

November 9, 2011

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: Wells Hydroelectric Project No. P-2149-152
Comments of Bonneville Power Administration, the United States Army,
Corps of Engineers and Public Utility District No. 1 of Douglas County,
on Encroachment Compensation

Dear Secretary Bose:

Bonneville Power Administration (“Bonneville”), the United States Army, Corps of Engineers, (“Corps”) and Public Utility District No. 1 of Douglas County’s (“Douglas”) (referred together as “Parties”) hereby file the following comments regarding the Douglas application for relicense of the Wells Hydroelectric (FERC Project No. P-2149-152). The Parties are providing these comments to inform FERC of progress toward a formal agreement regarding encroachment of the Wells Project on the federally owned Chief Joseph Dam.

Background

Chief Joseph Dam is located approximately thirty (30) miles upstream from the Wells Hydroelectric Project (Wells). Chief Joseph Dam was authorized in 1946 and construction began in 1949 with the main dam intake structure completed in 1955. When FERC initially authorized the construction of Wells in 1962, it was recognized that encroachment of Chief Joseph would occur. Encroachment occurs when the tailwater elevation of a hydroelectric project is impacted by the forebay elevation of a second hydroelectric project. Energy production from a unit of water is directly proportional to operating head, which is the difference between the forebay elevation and tailwater elevation; the greater distance between a hydroelectric project’s forebay elevation and tailwater elevation the greater the project’s operating head, which in turn increases energy production at the project. If the tailwater elevation is increased or the forebay elevation decreased, a hydroelectric project’s generating capacity is reduced.

At the time the Wells project was authorized, Chief Joseph Dam’s generating units 1-16 were in operation. FERC acknowledged the impact of the Wells project on Chief Joseph Dam’s tailwater elevation and determined that Douglas must provide compensation for encroachment as a condition of its license. This compensation took two forms: for units

1-16 the loss is “computed on the basis of using the same quantity of water at any given time through the units of the Chief Joseph powerhouse with and without the Wells Project;” for units 17-27 Douglas was required to “compensate the United States for the increased cost of future turbines . . . required to generate the same power under reduced head conditions as a result of the encroachment.” Public Utility District No. 1 of Douglas County’s Wells Project, FERC License P-2149, Art. 32 (1962).

Pursuant to the Douglas license requirements, Douglas and the Corps entered into an encroachment agreement that expires concurrently with the current FERC license for Wells. In addition, because Bonneville is the Federal agency responsible for marketing the power generated at Chief Joseph Dam, Bonneville and Douglas executed an agreement covering the delivery of power from Douglas to Bonneville needed to compensate the Federal Government for encroachment (both agreements are hereafter referred to as “the Agreements.”). In 1982 this arrangement was modified to account for a pool raise at the Wells project that further impacted Chief Joseph’s tailwater including the impact of the pool raise on units 17 through 27.

Negotiations between the Federal Government and Douglas

In response to Douglas’s relicensing application and FERC’s *Notice of Application Ready for Environmental Analysis and Soliciting Comments, Recommendations, Terms and Conditions, and Prescriptions* for the relicense application, the Federal Government filed comments on October 7, 2010 that listed several recommended provisions. Douglas in turn filed a response to the Federal Government recommendations, disagreeing with the proposed method, and submitted its own recommendation.

In an attempt to resolve this issue, Bonneville, the Corps and Douglas have met on several occasions. As a result of these negotiations, the Parties have agreed in principle on appropriate compensation calculations and plan to have a formal agreement in place that will correspond in timing to the new FERC license.

Summary of the Principles

Units 1-16

Douglas would continue to provide encroachment payments representing the difference in Chief Joseph generation with and without the impact of the Wells project in time and kind for units 1-16 for the full Wells pool with updated efficiency curves.

Units 17-27

Douglas would continue to provide encroachment payments for units 17-27 for forebay elevations 779-781. In addition, because additional water must be passed through the larger units 17-27 to generate the same power under reduced head conditions as a result of encroachment of the Wells pool on Chief Joseph tailwater, Douglas would provide compensation for the excess water use for forebay elevations 771-779. Compensation

would be based on the amount of water used in units 17-27 in excess of the hydraulic limit of the smaller units that would have been installed without the Wells Project.

Compensation during Chief Joseph Spill Operations

Encroachment compensation would not be automatically eliminated when Chief Joseph is spilling. There are several instances when spill occurs at Chief Joseph, such as spilling for reserves or total dissolved gas management, and Chief Joseph's usable generation is reduced by encroachment. Douglas would provide encroachment payments for water going through the turbines during these types of operations.

One-Time Payment

In 1963, Douglas compensated the federal government for the incremental cost of larger future units 17-27. The Department of Army-US Army Corps of Engineers Accounting and Reporting regulations list the average service life of turbines as 40 years. Units 17 – 27 were installed during the late 1970's and at some point during the next Wells license period will need to be replaced. Douglas would compensate the federal government for the mutually agreed incremental cost of the future unit replacements.

Timing of Replacement Power

The Parties would retain the "in time and in kind" language from the original agreement. This would return power that is representative of the loss that occurred. The parties are amenable to shaping the scheduled daily energy into manageable yet still representative blocks. Bonneville would forgo its option to decline replacement power for any particular hour.

Conclusion

The Parties respectfully request that FERC include a provision in the new license that will address encroachment compensation that is consistent with the principles outlined above. The Parties will continue to work in good faith toward completion of a formal agreement to be implemented concurrent with the new 50-year Wells License. Once the agreement is final, the parties will jointly file the new encroachment agreement with FERC for incorporation into the new license.

Thank you for considering the Parties' comments on this encroachment agreement.

Respectfully submitted,

/s/ Julee A. Welch (by electronic filing)

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CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Federal Energy Regulatory Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2011), I hereby certify that I have, on this day, served an electronic or hard copy of the foregoing document upon each person designated on the service list established in Project No. P-2149-152.

Dated this 9th day of November 2011.

\s\ Julee A. Welch

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