



PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY
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April 30, 2010

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

VIA ELECTRONIC FILING

Re: **Lake Chelan Hydroelectric Project No. 637**
Article 406 – Wildlife Habitat Plan
2009 Activity Report and 2010 Work Plan

Dear Secretary Bose and Deputy Secretary Davis:

On April 10, 2008, the Federal Energy Regulatory Commission (Commission) issued the “*Order Modifying and Approving Wildlife Habitat Plan under Article 406*”¹ requiring the Public Utility District No. 1 of Chelan County, Washington (Chelan PUD) to file an annual report on work planned and completed with funding provided to the U.S. Forest Service (USFS), U.S. Department of the Interior, National Park Service (NPS) and the Washington Department of Fish and Wildlife (WDFW) by April 30, 2010. The Wildlife Habitat Plan states that all payments for work conducted will be in accordance with section 19 of the Settlement Agreement.²

In accordance with Ordering Paragraph (B) of the above Order, Chelan PUD hereby files the 2009 Activity Report and 2010 Work Plan to the Commission.

Please do not hesitate to contact me or Von Pope at (509) 661-4625 regarding any questions or comments regarding this report.

Sincerely,

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

Enclosure

c: Annelise Lesmeister, NPS
Catherine Willard, USFS
Art Viola, WDFW

¹ 123 FERC ¶ 62,039 (2008)

² Chelan PUD, on behalf of the signatories, filed a comprehensive settlement agreement on October 17, 2003.

LAKE CHELAN HYDROELECTRIC PROJECT NO. 637

Wildlife Habitat Plan

2009 Activity Report and 2010 Work Plan

Introduction

In accordance with Article 406 of the new License,¹ the Public Utility District No. 1 of Chelan County, Washington (Chelan PUD) filed to the Federal Energy Regulatory Commission (Commission) a Wildlife Habitat Plan (WHP) by November 6, 2007. The purpose of the WHP is to describe the methods and schedule used to implement upland habitat improvements and riparian habitat improvements in the Lake Chelan basin. The WHP includes provisions for acquiring conservation easements and providing habitat enhancement on private lands on the north shore of Lake Chelan, upland habitat improvements for the USDA Forest Service (USFS) and Washington Department of Fish and Wildlife (WDFW), noxious weed control, wildlife surveys, and riparian habitat improvements on USFS and National Park Service (NPS) lands surrounding Lake Chelan.

The WHP submitted to the Commission provided details on the implementation of riparian and upland habitat improvements within the Lake Chelan basin. However, enhancements specific to Stehekin area habitat on NPS lands overlap with measures to be implemented under Article 403, Stehekin Area Implementation Monitoring Plan (SAIMP). Therefore, the measures for improving riparian habitat improvements within the Stehekin area were incorporated into the SAIMP. (Refer to the SAIMP 2009 Annual Report and 2010 Work Plan filed with the Commission on April 9, 2010, for details.)

On April 10, 2008, the Commission issued the “*Order Modifying and Approving Wildlife Habitat Plan under Article 406.*”² Ordering Paragraph (B) of the Order requires Chelan PUD to file an annual report on work planned and completed with funding provided to the USFS, NPS and the WDFW by April 30 each year, beginning on April 30, 2009.

Activity during the Previous Calendar Year

Implementation objectives for 2009 were to comply with license Article 406 and the WHP, which included the following:

¹ 117 FERC ¶ 62,129 (2006)

² 123 FERC ¶ 62,039 (2008)

1. Lake Chelan wildlife habitat measures;
2. Upland habitat improvements;
3. Riparian habitat improvements; and
4. Conducting an annual Winter Wildlife Survey

Lake Chelan Wildlife Forum Representatives

The following table identifies the members of the 2009 Lake Chelan Wildlife Forum (LCWF).

<i>NAME</i>	<i>AGENCY</i>
Bruno, Ron	Wenatchee Sportsman's Association
Denniston, Gary	Lake Chelan Sportsman's Association
Eldred, Tony	Washington Department of Fish and Wildlife
Gempko, Vicki	National Park Service
Kastenholz, Joe	United States Department of Agriculture – Forest Service
Kuntz, Bob	National Park Service
Landrus, Glen	Foundation for NA Wild Sheep
Lenz, Mallory	United States Department of Agriculture – Forest Service
Lewis, Steve	United States Fish and Wildlife Service
Marco, Jerry	Confederated Tribes of the Colville Reservation
Martinez, Alex	United States Department of Agriculture – Forest Service
McKinley, Dan	National Wild Turkey Federation
Merkle, Carl	Confederated Tribes of the Umatilla Indian Reservation
Montgomery, Mike	North Central Washington Mule Deer Association
Oelfke, Jack	National Park Service
Osborn, Jeff	Chelan PUD
Oswood, Mark	Audubon Society
Pope, Von	Chelan PUD
Strickwerda, Chris and Marilyn	Interested Residents
Volson, Dave	Washington Department of Fish and Wildlife

2009 Meeting Activity

Several meetings between the USFS, the NPS, and Chelan PUD were conducted to discuss 2009 activities and estimated costs for proposed 2010 activities. These meetings were held on February 6, August 28, December 3, and December 7, 2009.

2009 Activity Summary

Activities completed in 2009 included:

1. Chelan PUD made funds available to the NPS, USFS, and WDFW for upland habitat improvements;
2. Chelan PUD made funds available to the NPS, USFS, and WDFW for riparian habitat improvements;
3. Private landowners on north shore Lake Chelan were contacted by the Trust for Public Lands (TPL) regarding conservation easements on their lands; and,

4. Chelan PUD staff conducted ten winter wildlife surveys on Lake Chelan.

The following is a summary of the Lake Chelan WHP 2009 activities:

Lake Chelan Wildlife Habitat Measures (WFW)

LC09a1, LC09a2, LC09a3: Conservation Easement Acquisition

The Chelan Douglas Land Trust and the TPL received feedback from private land owners on the north shore of Lake Chelan that they are only interested in considering conservation easements at or near retail market values for their property. These easements are prohibitively expensive because a true conservation easement requires private land owners to forego their development rights at the shoreline as well as upland areas upslope. The most recent land transaction in the area of interest was the sale of a 20-acre parcel for approximately \$195,000. This cost is largely driven by the developable lake front property in the area. Acquiring conservation easements at or near this price to acquire easement on 400 acres far exceeds the dollars agreed to (\$220,000) for this project. However, Chelan PUD and WDFW are continuing to work together to develop alternative ideas to meet the objective of preserving and improving important winter range habitat in this area.

Upland Habitat Improvements (USFS)

LC09b1, Task 3: Coyote Creek

First quarter work included technical burn plan preparation. The planned burn was scheduled for the second quarter. However, the burn window was small and did not coincide with good access conditions. The USFS will attempt to burn again in the spring of 2010.

LC09b1, Task 4: Lucerne Late Successional Reserve Restoration

In 2009, first quarter work included contract preparation, solicitation selection and award of contract. During the second quarter, MCH Douglas-Fir bark beetle anti-aggregant pheromone was applied to approximately 450 acres in the reserve to protect large trees from post-fire beetle attacks. Verbenone was also applied in several small areas to protect large ponderosa pine from mountain pine beetles. This work was a two-year project, as the most effective treatment involves pheromone application for two years following fire. Treatment 1 was completed in 2008, and treatment 2 was completed in June/August of 2009. However, monitoring (funded separately by the USFS) may show that an additional treatment may be warranted in 2010 with remaining funds. The controlled burn plan for Lightning Creek has been postponed until 2011.

LC09b2: Noxious Weeds

The USFS completed weed control for 2009. This work included controlling *crupina*, a class A noxious weed, on the north shore of Lake Chelan.

Riparian Habitat Improvements (USFS)

LC09c2A: Riparian Habitat

In the first quarter and fourth quarter, the USFS collected dog wood seeds and sent them to the nursery for cleaning and propagation. Cedar planting sites were selected (and planted with USFS funds). During the fourth quarter, big leaf maple seed was also collected and sent to the nursery for cleaning and propagation.

Winter Wildlife Survey (WDFW and Chelan PUD)

On April 10, 2008, the Commission approved the Lake Chelan WHP, which prescribed the continuation of annual wildlife surveys similar to those conducted during the second license for the project (1974-2004). During consultation on new the Lake Chelan Wildlife Plan, the Lake Chelan Wildlife Forum elected to add waterfowl to the Lake Chelan winter wildlife survey for the 50 year license period (2006 - 2056). The objective for the Lake Chelan Winter Wildlife survey is to monitor big-game species encountered as well as waterfowl and eagle species encountered.

Chelan PUD conducted ten winter wildlife survey on Lake Chelan from late November 2009 through late March 2010 as required in the WHP. Typically 12 surveys are conducted each winter within 4 specific winter periods. However, two surveys were not conducted (one in late winter and one in the green-up period) due to inclement weather.

The Lake Chelan Winter Wildlife Survey Report for the 2009-2010 winter will be submitted to the Commission, WDFW, U. S. Fish and Wildlife Service, and NPS by April 30, 2010, as required in the Order Modifying and Approving Wildlife Habitat Plan under Article 406.

Activity Planned for Calendar Year 2010

The following is a summary of Lake Chelan WHP activities planned for 2010:

Lake Chelan Wildlife Improvements (WDFW)

LC09a1, LC09a2, LC09a3: Conservation Easement Acquisition

To date, WDFW and Chelan PUD have focused on preserving and improving habitat on private lands that are between the 1,100-foot and 1,400-foot elevation band. Some lake front development (remote cabins accessed by boat) could occur with minimal impact to the upland habitats benefit wintering wildlife. Therefore, it is not necessary to purchase lake front development rights as required in a true conservation easement. WDFW and Chelan PUD met in early 2010 to discuss options for achieving the overall objective of preserving and improving habitat for wintering wildlife along the north shore of Lake Chelan at the funding levels provided.

In 2010, WDFW and Chelan PUD will cooperate and coordinate to seek new partners that could assist with purchasing wildlife habitat preservation or enhancement agreements to preserve and improve habitats within the elevation band

desired. Specifically, Chelan PUD and WDFW will contact the Natural Resources Conservation District and the Cascadia Conservation District to explore new options for obtaining agreements with private land owners along the north shore of Lake Chelan

WDFW biological staff continues to recommend reserving expenditure of these funds until some type of land management agreement is acquired. The area of primary focus for acquisition of conservation easements on private lands is located on the north shore, Lower Basin Zone, between Gold Creek and Camas Creek at elevations between 1,100 and 1,400 feet mean sea level. Once agreements are acquired, funding from this source could be used to provide additional habitat restoration or enhancement activities on lands where agreements are acquired, or for other habitat enhancement projects in the Chelan basin. WDFW desires that Chelan PUD retain this funding until such time as specific habitat agreements can be obtained where habitat enhancement actions can occur.

Upland Habitat Improvements (USFS)

LC09b1, Task 1: Native Seed Program

The intent of this project is to collect, clean, and propagate native plants for habitat restoration and improvement projects on the Chelan Ranger District. In 2010, additional seeds will be collected for propagation, and seed will be sent both to processing and storage facilities as well as propagation facilities. These plants can be used to help with restoration of riparian areas, burned areas, and areas impacted by other disturbance. The first seed collections will start to produce plantable seedlings in 2011.

LC09b1, Task 3: Coyote Creek Prescribed Burning

In 2009, there was limited opportunity to conduct this burn since there was a small burn window that did not coincide with good access conditions. The USFS will attempt to burn again in the spring of 2010.

LC09b1, Task 4: Lucerne Late Successional Reserve Restoration

Treatment 1 was completed in 2008, and treatment 2 was completed in April-August of 2009. However, monitoring in 2010 (funded separately by the USDA Forest Service) will determine if additional treatment may be warranted in 2010 with remaining funds. Preparation for burn plan for Lightning Ridge is scheduled for 2011.

LC09b1, Task 7: Bear Mountain Pre-Commercial Thinning

The Chelan Ranger District is in the process of completing a plan for forest restoration in the Bear Mountain area, which serves as an important winter range for mule deer from as far away as Lake Wenatchee. The intent of the project is to thin out small diameter trees and reduce ladder fuels to allow bigger trees to grow and resist both insect attacks and wildfire. The plan may be completed in time to award a small thinning contract or complete some thinning with USFS crews during late summer or fall of 2010.

LC09b1, Task 11: Whitebark Pine Restoration

The intent of this project is to apply appropriate pheromones (e.g. verbenone) to Whitebark Pines on the Sawtooth Ridge to help protect them from an on-going bark beetle attack in the area. Application would take place in June if equipment and materials are available. If not, the project may be deferred to 2011.

LC09b1, Task 12: North Shore Winter Range Restoration – Crupina Control

Wildlife funds will be used to help control crupina on the upper north shore winter range, which is a rare and critical winter range that offers remote habitat for both mule deer and their potential predators. Wolf presence has been confirmed in the adjacent watershed, and improvement of winter range conditions in this area may aid in the reestablishment of wolves on the Chelan Side of the Sawtooth Ridge. Funds will be used to pull and spray crupina and provide USFS oversight of Washington Conservation Core crews.

LC09b2: Noxious Weeds

2010 is the third and final year of this project. The USFS plans to exhaust the funding in 2010 on Crupina (Class A noxious weed) control.

Riparian Habitat Improvements (USFS)

LC09c2A, Task 1: Riparian Habitat

Work scheduled for the USDA Forest Service in 2010 will include lakeshore planting and mid-elevation cedar planting if weather results in an early spring. Up to 1500 cedar will be planted in these locations. Surveys will also be conducted to identify areas for future dogwood plantings, and propagation/planting of other riparian species such as cottonwood.

LC09c2A, Task 2: Riparian Habitat

Proposed action for 2010 will include planting of cedar seedlings at mid-elevation areas.

Winter Wildlife Survey (WDFW and Chelan PUD)

Chelan PUD will conduct the winter wildlife surveys on Lake Chelan in 2010-2011. The same survey methods as previous years will be employed during the winter wildlife survey, unless otherwise recommended by the Lake Chelan Wildlife Forum (LCWF), during the term of the new license. As provided in Article 406(a), Chelan PUD is coordinating wildlife surveys with WDFW and will be reporting annual results to the Commission, WDFW, U.S. Fish and Wildlife Service, and NPS by April 30, 2011, as required in the Order Modifying and Approving Wildlife Habitat Plan under Article 406.

Funding Activity

Section 19.3 of the Settlement Agreement requires Chelan PUD to enter into payment agreements with the agencies prior to allocation of funds. During 2009, Chelan PUD

coordinated with the NPS and the USFS to obtain a 2010 annual work plan, including estimated funding amounts, as prescribed under Section 19.3 of the Settlement Agreement and in the payment agreement.

The table below provides a summary of funds available, stated in net present value, where applicable. The amounts have been adjusted to 2009 dollars using the CPI adjustment as of January 31, 2010, as outlined in Section 19.1 of the Settlement Agreement.

FUNDING PROVISIONS – YEAR 2009 ACTIVITIES – YEAR 2010 ESTIMATED COSTS
Updated March 9, 2010

AGMT ARTICLE	DESCRIPTION	ESTIMATED ACTIVITIES 2009	First Qtr Jan - Mar	Second Qtr Apr - June	Third Qtr July - Sept	Fourth Qtr Oct - Dec	TOTAL SPENT 2009	ESTIMATED ACTIVITIES 2010	ESTIMATED COSTS 2010	TOTAL FUNDING AVAILABLE AS OF JANUARY 31, 2010
LC09a1 <i>One Time</i>	WDFW Conserv Easement Fund (Wildlife Plan)	No activity planned					---	Pursue habitat easement acquisition	\$262,321.81	\$262,321.81
LC09a2 <i>One Time</i>	WDFW Conserv Easement Fees (Wildlife Plan)	No activity planned					---	Pursue habitat easement acquisition	\$39,348.27	\$39,348.27
LC09a3 <i>One Time</i>	WDFW Habitat Fund (Wildlife Plan)	No activity planned					---	Pursue habitat easement acquisition	\$38,155.90	\$38,155.90
LC09b1	USFS Upland Habitat (Wildlife Plan)	Task 3: Coyote Creek Task 4: Lucerne	\$3,932.26 \$753.64	\$349.52 26,252.14			\$4,281.78 \$27,005.78	Task 1: Plant/Seed Propagation Task 3: Coyote Creek (C/O '09 balance) Task 4: Lucerne Task 6: North 25 Restoration Task 7: Bear Mountain Task 11: White Bark Pine (New) Task 12: Crupina control	\$4,777.00 \$15,718.22 \$7,229.00 0.00 \$24,988.00 \$25,000.00 \$8,226.00	\$526,115.19
LC09b2	USFS Noxious Weeds (Y1-3) (Wildlife Plan)	Task 1: Weed Control		\$10,000.00			\$10,000.00	Task 1: Weed Control	\$7,953.00	\$7,953.00
LC09c1	NPS Stehekin Habitat (made part of SAIMP)	Refer to the SAIMP 2009 Annual Report and 2010 Work Plan.					---		---	---
LC09c2A <i>One Time</i>	USFS Riparian Habitat (Wildlife Plan)	Task 1: Planting		\$653.86	\$1,299.30	\$58.01	\$2,011.17	Task 1: Planting Task 2: Plant cedar trees at mid-elevation	\$14,568.00 \$2,060.00	\$57,617.71
LC09c2B <i>One Time</i>	NPS Lake Chelan Basin Riparian Habitat (made part of SAIMP)	Refer to the SAIMP 2009 Annual Report and 2010 Work Plan					---		---	---
LC09c2C <i>One Time</i>	WDFW Riparian Habitat (Wildlife Plan)	No activity planned					---		---	---
		TOTALS					\$43,298.73		\$450,345.20	\$931,511.88