500 acre-feet to begin in 1990.

b. *Explanation of Changes in costs.*—Project costs, after adjustment for price levels, have decreased approximately 8 percent as a result of reducing the overall length of the road relocations, more detailed estimates of utility relocations, modification of the conventional chute-type spillway to a side channel spillway, combining the separate flood control outlet, irrigation outlet, and diversion conduit into a single

outlet, reduction of recreation development due to anticipated poor water quality, and reduction of reservoir clearing requirements. Reductions were also due to elimination of the downstream channel improvements.

c. Non-Federal costs of \$19,000, which were for lands and utility relocations for downstream channel improvements, have been eliminated since these improvements have been found to be less economical than reservoir storage.

d. *Explanation of Changes in Benefits.*—

(1) *General.*—The total benefits for the authorized Willow Creek Lake project, including \$54,000 for economic development benefits, are presently estimated to be \$677,000. The estimate is based on an updating of project document benefits to reflect price levels and development as of July 1973. Changes between the benefit estimates for the authorized plan and the recommended plan are explained in the following paragraphs.

(2) *Flood Control.*—

a. Flood control benefits have increased from \$409,000 to the current estimate of \$554,000 because of the substantial increase in the degree of flood protection and a rather minor increase in the projected growth in flood plain investment.

b. The authorized project derived flood control benefits from 1,300 A-F of exclusive flood control storage and approximately 7,900 A-F of the joint-use storage which provided complete control of the flood of record (75-year recurrence interval). Under the proposed initial plan of development, a total of 9,500 acre-feet is provided for exclusive flood control use, providing protection against thunderstorm floods in excess of a 500-year recurrence interval. Under ultimate development, 6,000 acre-feet will be available exclusively for flood control and, with varying amounts of the 3,500 acre-feet of irrigation storage, the project will provide a 360-year degree of protection.

c. A field reappraisal was made to determine present developments in the flood plain and property subject to damage. The "existing" base damages were projected five years into the future to represent developments that would be existing when the project was completed. Recent expansion of a plywood plant at Heppner will increase the population of the city from 1,600 people to about 2,000 people. The projected growth in flood plain investment and flood damages resulting from this industrial expansion were reanalyzed, taking into account the types of property and prospective growth in seven individual reaches of the flood plain. The growth rate for the Heppner reach was increased, that of the other areas was reduced. The resulting weighted projection for the entire flood plain is equivalent to an annual growth of about 2.9 percent. This compares to weighted projection of 2.8 percent used in the authorized project.

(3) *Irrigation.*—The authorized project would produce irrigation benefits of \$107,400 from 7,900 acre-feet of joint-use storage space. The reformulation studies indicated, however, that with the present farm economy the benefits to be gained from irrigation storage would not support the cost of such storage. The Bureau of Reclamation estimates that irrigation storage will be economically justified beginning around 1990 and that 3,500 acre-feet will be required. Based on the value of this storage and the time frame for its use, average annual benefits are estimated to be \$37,000.

(4) *Water Quality Control.*—The authorized project included 300 acre-feet of exclusive storage with presently estimated benefits of \$12,200 for maintaining a minimum flow of 2 cfs past the Heppner sewage treatment plant for assimilation of wastes. The Environmental Protection Agency, in its review of the water quality needs of the area pursuant to Section 102(b) of the Federal Water Pollution Control Act Amendments of 1972, stated that “* * * adequate treatment of wastes * * * can be achieved and, therefore, storage for flow augmentation for assimilation of these wastes cannot be authorized.” Consequently, the water quality control function and associated benefits have been eliminated from the project in accordance with the authority contained in Section 65 of the Water Resources Development Act of 1974 (P.L. 93-251), and the storage has been assigned instead to flood control.

(5) *Municipal and Industrial Water Supply.*—The authorized project would provide annual benefits amounting to \$4,600 for supplying 100 acre-feet of water to the city of Heppner, Oregon, for municipal and industrial purposes. At the request of the city of Heppner, water supply as a function has been deleted and no benefits are now claimed.

(6) *Recreation.*—Estimated average annual benefits have been reduced from \$34,000 to \$19,000 because of the poor water quality expected in the reservoir, the scope of the recreational facilities and the reduction in anticipated recreation use.

(7) *Sports Fishing and Wildlife.*—Benefits for sports fishing and wildlife have also been reduced, from \$42,000 to \$13,000, because of the lesser potential of the revised plan.

(8) *Area Redevelopment Benefits.*—Benefits amounting to \$54,000 are included in the present study. The city of Heppner in Morrow County and parts or all of the surrounding counties have been classified by the Economic Development Administration as qualifying for assistance under Title IV of PL 89-136 as of 15 February 1974. The benefits represent the average annual equivalent of the wages paid to otherwise unemployed labor in the local area as a result of project construction and operation.

e. *Change in Local Participation.*—Non-Federal costs for lands, easements, and rights-of-way for the channel have been eliminated. Water supply reimbursement is no longer applicable because of elimination of that function. Requirements for reimbursement of the irrigation storage will be established by the Secretary of the Interior in accordance with Federal Reclamation Law at the time plans are first made for use of the present plan have an estimated cost of \$166,000, including E&D, S&A costs. Reimbursement by local interests would be one-half of these costs, currently estimated at \$83,000. In addition, they would be required to pay the annual operation, maintenance and replacement costs for recreation of \$4,900 and for fish enhancement of \$300, a total of \$5,200.

9. *Alternatives and Project Formulation.*—

a. Alternatives considered for satisfying the water resource development needs of the Willow Creek basin include a “do nothing” alternative, the regulation of flood plain development, the relocation of Heppner, local protection works such as levees, floodwalls and chan-

nels, and storage reservoirs, alone or in combination with channel improvements. Except for the storage reservoirs, either with or without channel improvements, none of the other alternatives can provide satisfaction to more than one type of basin need nor were they economically feasible. Consequently a storage reservoir with or without channel improvement was used in formulating plans to satisfy the needs of the Willow Creek basin.

b. The need for storage for flood control was based primarily on provision of a high degree of protection with secondary coordination being given to economic costs because of the potentially hazardous situation which exists in Heppner. Thunderstorm flooding in 1903 claimed 247 lives out of a total population in Heppner of 1,200. The need for storage for municipal and industrial water supply and water quality was deleted from consideration by the project as discussed in the preceding paragraph. Provision for future irrigation storage was made at the request of the Bureau of Reclamation. An array of reservoir projects, both with and without channel improvement through Heppner, were investigated. The results are shown in the following table.

ALTERNATIVES AND PROJECT FORMULATION

Project and purposes ¹	First cost (millions)	Annual costs ² (thousands)	Total benefits (thousands)	Benefit/cost ratio
11,500 AF; FC, R, FWL	\$13.0	\$485	\$643	1.32
11,500 AF; FC, R, FWL, Irr	13.1	486	677	1.39
11,500 AF; FC, R, FWL w/FC channel	14.3	534	665	1.25
11,500 AF; FC, R, FWL Irr w/FC channel	14.4	535	698	1.31
8,000 AF; FC, R, FWL	11.2	421	630	1.50
8,000 AF; FC, R, FWL w/FC channel	12.5	470	651	1.39
6,000 AF; FC, R, FWL	10.8	407	591	1.45
6,000 AF; FC, R, FWL w/FC channel	12.1	456	611	1.34

FC=flood control; R=recreation; FWL=fish and wildlife; Irr=irrigation.

² Annual costs at 3¼ percent, 100 yr project life, and July 1973 price index.

c. Analysis of the data used in preparing this table indicates that the most resource efficient project is a multiple-purpose reservoir with storage of 8,000 acre-feet for flood control, recreation, fish and wildlife enhancement and sediment. Flood control storage is more economical to provide than construction of channel improvements downstream. Inclusion of joint use storage for irrigation is incrementally justified.

d. Even though a reservoir with 11,500 acre-feet of multiple-purpose storage is less economically justified than a reservoir of 8,000 acre-feet, this additional storage is recommended as it will provide additional flood protection to a city that is susceptible to catastrophic damages and high loss of life. Also, when a need arises for the use of this additional storage for irrigation and other possible conservation uses, this larger reservoir should show, incrementally, an excess of benefits over costs. The additional storage will also provide flexibility for serving beneficial water conservation purposes in a semi-arid, drought prone area.

e. An alternative investigated subsequent to the selection of an 11,500 acre-foot reservoir was the staged construction of the project with the first stage being the construction of an 8,000 acre-foot

reservoir for flood control with minimum provisions for future enlargement. When the need arose, (approximately 1990), the project would be enlarged to a storage capacity of 11,500 acre-feet to provide 3,500 acre-feet for irrigation. Estimated cost of the first phase of construction was found to be approximately the same as the construction cost to full size initially. Cost of the second phase of construction would be an additional \$2,000,000. Since there was no savings in investment costs and reduction in flood control protection during the interim between phase 1 and phase 2, further consideration of stage construction was abandoned.

10. *Environmental considerations.*—Careful consideration has been given to the environmental effects of the proposed project. Construction of the project will cause the loss, through permanent inundation, of short lengths of Willow Creek and Balm Fork. Additional lengths of these streams will be temporarily inundated during operation of the project to reduce flood damages downstream. Normal lake levels will be restored as rapidly as possible by passage of water through the outlet works, such releases being compatible with downstream channel capacities. This occasional temporary inundation should cause but minor impact on these areas. Ultimately, operation of the project for irrigation will increase the frequency and duration of the occasional inundation and will result in increased fluctuation of water surface levels. However, this change in project operation will have a relatively minor adverse impact on the existing natural environmental features and will be offset by the favorable impact of increased downstream flows resulting from the irrigation releases.

11. *Special problem on relocation of city of Heppner's water supply system.*—

a. Part of the Federal cost associated with the Willow Creek project is relocation of elements of the city's water supply system. Currently, the city is faced with a critical problem because of inadequacy of the existing system to meet an anticipated population increase of about 400 persons (which is a 20% increase in its total population) as the result of expansion of a local industrial plant. Modification of its water supply system is required in the immediate future to accommodate the increase.

b. Following appropriation of initial construction funds for the Willow Creek project by the Congress in FY 1974, the city passed a \$450,000 water bond issue based on plans to integrate design and construction of the modification with the relocation activities of the Federal Government in connection with construction of Willow Creek Lake. Involved in the jointly related work are about two miles of waterline and a 780,000 gallon storage tank. The city's plans include replacement of the existing 8" line with a 12" line and an increase in capacity of the storage tank from 780,000 to 1,000,000 gallons.

c. A consultant engaged by the city has developed a schedule for initiating construction in June 1974 based on coordination of the city's work with anticipated Willow Creek relocations. Under this plan, the Government's relocation costs would be \$550,000 and the city's costs, for betterments, would be \$114,500. If the city proceeds with modification without Government participation, its costs will exceed that approved in the bond issue. Subsequent Federal relocation costs will

also be increased by a presently estimated \$190,000 over the amount required if the work is undertaken jointly.

12. *Coordination.*—

a. Post-authorization planning studies included coordination with regional offices of Federal agencies and with State and local agencies regarding their respective interests in current water resource needs, the adequacy of proposed solutions, and the cost sharing requirements that would be involved in the recommended plan. As result of review by the U.S. Bureau of Reclamation and the U.S. Environmental Protection Agency, project plans were revised to defer the irrigation function and to delete the water quality function. Comments by the Oregon State Engineer's office concerning the appropriateness of the hydrologic criteria used were considered. Other Federal agencies contacted were the Fish and Wildlife Service, the Department of Commerce, the National Park Service, Bureau of Outdoor Recreation, and the Department of Health, Education and Welfare. Other State agencies which reviewed and commented on the project studies were the State of Oregon Water Resources Board, the Fish and Game Commission, the Department of Environmental Quality, and the Department of Human Resources. No substantive comments were received from either the Federal or State agencies except as noted above.

b. All aspects of planning were closely coordinated with the city of Heppner, including the relationship of scheduled project relocations to the city's plans for expansion of its water supply system. The water supply function was deleted from the project plan at the city's request. Recreation planning was coordinated with Morrow County which will provide the cost sharing for recreation and the annual operation, maintenance, and replacement costs for recreation and fish and wildlife as required under Public Law 89-72, as amended. Necessary contractual arrangements will be made with the county prior to initiation of construction. There is strong local and state support for the modified project.

13. *Conclusion.*—

a. The recommended plan provides the best solution to meet the basin's water resource needs. The Willow Creek basin is totally unprotected from thunderstorm flooding of the disastrous proportions which claimed 247 lives in the flood of 1903. Although there has not been a reoccurrence of a flood of this magnitude, lesser damaging floods have frequently occurred. Willow Creek constitutes the most serious flood potential of any watercourse in the basin.

b. The recommended project will eliminate significant annual damages and remove a serious flood threat to the town of Heppner. Storage for water quality and municipal water supply is not needed. However, there is a need for water-based recreation opportunities in this semi-arid area which can be met to some extent by the recommended project. It also can be operated to provide future irrigation water supply when conditions warrant. For these reasons, it is concluded that construction of the project should proceed as soon as possible in accordance with the recommended plan as described herein.

c. Funds have been appropriated for initiating construction of the

authorized project. It would be in the Government's interest to utilize a portion of these funds by participating with the city of Heppner in accomplishing the Government's share of the water supply system relocation costs necessitated by project construction. Savings in Federal construction costs resulting from this advance participation are presently estimated to be \$190,000.

14. *Recommendations.*—It is recommended that the project for flood protection on Willow Creek, Oregon, authorized by Section 204 of the Flood Control Act of 1965 PL 89-298 be modified to:

a. Delete storage for municipal and industrial water supply as a purpose in the Willow Creek Lake project;

b. Delete improvement of the existing Willow Creek channel through the city of Heppner;

c. Provide that construction of the Willow Creek Lake, Oregon project may commence prior to non-Federal interests making necessary arrangements with the Secretary of the Interior for repayment in accordance with Federal reclamation laws and that the project shall not be operated for irrigation purposes until such time as the Secretary of the Interior makes the necessary arrangements with non-Federal interests to recover the costs, in accordance with Federal reclamation law, which will be allocated to the irrigation purpose;

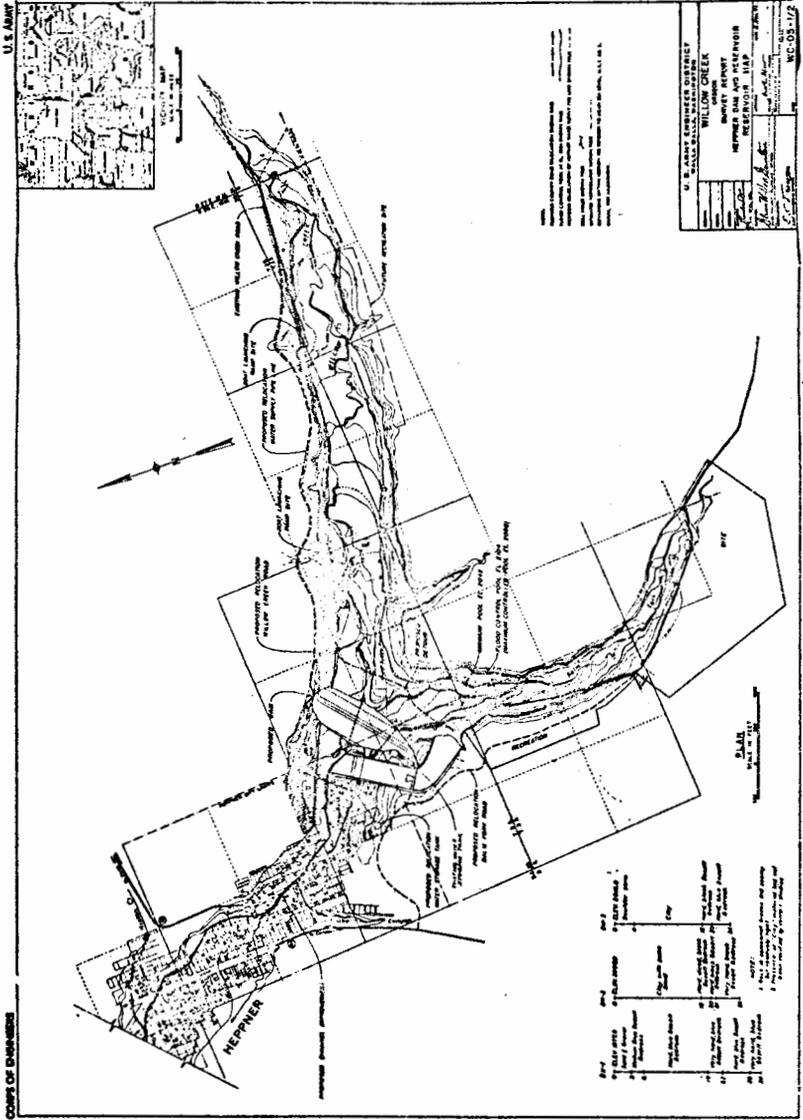
d. Permit the Secretary of the Army, acting through the Chief of Engineers, to cooperate with the city of Heppner, Oregon in the design and construction and to reimburse that city for the Federal share of the costs for elements of the city's water supply system that must be relocated due to Willow Creek Lake, all in advance of initiation of actual construction of the Federal project;

e. Permit such other modifications as in the discretion of the Chief of Engineers may be advisable.

15. On the foregoing basis, the Federal first cost is presently estimated to be \$13,100,000, of which \$83,000 would be reimbursable as the local interest share of the separable costs of recreation facilities.

W. C. GRIBBLE, Jr.

Lieutenant General, USA Chief of Engineers.



DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., April 16, 1974.

HON. GILBERT G. STAMM,
*Commissioner, Bureau of Reclamation,
Department of the Interior, Washington, D.C. 20240*

DEAR MR. STAMM: The Willow Creek Lake project at Heppner, Oregon, was authorized for construction by the Corps of Engineers by the Flood Control Act of 1965 (Public Law 89-298), 89th Congress. Authorized project purposes are flood control, irrigation, water supply, water quality control, recreation, and fish and wildlife enhancement.

Construction funds were appropriated by the Congress in Fiscal Year 1974 as an unbudgeted new start. Recent post-authorization studies indicate that substantial modification of the project authorization is necessary before construction can be initiated. Water supply and water quality control are no longer required. Irrigators are presently not willing to enter into the necessary contractual arrangements with the Secretary of the Interior, under the provisions of Reclamation law, for repayment of the costs allocated to irrigation storage, necessary condition to the initiation of construction.

In order that the much needed flood control protection be provided the city of Heppner, the Corps is prepared to submit a special report to the Secretary of the Army for his transmittal to the Congress which will recommend project reauthorization for construction of essentially a flood control only project with provision for reduced recreation and fish and wildlife usage.

Discussions between your Regional office in Boise, Idaho and our District office in Walla Wall, Washington indicate that irrigation storage in the Willow Creek project is not economically justified at the present time. Bureau of Reclamation representatives have requested, however, that the opportunity for storing a reasonable amount of water not be foreclosed since the need for and value of irrigation water in this basin will undoubtedly change within a very few years.

The Corps will testify before the Senate Public Works Committee on 25 April 1974 concerning the modification of the authorization of this project. If you concur with the assessment of your Boise office and can furnish us the necessary information in a communication which can accompany our testimony before the Congress on the 25th, we will be in a position to recommend that the necessary provisions for future irrigation use of the project be incorporated in the modified project authorization. As a minimum, we will need your views regarding the approximate date that irrigators will begin using the storage, the estimated value of this water, the rate at which the yield could be utilized, and the total yield required.

To be useful, this information must be received by the 22nd of April 1974 if we are to utilize it in our preparations for the Committee hearings. This letter and your response will be included in the special report.

Sincerely,

J. W. MORRIS,
Major General, USA, Director of Civil Works.

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF RECLAMATION,
Washington, D.C., April 22, 1974.

Maj. Gen. J. W. MORRIS,
*Director of Civil Works, Office of the Chief of Engineers, Department of
the Army, Washington, D.C.*

DEAR GENERAL MORRIS: Your letter of April 16, 1974 (reference DAEN-CWP-W), requested our assessment of the desirability of providing capacity in the Willow Creek Lake Project, Oregon, for future irrigation use. The local interests are desirous of having future irrigation water storage included in the project. It is recognized, however, that at the present time such space is not economically justified. Nevertheless, we believe that because the service area is short of water and there appears to be an ever-increasing national and international demand for food, the provision for such storage capacity at Willow Creek would be a sound undertaking.

The following responds to the specific questions raised in your April 16 letter:

1. What is the approximate date that irrigation will begin using the storage?

We would expect that irrigation could utilize such storage by 1990.

2. What is the estimated value of the water?

Studies made by the Bureau of Reclamation of the irrigation benefits associated with Willow Creek Dam and Reservoir and reported in 1973 resulted in a value of \$11.80 per acre-foot of yield. Since that analysis was made, we have had some changes in benefit-estimating procedures and prices paid and received by farmers. We have not had sufficient time to make a detailed reanalysis of the irrigation benefits using these current data. We have, however, attempted to estimate the effects of the change in criteria and roughly estimate the benefit value to be \$15.00 per acre-foot. What the value of the water would be if reanalyzed in the 1980-1990 period is a matter of conjecture. We would expect that if current trends continue, the value could increase to at least \$20 per acre-foot.

3. What is the rate at which the yield could be utilized?

We hope that a single contracting entity could be formed, such as an irrigation district. If this can be done, we would expect a 1 of the yield to be utilized in 1 or 2 years after the contract is negotiated.

4. What is the total yield required?

In June 1972, all landowners included in the potential 3,450-acre service area were contacted to determine the extent of their desire to participate in the project. That survey indicated that about 60 percent of the landowners, who own 40 percent of the land (1,380 acres), desired to participate. Operation of the system would involve passing all natural flows belonging to the landowners who were not interested in participating through the reservoir without interference. Natural flows belonging to the landowners who are interested in participating would be allowed to pass through to the extent they could be beneficial. All water that could not be beneficially used, to the extent of capacity in the reservoir, plus any surplus flows in the creek, would be stored for release when natural flows are inadequate.

Your rescoping studies indicate the most economical sized reservoir to store water for use of the participating landowners would provide 3,500 acre-feet of space for irrigation. Yield from that space would average about 2,850 acre-feet annually. Based on an average farm-delivery requirement of about 3.6 acre-feet per acre, the storage yield, when combined with the present supply of 1,200 acre-feet from Willow and Rhea Creeks, would be about 80 percent of the amount needed for a full irrigation water supply. We feel that the minimum yield should be approximately 2,900 acre-feet, which would require 3,500 acre-feet of space for irrigation.

We hope we have provided you with the information you need.

Sincerely yours,

JAMES O'BRIEN,
Acting Commissioner.

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Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To modify section 204 of the Flood Control Act of 1965 (79 Stat. 1085).

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the project for flood protection and other purposes on Willow Creek, Oregon, as authorized by section 204 of the Flood Control Act of 1965 (79 Stat. 1085) is hereby modified to provide for reformulation and construction of the project for purposes of flood control, recreation, fish and wild-life, and future irrigation use in accordance with reclamation law of costs allocated to irrigation, and to authorize advance participation with the city of Heppner, Oregon, in the design and construction of those elements of the city's water supply system which must be relocated as a result of project construction. The discount rate applicable to the project prior to enactment of this Act shall remain in effect for purposes of cost-benefit analyses.



Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

Tam : : : 8:30 p

I found Thym Smith
and gave him the stencil.

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Carl Albert

Speaker of the House of Representatives.

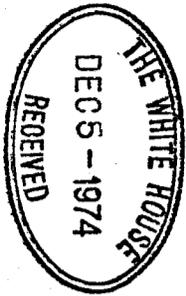
Howard M. Hughes

Vice President of the United States and

Acting President of the Senate pro Tempore

Approved, RR 7.

Richard A. [unclear] 12/17/74



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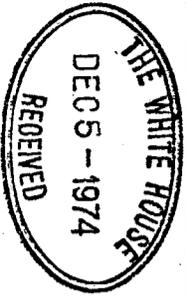
Speaker of the House of Representatives.

Howard M. Hughes

*Vice President of the United States and
Acting President of the Senate pro Tempore*

Disapproval, RR 7.

Richard A. [unclear] 12/17/74



TO THE UNITED STATES SENATE:

I have today withheld my approval from S. 3537, "To modify section 204 of the Flood Control Act of 1965."

This bill would authorize a revised Willow Creek Project in Oregon and provide for advance payment of the Federal share of the cost to relocate the water system of the nearby town of Heppner.

The Department of the Army, on behalf of the Administration, opposed this bill in committee on the grounds that it raised unresolved issues relative to the general principles and standards governing the evaluation of water resources projects.

These departures include:

- Re-evaluation of the project by using questionable methods for calculating benefits.
- Coupled with these methods of computing benefits, retention of an interest rate of 3-1/4 percent provided for in the original 1965 project authorization, compared to the present rate of 5-7/8 percent now being used.
- Authorization for advance payment of the Federal share of the costs to relocate the town's water system, as compared to the standard approach -- to await the actual beginning of construction of a project.

While I fully understand the desire of the town of Heppner to obtain Federal assistance in financing its water system, I cannot, in good conscience, accept the departures which S. 3537 would make from the established principles and standards that are employed in the evaluation of other water resources projects.



In my judgment, the Willow Creek Project should be considered for construction on the basis of current evaluation principles and standards. Any other course would be indefensible at a time when the Congress is being asked to defer funding for numerous other water resources projects.

Gerald R. Ford

THE WHITE HOUSE,
December 17, 1974.



DECEMBER 18, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

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GERALD R. FORD

THE WHITE HOUSE,
December 17, 1974

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December 5, 1974

Dear Mr. Director:

The following bills were received at the White House on December 5th:

- S. 433 ✓
- S. 3537 ✓
- H. J. Res. 444 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk



The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.