



PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY

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January 31, 2008

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose, Secretary
FEDERAL ENERGY REGULATORY COMMISSION
888 First Street, NE
Washington, DC 20426

Re: **Lake Chelan Hydroelectric Project No. 637-022**
Article 408g – Annual Implementation and Monitoring Report for 2007 dated January 31, 2008

Dear Secretary Bose:

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 Annual Implementation and Monitoring Report for 2007 dated January 31, 2008 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.

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
National Marine Fisheries Service
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Dale Bambrick
National Marine Fisheries Service
304 S Water Street, STE 201
Ellensburg, WA 98926

Denise E. Mills and Tom Tebb
Washington State Dept. of Ecology
15 West Yakima Ave, Suite 200
Yakima, WA 98902-3452

LAKE CHELAN HYDROELECTRIC PROJECT NO. 637
ANNUAL IMPLEMENTATION AND MONITORING REPORT FOR 2007

**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 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 2007 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 2007. Chelan PUD met with NMFS and WDOE in 2007 to initiate this process and each agency designated a representative to complete this task. However, a list of proposed measures or lease/purchase of water rights was not submitted for 2007. Instead, pursuant to the terms of Article 14 of the SA, Chelan PUD shall carryover the funds unused in 2007 and make those funds available in 2008, in addition to the 2008 budgeted funds.

Future annual reports will document consultation efforts with NMFS and WDOE to solicit preparation of a list of proposed measure or lease/purchase of water rights for 2008. Documentation will be provided regarding expenditure of funds for measures completed and a description of each measure funded.

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 2007 was \$22,413, as of January 31, 2007. This value was based on a CPI adjustment of 12.067% for the increase in value from 2003 – 2006. The available funds for use in 2008 will be approximately \$46,948, based on an assumed CPI adjustment of 2.5% since January 31 of 2006. This value will be adjusted following publication of the CPI adjustment for 2007, which will be available after January 31, 2008.

Resource Project Monitoring

No specific projects were funded during 2007 so no monitoring has occurred.