



Relicensing Public Meeting

January 29, 2004



Overview

- What is a hydropower license and why does the Rocky Reach dam need a new one?
- What laws and regulations have changed since the dam received its first license and how does it impact relicensing?
- What is Chelan PUD proposing and how will it affect the community?



Need for an operating license

- Non-federal hydropower dams need an operating license from the Federal Energy Regulatory Commission (“FERC”).
- Licenses are issued for between 30 and 50 years. The current Rocky Reach Hydroelectric Project license expires in June 2006.
- Chelan PUD needs to submit an application for a new license to FERC by June 30, 2004.



Things have changed....

- Original license (1956)
- License amendment (1968)
 - Recreation regulations of 1963 provided opportunity for recreational access
- Relicensing (1999 – 2006?)
 - 40 laws and regulations implemented since first license and 1968 amendment
 - Focus on environmental issues



Sample Laws and Regulations Affecting Relicensing

- Section 4(e) of the Federal Power Act
- Section 18 of the Federal Power Act
- Section 401 of the Clean Water Act
- Endangered Species Act 1973
- Electric Consumers Protection Act 1986



Recreation regulations (1963)

- The Federal Power Act requires FERC to consider other uses of the waterway, such as recreation, when issuing a new license.
 - Licenses must “provide access” to public waters. Measures must be:
 - Associated with project lands and waters
 - A reasonable expenditure



Public Participation

The National Environmental Policy Act (1969)

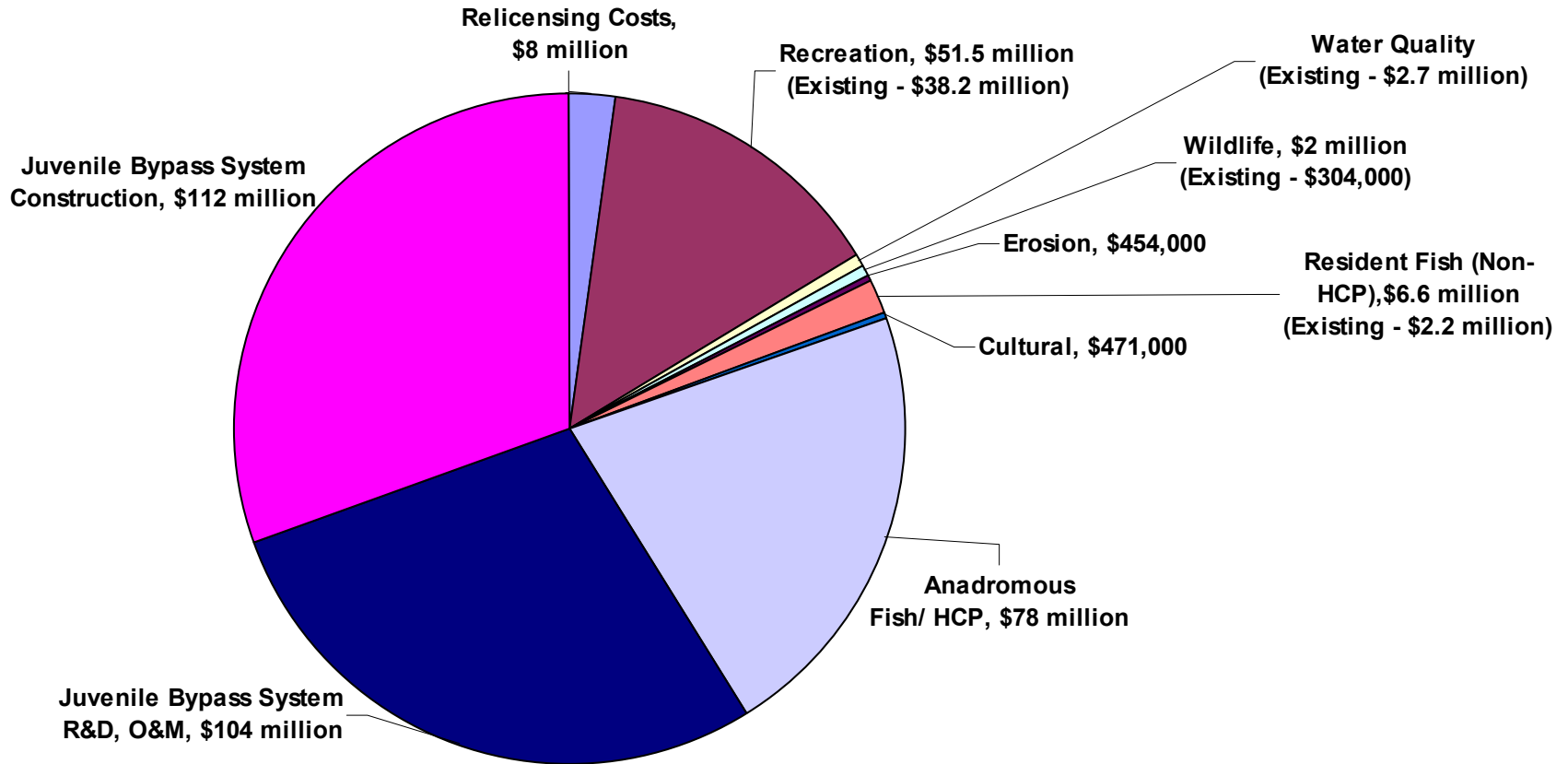
- FERC must produce an environmental analysis for a new license after soliciting public comment and incorporating agency terms and conditions
 - Traditional licensing process
 - Alternative licensing process

The Alternative Licensing Process



- We've been working on relicensing Rocky Reach since 1999 (52 working group meetings, 29 Full Team meetings to date)
 - Conducted studies
 - Developed proposed enhancement measures
 - Issued documents for public review
 - Received draft agency conditions

Proposed new license costs (for a request 50 year term) Total NPV = \$366 million



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|--|---|--|
| ■ Relicensing Costs | ■ Recreation | ■ Water Quality |
| ■ Wildlife | ■ Erosion | ■ Resident Fish (Non-HCP) |
| ■ Cultural | ■ Anadromous Fish/ HCP | ■ Juvenile Bypass System R&D, O&M |
| ■ Juvenile Bypass System Construction | | |



High Stakes

- Delay
 - Tacoma's Cushman project has been in relicensing for 28 years.
- Outrageous conditions and costs
 - Agencies originally proposed a \$500 million package of mitigation measures for Pend Oreille's Box Canyon Project – which is only 60 MW.



Recreation history

- Chelan PUD spent \$67 million on parks for all three hydro projects
 - \$24 million for Rocky Reach parks
 - \$33 million for Rock Island parks
 - \$10 million for Lake Chelan parks

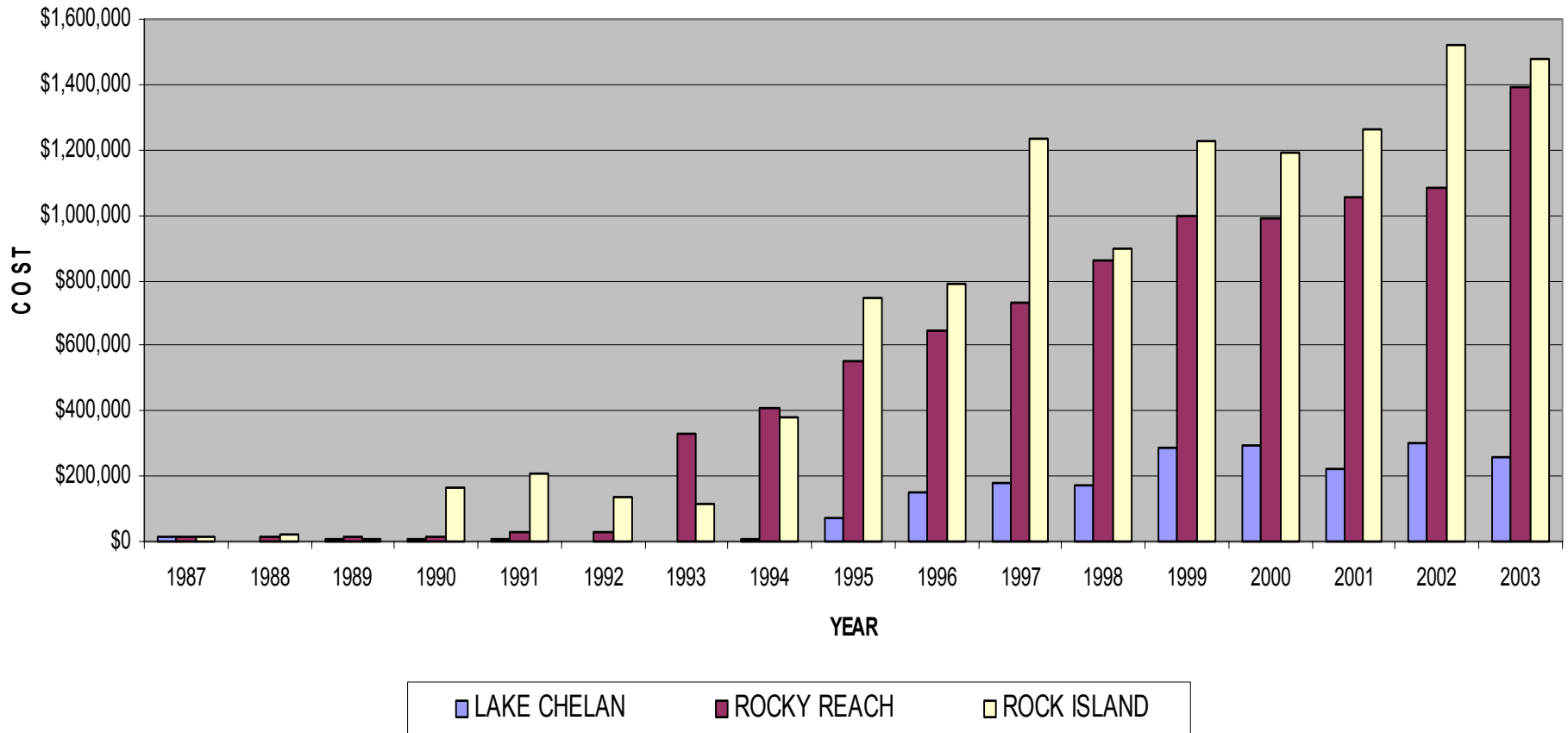


Operation and maintenance challenges

- Operation and maintenance commitments greater than anticipated
 - O&M costs increase as partners return park responsibility to PUD
 - State budget deficit most recent example

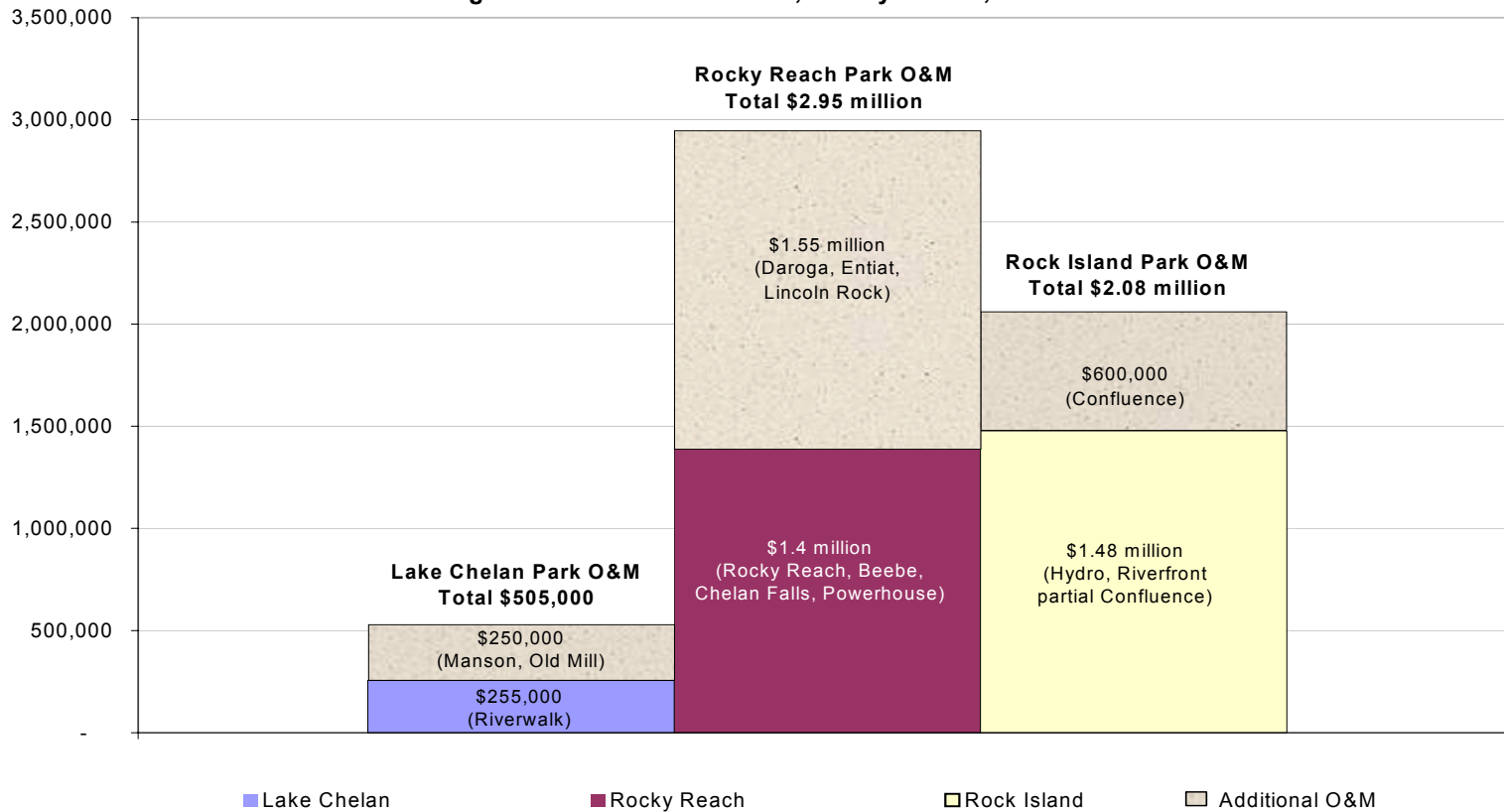
Increasing O&M Obligations

Rock Island, Rocky Reach, Lake Chelan
PARK O&M SUMMARY
1987 - 2003



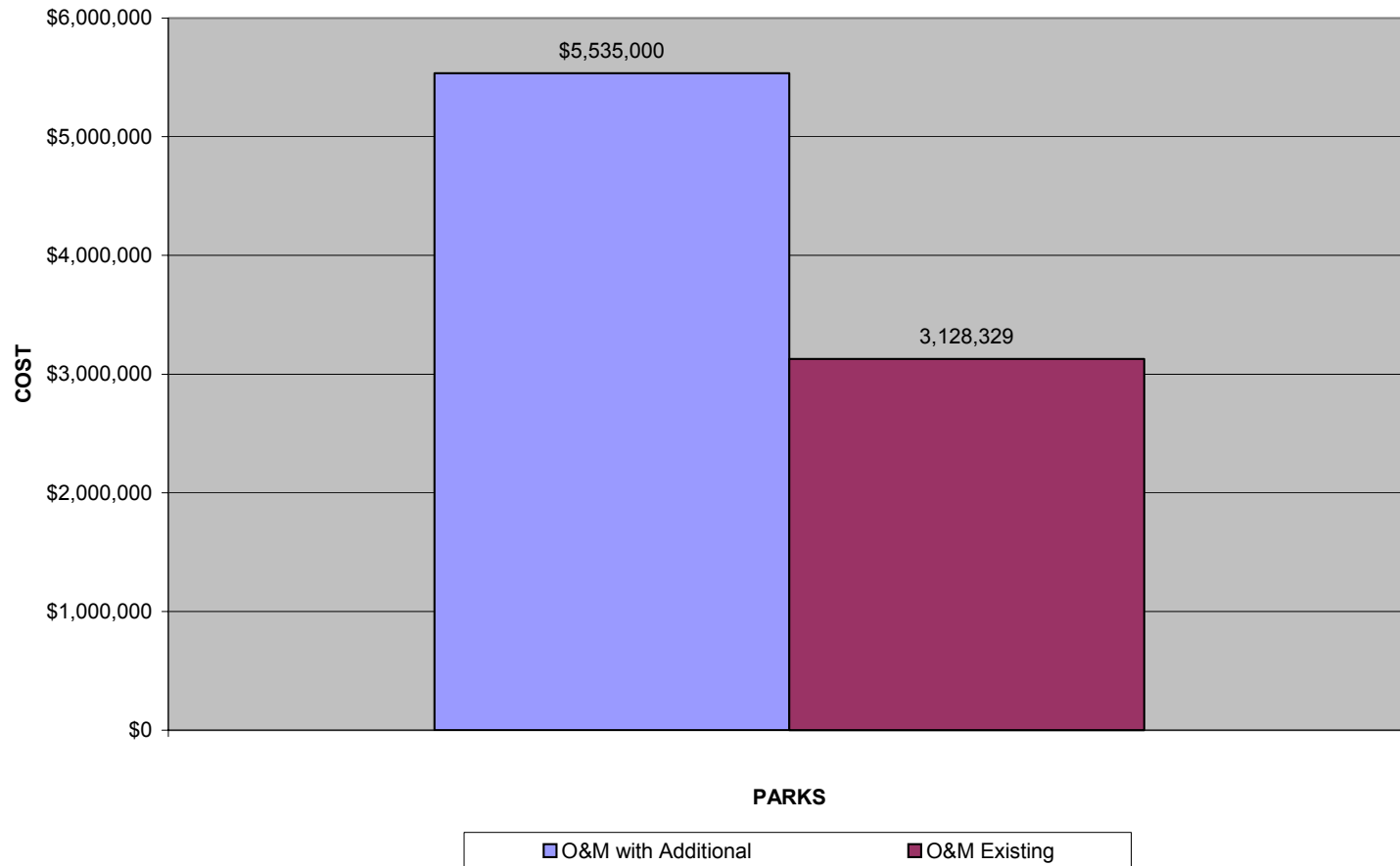
Current parks commitment... and future scenario?

Existing Park O&M Costs
Including additional Lake Chelan, Rocky Reach, Rock Island



Total park funding comparison

PUD PARK O&M SUMMARY
2003





Proposed recreation measures

- O&M - \$1.7 million annually
- Lincoln Rock State Park expansion - \$2 million
- Daroga State Park expansion - \$3.5 million
- Entiat Park upgrade - \$6.5 million
- Trails - \$2 million
- Recreation Enhancement Fund



Recreation Enhancement Fund

- Unique proposal developed by Chelan PUD to creatively provide for future recreation enhancements.
 - Must be included in new license in order for the PUD to spend money
- Not required (and may not be approved) by FERC.
 - Strict criteria must be met for FERC to allow funding of enhancements projects
- Emphasizes local partnerships and shared responsibility for future maintenance.