BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

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In Re:)

Draft Environmental Statement for)

the Wells Hydroelectric Project)

No. 2149-152)

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PUBLIC MEETING

Douglas PUD Auditorium

1151 Valley Mall Parkway

East Wenatchee, Washington 98802

Thursday, May 12th, 2011

6:30 p.m.

Reported by:

CHARLES D. HOFFMAN

PARTICIPANTS

KIM NGUYEN, FERC

MATT CUTLIP, FERC

SCOTT EDIGER, Esquire, FERC

FRED WINCHELL, The Louis Berger Group, Inc.

PROCEEDINGS

(6:33 p.m.)

MS. NGUYEN: I think we're going to go ahead and get started, please. Hi, more people coming, we will wait a little bit. Is anyone else out there?

Well, welcome to the first of two meetings to discuss the Draft Environmental Impact Statement or the draft EIS for the Wells Hydro Electric Project. My name is Kim Nguyen. I'm a civil engineer and project coordinator for the Federal Energy Regulatory Commission or FERC. I will let my colleagues on the panel introduce themselves before I go on.

MR. CUTLIP: I am Matt Cutlip. I'm a fish biologist out of the Portland Regional Office.

MR. EDIGER: Good evening, I'm Scott Ediger. I'm with the Office of General Counsel.

MR. WINCHELL: My name is Fred Winchell. I'm a contractor to FERC with the Louis Berger Group, and I was the project manager for the contract staff that worked on the EIS.

MS. NGUYEN: First some housekeeping matters. Please sign in on the sign in sheet in the back of the room even if you do not intend to speak.

This will help us have a complete record of attendance. There are some hard copies of the draft EIS as well as CDs on the table in the back, if you don't have a copy. The licensee has also made available a complete set of the license applications for us to reference.

Since this meeting is being recorded and a transcript being made a part of the record, which is FERC Project Number P-2149-152, please use the mic when you do make a comment. Before you speak, please state your name with spelling and your affiliation.

The current licensee, the Public Utility District Number One of Douglas County or Douglas PUD, filed a relicense application with FERC for the project on May 27th of last year. On April 6th of this year we issued the draft EIS for the project. We are here today to provide the public and stakeholders with an opportunity to comment on this draft EIS.

The public and stakeholders also have an opportunity to provide written comments by Tuesday, May the 31st. Please see the filing instruction on our notice for the draft EIS issued on April 6th. And since you do have this opportunity to file

written comments, I ask that you limit your comments at this meeting to substantive and measure issues such as characterization of measures and our analysis of those measures. Comments having to do with clarification on dates, dimensions or descriptions for example, or are grammatical in nature are best filed electronically using our e-filing link on our website, which is ferc.gov.

Following the comment period, we intend to issue a final EIS, incorporating all comments, in November of this year.

Douglas PUD will now give us a brief summary of their relicensing proposal. I will then follow up with FERC staff's alternative and highlight how it differs from the PUD's proposal. Then we will open it up for comments per resource area in the order listed in the table of contents for the draft EIS. Does anyone have any questions before we start? Hearing none, Shane Bickford from the Douglas PUD will now give us a summary of their proposal.

MR. BICKFORD: Thanks Kim. I'm going to try to do this without the mic, if that's okay? Great. I just have a fairly general Power Point about what the applicant's proposal is. Again, my name is Shane Bickford with Douglas PUD. So this is

a nice picture of the Wells Project for orientation. I'm here to talk about the applicant's proposal, specifically, the applicant's proposal as described in the final license application, filed May 27th, 2010, not 11, as it says on there.

A little orientation. Wells Project, North Central Washington, located here upstream of eight other hydro electric projects, and it's the last hydro electric project that salmon, steelhead and lamprey can pass on the Main Stem Columbia. So what's the source of the applicant's proposal? The two documents that I am going to be referring to mostly. One is the final license application filed back on May, 2010. The other is the Joint Aquatic Settlement Agreement as filed back on May 27, 2010, same day. In general, Douglas PUD in its final license application is not proposing to make any changes in the project operations or to the project generating features or materially change the project boundary. What Douglas PUD is proposing to do is make substantial investments in measures to protect, mitigate and enhance environmental resources found around the project.

Here's a list of the proposed measures to enhance the environment around the project. The

biggest one is the Wells HCP. We're also proposing to implement an aquatic settlement agreement with six associated resource management plans. Also proposing a wildlife and botanical management plan, an avian protection plan, historic properties management plan, recreation management plan, three recreation agreements, one with each of the three cities located on the project, located within the project boundary. We also are proposing to implement an off-license wildlife and resident fish settlement agreement.

In exchange for investing in all of these resource measures, Douglas PUD is requesting a 50 year license to operate the project. That would be from 2012 to 2062, in order to recoup the substantial investment that we are proposing to invest in the resources. The applicant's proposal is expected to cost 64.3 million dollars per year, as proposed in the final license application.

So a little bit about the Anadromous Fish Agreement. I'm just going to quickly go through some of the measures, kind of the purpose and who's involved in that agreement.

It's a 50 year agreement covering five species of anadromous salmonids. It's coho, steelhead,

summer fall chinnook, spring chinnook and sockeye.

The HCP includes adult and juvenile passage and survival studies, very detailed and elaborate studies that turn on and off, depending on what year you are and what phase designation you're in for survival.

There's also detailed adult fish passage plans, specifically arrayed to how the adult ladders are operated but also broodstock collection traps.

There is a juvenile fish bypass operating plan, a hatchery compensation plan. The hatchery compensation plan in particular, deals with 7/9ths of the mitigation for the project, so its hatchery production for up to seven percent loss at the project for juveniles specifically.

We also have in there inundation compensation for original project impacts related to the construction of the project and flooding in the Main Stem Columbia River.

We have a tributary conservation plan, which is intended to offset for two percent of the adult losses associated with adults passing through the project. And there's also some new measures that are being required of Douglas PUD, specifically from NOAA, and I'll go into those a little bit later on a

couple of the next slides.

Just in summary, they are requesting that we do substantial hatchery modernization, starting in the first year of the new license. Part of that is implementation of a spring chinnook hatchery genetic management plan, which is going through ESA consultation currently. There is also a steelhead hatchery genetic management plan that was submitted last month to NOAA, that we're going through for, again, Section 7 consultation and reauthorization. That too requires some pretty substantial hatchery modernization efforts as well as reprograming release sites and adult management.

There is also a requirement in the HCP that we mitigate for the Chief Joseph Hatchery should it be built. Well, it is going to be built. They have already broken ground on it. They broke ground on it this spring, and that's located right below the Chief Joe on the Colville reservation. So, the Chief Joseph Hatchery mitigation component for Douglas includes new mitigation broken on for spring Chinook as well as new mitigation for Okanogan and Columbia River, summer fall chinnook. So we kind of turned those new HCP measures.

What was the purpose of the HCP? The purpose

of the HCP was to remain compliant with the ESA. It's an ESA recovery plan as well as a take compliance plan. It satisfies a whole host of regulations and laws including all of the relicensing requirements for five stocks of anadromous salmon steelhead. For the parties that signed the HCP, it is intended to be the Section 18 Fish Rate Prescription, the 10(j) recommendations. It also is Section 7, Section 10, provides Section 7 and Section 10 coverage for project operations, including hatcheries and the hydro facility.

It also addresses ESA critical habitat. The essential fish habitat revisions under Magnus and Stevenson, the Fish and Wildlife Conservation Act that was part of Planning Council, and also addresses Title 77 of the revised code of Washington.

In addition, the HCP is intended to satisfy any future listings under the ESA for those five species. So if sockeye were to become ESA listed in addition to steelhead and spring chinnook, which are already listed, it would actually allow the project to continue to operate without material change. In addition, the HCP was also elevated to a FERC approved comprehensive plan under the Federal Power

Act, Section 10(a)2(a), back in, I believe, 2007.

There is a species, we kind of refer to them as a collective of plan species. I won't go through those species again. The idea is survival is higher than 91 percent. That's what we call total project survival for juveniles and adults. That's the big blue part of the pie. The two percent tributary compensation offsets for adult, theoretical adult losses, and the seven percent hatchery compensation allows a take of up to seven percent on juveniles, of which we apparently are at 3.7 percent. So, almost half of that allowed take level.

Parties to the HCP: National Marine Fisheries Service, U.S. Fish and Wildlife Service, Washington Department of Fish and Wildlife, the Confederated Tribes of the Colville Reservation, the Yakama Nation, Douglas PUD and the power purchasers to the Wells project.

As it relates to the final license application, what we've proposed to implement the HCP and to continue implementing the HCP includes our five year average of costs for the HCP. We've estimated those at 9.6 million. That's an average of 2003 through 2007 actual costs. So that includes kind of a first year of staggered implementation after issuance of

the incidental take permitted after 2003. That was 9.6 million. With the new measures that are being discussed, I talked a little bit about those in the first HCP slide. These are these: spring Chinook, steelhead, the hatchery genetic management plans, which are going through consultation currently, the new Chief Joseph Hatchery production and then the modernization of our facilities, to be compliant with the new ESA requirements, the Hatchery Scientific Review Group's recommendations for the Columbia Basin, as well as the Interior Columbia Basin Recovery Plan for listed stocks and the new hatchery genetic management plans as approved by the Hatchery Committee for the HCP.

That actually adds to the total cost of 9.6 with 1.5 for annualized, for a total of 11.1. And we call that future HCP costs. That's where we are expecting to be, post license.

A little bit about the Aquatic Settlement Agreement. I talked to you about that. The Aquatic Settlement actually has six management plans in it. I'm going to quickly just walk through those six plans and the general measures that are proposed therein.

There is a White Sturgeon Management Plan which

includes a broodstock collection and spawning plan. That's for adult fish. There is a juvenile rearing and stocking component. That's really the focus of the whole plan, is to get fish out in the reservoir. There is quite an elaborate set of studies related to how those juvenile fish are interacting with the reservoir and with the dam and with other fish species. I call those behavioral and reproductive studies.

There is a habitat evaluation to identify the limiting factors for the white sturgeon. And then index monitoring, which is a hatchery monitoring component to see how the hatchery stocking . . . how those fish are recruiting to the next generation.

There is also adult passage evaluation, should downstream projects adopt adult passage and it becomes biologically significant for the repair of the species, then Wells would, at that time, entertain adult passage evaluation to see if it is biologically significant. There's also an education outreach and regional information exchange, and you'll see that in a lot of these other management plans as well. So that's generally the white sturgeon.

Bull Trout Management Plan is really focused on

adult and subadult, which are juveniles, they're small bull trout. So the adult and subadult passage, both upstream and down stream. It's being able to have accurate enumeration of those fish as they move through our fish ladders. We call that enumeration account stations. It also includes bypass operations for downstream passage, as it relates to ESA listed species, HCP Plan species and bull trout. So there is an interrelated nexus there. It also includes incidental take monitoring, because they are ESA listed. It includes genetic sampling both at the project as well as at off project facilities where we collect broodstock.

There's also studies for stranding as part of incidental take. But it's also part of interaction with the project in terms of operations to make sure that when our reservoir oscillates, we don't strand bull trout. So, there are studies for that.

We also proposed a study to evaluate the impacts of our Twisp Weir Brood Collection facility up on the Methow and its effects on bull trout because there appears to be a lot of bull trout at that site. Over 100 a year are passed, and that is the core population in that alpha recovery. It also includes regional information exchange, so we are

coordinating with the other utilities around us doing bull trout work as well as with Fish and Wildlife Service and the Forest Service.

The Pacific Lamprey Management Plan includes a literature review to understand all of the . . . to keep us up-to-date on all of the activities going on in the Columbia basin and all the Main Stem Columbia River and Snake projects, where there are numerous passage studies currently going on. So that's intended to keep us current, keep out work group advised of those recent developments.

There is a fishway passage improvement component to this. It's fairly robust as it relates to adult passage. With that, our adult studies to evaluate the merits of those improvements in the fish race towards reaching a certain evaluated level. We also want to make sure we can accurately count lamprey and that there are provisions for juveniles trying to go downstream to the ocean. So that includes juvenile passage and survival studies. And then again, the regional information exchange with other utilities and with the other resource agencies and tribes.

We also proposed a Resident Fish Management Plan, which has a pike minnow control program, but

also in the future could include small mouth bass and walleye or other predators on, particularly ESA listed fish, but also on lamprey and sturgeon who are trying to recover.

There is a pretty robust section in there as it relates to the land use policy for shoreline habitat protection and periodic index monitoring of the resident fish assemblage towards identifying changes that may be project related. And then there's also native fish assemblage monitoring.

So down to the last two of the six. There is also an Aquatic Nuisance Species Management Plan, which includes utilizing best management practices towards not introducing or contributing to the further spread of ANS species. There's also ANS species monitoring in the reservoir to make early detection possible and potential eradication if possible. There's bycatch monitoring during all the other activities that we're doing. That helps us to also identify the presence. There is education outreach, because that's a large component that the state and federal agencies are really interested in, is trying to educate people about when they are moving their boats around, introducing them to new waters. They need to be looking for these species.

So we've engaged in that as well, through education and outreach, mostly signage and stuff on our website. And then also regional information exchange. What are others doing regarding ANS? Are they seeing them? What are they doing for prevention and education and what are the recent laws and regulations, as they apply to us?

The last one, Water Quality Management Plan is a really big one for the Department of Ecology. This is kind of their home turf, as far as the aquatic settlement. It totals out gas monitoring; that's what the TDG acronym is. There's also a pretty robust spill operations plan, as it relates to total resolved gas, but also relates to the bypass operating plant. There is what we call the GAP and it's associated exemption. That is a gas abatement plan, Total Dissolved Gas Abatement Plan.

Temperature monitoring studies, involvement with the TMDL, with EPA, Environmental Protection Agency. They started a TMDL about eight years ago, they are supposed to reengage that. So when they do that, we want to make sure we're involved in it.

There is a spill prevention and counter measure requirements that Ecology has on this, and FERC also has a similar requirement, that's for oil. There is

also involvement in the Columbia River Spill Response Initiative, that's for oil not a water spill. And then, annual inspections that Ecology does on the project toward determining compliance with all the measures and Oil Spill Prevention Plan, which is updated annually.

There is also the Quality Assurance Plans, to make sure that we're collecting the data in a robust and accurate manner and consistent with other projects around us, to feed into Ecology's regional database towards temperature and TDG compliance. And it also includes resident fish monitoring and regional information exchanges in coordination on TDG. So, that's kind of a mouth full.

Bottom line, what does that mean in terms of cost? Well, as proposed in the final license application by Douglas PUD, the aquatic salmonid is expected to cost a little over a million dollars a year to implement. A large part of that is sturgeon and lamprey, but water quality has a significant component in that as well.

What are some of the other proposals? Well, Wildlife and Botanical Management Plan includes repairing of Cassimer bar dikes. Up on the reservoir, it's a program to also help educate and

help people avoid disturbance on white pelicans. There is a repairing and vegetation management, RTE plant identification and management and protection plan.

It talks a lot about bald eagles, raptor perch management. There's beaver management, so all the riparian trees aren't destroyed. Some of the bald eagles and raptors don't have any place to nest and to roost.

There's quite extensive waterfowl enhancement through the planting of grain crops and also shoreline protection. It includes bimonthly reservoir inspections to ensure there isn't encroachment by outside parties on the project that would have a negative effect on the habitat that we're trying to manage for native species.

There's also, kind of beefing up of how we implement the Cassimer Bar Wildlife Management Area. We have six other wildlife areas that are managed in close coordination with Washington Park Fish and Wildlife. Cassimer Bar is on the Colville Reservation, so the Department of Wildlife isn't as involved with that particular wildlife area, and usually we manage that in closer coordination with the Colville Tribe. So that's to kind of step that

up to the next level for a native plant and species protection, and also pretty extensive noxious weed control.

The Avian Protection Plan. Not going to go into too many details on that. It's kind of your boilerplate Avian Protection Plan, as it relates to transmission line, mostly. But also the projects we share.

There's also a Historic Properties Management Plan. Pretty standard components in here as well. There's employee and public education programs to ensure that people are aware of the rules, regulations and what is considered cultural artifacts. There is pretty extensive and detailed reservoir inspections that go on every few years to ensure that new sites aren't exposed and identified. There is also a schedule for determination of eligibility for known sites. So that's graduated out over the license, so that eventually all the sites that are known would have a determination made on them over time. There is data indexing and archiving existing cultural resources. There is annual archaeological monitoring in 44 of the high priority sites. There is a pretty extensive erosion monitoring program to kind of get the feel of what

the reservoir is doing and where potential sites may appear in the future. And that includes monitoring in terrestrial and inundated sites.

There is also a 10 year archaeological survey and periodic testing of individual sites, as well as curation for cultural resources that have already been collected.

So the Recreation Management Plan has a few new actual on the ground measures in it. Particularly, there is the Wells Overlook Interpretive Center which is kind of intended to replace the visitor center that was in Wells Dam. Kind of post 9/11, wanted to move that out away from the actual critical infrastructure, up to a place closer to the highway, more interactive with the public.

There is also an expansion of the Marina Park RV Facilities to address capacity issues that have been identified there during the relicensing studies. There is a development for our rustic, kind of boat-in tent camping site, yet to be identified, the specific location. There's a development of also, a formal boat-in campsite.

There's an expansion of the Chicken Creek Boat Launch to improve access to that waterway. We're going to provide reservoir navigation maps, so that

when the reservoir is oscillating from its full 781 down to 771, people are aware of some of the hazards due to shallow water. So that will be on the website as well as in the boat launches. Extensive recreational facility operation and maintenance funding with the three cities, with Pateros, Brewster and Bridgeport, including capital and O&M.

There's also a feasibility study to look at the opportunity to develop a wildlife viewing trail. On the reservoir there is promotional maps. There is studies, FERC Form 80 updates as well as rec use and need studies.

So what are the costs of those? The bottom line about 800,000 a year for all four of those additional plans and measures. Although a lot of the recreational plan, particularly the facility things, the capital costs are front loaded, and this is just an annualized average over three.

A couple of other things that we proposed that really don't have costs because they are either already individual costs - they are either already assigned to one of the other areas, like the Recreation Management Plan or they are already captured in our existing operation and maintenance costs.

So the four of them are: there is the Pateros Recreation Agreement, the Brewster Recreation Agreement and Bridgeport Recreation Agreement. We included those costs in the Rec Management Plan, so that was under O&M capital.

And the land use policy. We are already implementing a very robust land use policy, and so those costs are captured in our historic operating costs as well as being identified individually as a new or incremental cost to implement that policy.

There's also something else we did not include as a cost, but it is a measure that we're doing, which is the Off-License Wildlife and Resident Fish Agreement. Specifically, we're going to plant 20,000 pounds of rainbow trout annually in cooperation with Washington Department of Fish and Wildlife to enhance recreational fishing in the Okanogan, Douglas County area, the project counties.

There is quite an extensive wildlife area funding for the wildlife areas that are adjacent to or within the project boundary, hence the reason for off-license, because some of those are outside the project boundary.

There is a habitat restoration fund should there be a catastrophic fire on the wildlife area.

We're also providing capital equipment funding to do the operation in the wildlife area. And again, those costs were not included in the final license application, but we did provide the measures so that people were aware of those actions.

Summary, kind of bottom line. Projected operating costs, this is right out of Exhibit D of the application. Our historic costs, if you take out the HCP for all of the operation and maintenance of the project, has been running about 30.4 million dollars. And that's an average from 2003 to 2007, escalated to 2012 dollars.

And for future repair and replacement cost of major capital infrastructure: turbines, transformers, generators, concrete structures, those types of things that do have a life to them. We think that annual is going to be about 21 million dollars over the life of the new license. So that's included in kind of what we call our actual interpretive. And so we call that our R&R cost, repair and replacement cost.

There is also the third category, which are all these proposed PM&Es, protection, mitigation and enhancement costs. That's the HCP plus all the management plans and the Aquatic Settlement

Agreement, as proposed by the joint parties. That totals up to 13.1 million in 2012 dollars.

So, that totals up to what we call our all in costs. Our all in cost is 64.3 million dollars, as an annual cost under the new license as proposed in Douglas PUD's final license application.

That comes up with a comprehensive developmental cost over a 30 year time frame of 1.93 billion. And the difference between the applicant's proposal and our current operating cost is roughly 34 million dollars. So that would be a 34 million dollars a year increase under a new license.

So, just a little bit about draft biological assessment and what we included in to the license application. There were three ESA listed species that we included in there: the spring chinnook, summer steelhead and bull trout. We developed the Draft Biological Assessment in close cooperation with NMFS and the U.S. Fish and Wildlife service to make sure we got the concurrence determinations accurate.

FERC also did provide quite a bit of input on that as a draft EA but also on the draft license application, and that was included in the application.

The agreed upon effect determination in there was, "May affect, not likely to adversely affect for all three species." And also, "Not likely to adversely modify or destroy designated critical habitat."

So, two more slides, ESA related slides. I just put this up there as it relates to what we're going in to right now. In 2000, as far as for NMFS consultations, Douglas PUD did receive a Section 7 Incidental Take Statement for the operation of the project. And that was under the 1990 settlement construct for the Long Term Anadromous Fish Agreement. And their determination at that time was that we were not likely to jeopardize the continued existence of the ESA listed spring Chinook or steelhead. So that kind of set the baseline for us. We were working on the HCP, and in 2003, National Marine Fisheries Service issued a 50 year incidental take permit for those five planned species in the matter of salmon and steelhead. So that was going to cover us from basically, 2004 to 2064.

In 2003, they also issued us three other incidental take permits for the operation of our hatchery program. Those were only 10 year permits

though, and those 10 year permits expire in 2013 and '14, which is intended to tie up with the license term. That leads into the last one at the bottom.

Also in 2004, as we were proposing a license amendment to include the HCP into the existing project license, FERC had to consult and do a quick Section 7 consultation on that license amendment, and that license amendment specifically required reauthorization of the HCP as part of our licensing. And it also, when FERC did approve the HCP in 2004, that triggered the effective dates for the HCP agreement for us.

The effective dates of the HCP for Douglas is 2004 through 2054, a little bit different than what it is for Chelan.

Currently, what are we doing on the ESA front? Well, we've got two things going on. We're currently in consultation to renew these Section 10 incidental take permits. They didn't quite make it to this time frame because of the ESA Recovery Plan, so now we're working on these instead. We're working on spring Chinook and steelhead hatchery management plans and we're expecting to get new Section 10 incidental take statements either later this year or early 2012. And then FERC,

specifically, is working on the relicensing and HCP reauthorization incidental take permit with NOAA.

What's going on with bull trout? Steve and Jessie are here, so if I screw this up let me know. In 2004, the Fish and Wildlife Service issued Douglas PUD an incidental take permit for bull trout. That's part of the license amendment process and approval of the HCP.

In 2005, we generally developed the Bull Trout Monitoring and Management Plan. It was submitted to FERC and approved and will be part of our license and part of our compliance.

In 2005, FERC designated Douglas PUD as nonfederal rep. We used that in the development of the Aquatic Settlement Agreements, specifically in 2008. That discussion concluded in the Fish and Wildlife Service signing on to the Wells Aquatic Settlement Agreement. And particularly, the Bull Trout Management Plan which is intended to be a Section 7, had the terms and conditions for Section 7.

So, Fish and Wildlife Service is currently consulting on one Wells project action, and that's the relicensing. And the Aquatic Settlement Agreement Bull Trout Management Plan is expected to

form the basis of that ESA Section 7 consult.

So, that's it. That's the applicant's report.

(Applause.)

MS. NGUYEN: Thank you Shane. Now to the staff's alternative. The staff alternative includes Douglas PUD's proposal to continue implementation of the Wells HCP, as well as implementation of some of the measures in the six Aquatic Resource Management Plan, as described in the Aquatic Settlement.

Staff did not recommend implementation of as yet unspecified measures of study included in the Water Quality Management Plan, the Bull Trout Management Plan, the Pacific Lamprey Management Plan, the White Sturgeon Management Plan, the Resident Fish Management Plan and the Aquatic Nuisance Species Management Plan.

We also did not recommend that Douglas PUD be required to attend and participate in forums that address regional water quality issues, regional bull trout conservation efforts, regional Pacific lamprey conservation efforts and regional monitoring efforts for aquatic nuisance species.

For bull trout, we did not recommend the annual bypass spill operations plan be subject to approval by the Aquatic Settlement Working Group, monitoring

and studying bull trout passage performance at off-project hatcheries and broodstock collection facilities and the collecting and funding of genetic analysis of bull trout tissue samples. For Pacific lamprey, staff did not recommend conducting studies of Pacific lamprey habitat and relative abundance in the project area in conducting literature reviews of potential upstream and downstream passage measures for Pacific lamprey.

For white sturgeon, we did not recommend developing a Mid Columbia hatchery facility to accomodate various phases of white sturgeon supplementation for the project. Staff also did not recommend implementation of the Resident Fish Management Plan, except for the continued implementation of the Wells HCP Predator Control Program and the Douglas PUD Land Use Policy. Our justification for not recommending these measures are in the comprehensive development Section 5 of the draft EIS.

Now, I would like to open the floor for your comments. So please remember to state your name with spelling before you speak.

MR. LEWIS: Just to clarify. Something that was a little bit vague within the confines of

the action document.

COURT REPORTER: If he is going to speak on the record-

MS. NGUYEN: Yeah, could you use that mic, please? Thank you.

MR. LEWIS: I wasn't planning on speaking but, I'll just bring it back with me.

COURT REPORTER: State your name.

MR. LEWIS: I'm Steve Lewis, S-T-E-V-E L-E-W-I-S. And I wanted to first thank the FERC staff for coming here to discuss this document.

I just had one clarifying comment for today, and that's with reference to the Commission's alternative. My question is whether or not the Commission's alternative actually includes all of the Section 18 prescriptions, or is that reserved solely within the confines of the Commission staff alternative with mandatory conditions?

MR. CUTLIP: We did not recommend in the staff alternative all the mandatory conditions, so no, we did not include all of the Section 18 prescriptions. However, we note that the Section 18 prescriptions and all the other mandatory conditions, including the Section 401 Water Quality Cert, would be included in the license. So, we just

left it at that.

And if you look at the draft license articles that were appended to the document, you can see that they're set up in a way that assumes that the current mandatory conditions that we have filed on the record would be part of the license.

MS. NGUYEN: Anything else? I have one for you, Shane. The recreation settlement that you alluded to with the cities. Is that off-license or is that part of the Recreation Management Plan?

MR. BICKFORD: They're off-license.

MR. KELLEHER: My name is Pat Kelleher, K-E-L-L-E-H-E-R. I live in Ellensburg, Washington. I'm a customer of Kittitas PUD.

Northwest Public Utilities have a preference right to BPA low cost tier one power. Recently, drastic changes have been made in allocation. In simple terms, starting in 2010, BPA allocated all future tier one power to preference customers based on their existing high water mark or current load.

Preference customers can still place load growth on BPA but at tier two rates. Tier two is basically the FERC concept of cost of alternative power listed in Table 29 of the draft EIS.

Tonight, I want to bring to FERC's attention

that unjust residential electrical market distortion among mid Columbia Public Utilities caused by FERC orders.

Public utilities are preference customers of BPA and very powerful in Washington State. This is documented in a book, "People, Politics and Public Power" by Ken Billington retired Executive Director of the Washington Public Utility District Association.

Mr. Billington writes that Rock Island Dam was the first non-federal dam constructed on the Main Stem of the Columbia River. It was constructed by Puget Sound Power and Light Company and put into service in 1933.

Later, when it appeared that the City of Seattle was going to condemn Rock Island Project, Chelan County PUD moved ahead with its own condemnation procedure against the Puget Power Plant. Later in January of 1956, Chelan PUD announced the purchase of Rock Island Dam from Puget Power for 28,226,200 dollars.

FERC has licensed and relicensed Rock Island Dam. I mention Rock Island Dam to give an indication of the power of public utilities to condemn private utilities and also provide FERC

staff a reference point.

A mere five mile arc from Rock Island Dam would include part of Chelan PUD, Douglas PUD, Grant PUD and Kittitas PUD residential service areas. The annual electrical bill for a typical residential customer is: for Chelan, 361 dollars; Douglas, 316; Grant, 552 and Kittitas, 1,008 dollars.

The residential cost for the most homogeneous product in the world. You can't determine how it was made: nuclear, hydro, wind. Once it gets on the wires, you can't determined who owns it, right? In the world, costs three times more in the adjacent PUD service area of which I live.

Based on the licensing records, future annual project costs should be stable for Chelan, Rock Island, Rocky Reach, Wanapum, Priest Rapids and Wells Dams. However, in the future when alternative power provides just 50 percent of the Kittitas PUD residential load, the annual residential bill will increase to 1,662 dollars.

First, I request that the final EIS acknowledge and then discuss the current residential electrical market distortion caused by FERC orders.

Second, I'd like to see Kittitas PUD and Douglas PUD should enter a settlement agreement

addressing this market distortion. A just and reasonable settlement agreement would be, for the term of the license, the Wells project shall provide project power at cost for Kittitas PUD tier two residential growth above its 2010 high water mark.

The settlement agreement does nothing to correct this existing distortion, but it does prevent the distortion from increasing. The cost of the settlement agreement is revenue neutral to the Wells project.

The Supreme Court stated in Udall v. the Federal Power Commission, "The grant of authority to the Commission to alienate federal water resources does not, of course, turn simply on whether the project will be beneficial to the licensee. The test is whether the project will be in the public interest."

Continued distortion of the residential electrical market is not in the public interest. Thank you.

MS. NGUYEN: Thank you Mr. Keller. It's nice to put a name to a face. Anything else? We have the room for two hours.

FERC staff doesn't have any other questions? Okay, with that the meeting will come to a close.

Thank you very much.

(WHEREUPON, The proceedings were concluded at 7:20 p.m.)