



PUBLIC UTILITY DISTRICT NO. 1 *of* CHELAN COUNTY

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January 29, 2009

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose, Secretary, and
Nathaniel J. Davis, Sr., Deputy Secretary
FEDERAL ENERGY REGULATORY COMMISSION
888 First Street, NE
Washington, DC 20426

Re: **Lake Chelan Hydroelectric Project No. 637-047**
Article 408g – Annual Implementation and Monitoring Report for 2008
dated January 29, 2009

Dear Secretary Bose and Deputy Secretary Davis:


The Federal Energy Regulatory Commission (Commission) issued the “Order on Offer of Settlement and Issuing New License” (License) and “Order on Rehearing” for the Lake Chelan Hydroelectric Project (Project) on November 6, 2006, and April 19, 2007, respectively. License Article 408(g) requires the Public Utility District No. 1 of Chelan County, Washington (Chelan PUD or Licensee), to file an annual implementation and monitoring report with the National Marine Fisheries Service (NMFS) and the Commission by January 31 of each year to document all measures completed in the previous year in accordance with Settlement Article 14 of the Lake Chelan Settlement Agreement.

In accordance with the above License requirement, Chelan PUD hereby files the second Annual Implementation and Monitoring Report for 2008 dated January 30, 2009 to the Commission. A copy of this letter and the report was sent concurrently to the NMFS offices in Oregon and Washington and the Washington State Department of Ecology.

*Ms. Kimberly D. Bose, Secretary
Mr. Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission*

Please do not hesitate to contact me or Steven Hays at 509-661-4181 of my office regarding any questions or comments regarding this report.

Sincerely,



Michelle Smith
Licensing and Compliance Manager
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(509)661-4180

Enclosure

c: Rich Domingue
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Dale Bambrick
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Tom Tebb, Director
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Derek Sandison, Director
Office of the Columbia River
Washington State Dept. of Ecology
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LAKE CHELAN HYDROELECTRIC PROJECT NO. 637
ANNUAL IMPLEMENTATION AND MONITORING REPORT FOR 2008

**Upper Columbia Spring-Run Chinook
and Steelhead Conservation Measures**

Article 408(g) and Appendix A, Agreement Article 14

Introduction

In accordance with Article 408(g) and Settlement Agreement Article 14, Chelan PUD shall implement its responsibilities as described in Chapter 12 of the Comprehensive Plan. Specifically, Article 408(g) requires filing of an annual implementation and monitoring report with the National Marine Fisheries Service (NMFS) and the Federal Energy Regulatory Commission (Commission) by January 31 of each year to document all measures completed in the previous year in accordance with article 14 of the Lake Chelan Settlement Agreement (SA). Article 14 of the SA states:

(a) Within 180 days of the effective date of the New License, and by January 31st of each subsequent year, including any subsequent annual licenses, Chelan PUD shall make available \$20,000, to be used to acquire water for instream flows through funding of water conservation measures or lease/purchase of water rights from willing sellers, as provided in Chapter 12 of the Comprehensive Plan. NOAA Fisheries and Ecology shall develop a list of proposed measures or lease/purchase of water rights, and submit it to Chelan PUD by January 10 of each year. Chelan PUD shall fund the implementation of those actions on such list, pursuant to a contract between Chelan PUD and an organization (such as Washington Water Trust) that Chelan PUD, NOAA Fisheries and Ecology find suitable, to the extent that holders of water rights voluntarily agree to conservation measures or leases/purchases. The water saved shall be dedicated to instream flows through either the Trust Water Rights program or other contractual arrangement. The \$20,000 funding shall be the total amount provided, covering all costs associated with the measures above.

(b) In the event that implementation of conservation measures or leases/purchases in a year do not use all the funding available, Chelan PUD shall carryover that year's \$20,000 in funding, or any unused portion thereof, into future years. In the event that conservation measures or leases/purchases requiring funding in a single year exceed the \$20,000, funding can be borrowed from future years, adjusted pursuant to Section 19.2.9 of the Agreement. Priority will be given to conservation measures and purchases that can be implemented early in the term of the New License. Total advance funding to be provided by Chelan PUD during the term of the New License, including any subsequent annual licenses, shall not exceed either \$500,000 or the value of annual funds for the remaining term of the license, adjusted pursuant to Section 19.2.9, whichever is less.

Water Conservation Fund Activity During the Previous Calendar Year

The 2008 objective to support this measure was to coordinate with the NOAA Fisheries (NMFS) and the Washington State Department of Ecology (WDOE) to determine a yearly list of proposed measures for water conservation and budget for 2008. Neither NMFS nor WDOE proposed any measures or lease/purchases of water rights for action in 2008. Instead, pursuant to the terms of Article 14 of the SA, Chelan PUD shall carryover the funds unused in 2008 and make those funds available in 2009, in addition to the 2009 budgeted funds.

Withdrawals from the Water Conservation Fund

There have been no withdrawals from the Water Conservation Fund. Using the CPI adjustment provided in Section 19.1 of the Settlement Agreement, the available funds for year 2008 was \$47,055, as of January 31, 2008. This value was based on a CPI adjustment of 15.23% for the increase in value of the initial \$20,000 from 2003 – 2007. The available funds for use in 2009 will be approximately \$73,971, based on an assumed CPI adjustment of 2.5% since January 31 of 2008. This value will be adjusted following publication of the CPI adjustment for 2008, which will be available after January 31, 2009.

Resource Project Monitoring

No specific projects were funded during 2008, thus no monitoring has occurred.