



PUBLIC UTILITY DISTRICT NO. 1 of CHELAN COUNTY
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April 29, 2011

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
2010 Activity Report and 2011 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 each year, beginning 2009. 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 2010 Activity Report and 2011 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

2010 Activity Report and 2011 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.

The following report provides a summary of WHP activities completed with funding provided by Chelan PUD during 2010 and a description of anticipated activities with funding to be provided during 2011. A table is provided at the end of this report that summarizes agency funding provided in 2010 and anticipated funding for 2011.

Activity during the Previous Calendar Year 2010

Implementation objectives for 2010 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 2010 Lake Chelan Wildlife Forum (LCWF).

<i>NAME</i>	<i>AGENCY</i>
Bruno, Ron	Wenatchee Sportsman's Association
Denniston, Gary	Lake Chelan Sportsman's Association
Gempko, Vicki	National Park Service
Kastenholz, Joe (retired March 2010) Willard, Paul (new member)	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

2010 Meeting Activity

Several meetings between the USFS, the WDFW, and Chelan PUD were conducted to discuss 2010 activities and estimated costs for proposed 2011 activities. These meetings were held on March 16, May 27, September 21 and 24, November 4 and December 7, 2010. No Lake Chelan Wildlife Forum meetings were held in 2010.

2010 Activity Summary

Activities completed in 2010 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. The Trust for Public Lands (TPL) recommended a local conservation District to facilitate the process regarding conservation easements on private lands along the north shore of Lake Chelan. A contract was initiated with the Cascadia Conservation District to assess landowner interest.
4. Chelan PUD staff conducted 12 winter wildlife surveys on Lake Chelan.

2010 Activity Summary by Agency

Lake Chelan Wildlife Improvements (WDFW)

LC09a1, LC09a2, LC09a3: Conservation Easement Acquisition

On November 2, 2010, Dennis Beich of WDFW provided written approval for Chelan PUD to enter into a payment agreement with the Cascadia Conservation District (Cascadia) to conduct landowner outreach along the north shore of Lake Chelan to assess the potential for securing landowner agreements on privately owned land for the purpose of preserving and improving winter range habitat for mule deer and big horn sheep.

Cascadia will provide a report by August 2011 summarizing the number of parcel owners contacted, the number of responses received (response rate), and the number of owners interested in participating in this program (positive response rate).

Chelan PUD and WDFW will determine if the number of positive responses received will warrant the development of habitat conservation and enhancement agreements before pursuing any such agreements.

WDFW biological staff continues to recommend reserving restoration 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

Seeds collected and sent to nursery for cleaning, testing, and storage.

LC09b1, Task 3: Coyote Creek Prescribed Burning

Due to wet spring conditions, the project was not completed in 2010. The USFS will carry funding to 2011.

LC09b1, Task 4: Lucerne Late Successional Reserve Restoration

No funds required for 2010. The USFS will carry funding to 2011 to prepare burn plans or additional insect and disease prevention measures.

LC09b1, Task 7: Bear Mountain Pre-Commercial Thinning

No funds required for 2010. The USFS will carry funding to 2011.

LC09b1, Task 11: Whitebark Pine Restoration

The USFS applied a mixture of verbenone (a mountain pine beetle anti-aggregant pheromone) and green leaf volatiles to whitebark pine in the Summer Blossom area on Chelan Sawtooth Ridge.

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

The USFS's project manager directed and monitored crews during all herbicide spraying applications on approximately 400 acres.

LC09b2: Noxious Weeds

For approximately 25 days, a USFS representative worked with crews to help eradicate common crupina on the North Shore of Lake Chelan. Common crupina is a Class A noxious weed present in the area.

The USFS requested the remainder of funding be used in 2011 for spring control efforts. This will help fund an additional week of USFS oversight for the project. This will exhaust all funding associated with this measure.

Riparian Habitat Improvements (USFS)

LC09c2A, Task 1: Riparian Habitat (Low Elevation Planting)

During the second quarter, the USFS planted 500 cedar trees in seven locations along the shores of Lake Chelan. Trees were planted on alluvial deposits created by the 2006 floods at Big and Little Creeks, along stream channels at Prince and Mitchell Creeks, at Lucerne, and in recently repaired shoreline erosion areas at Prince and Corral Creeks.

During the third quarter, the USFS spent one day at Prince Creek to identify potential planting sites. They determined that cedar and cottonwood are about as well established as possible, but that additional plantings of big leaf maple are needed. Only two mature trees were located in the flood zone, and in those locations, seedlings were establishing. Maple will be a valuable species in dry areas that are not yet fully vegetated. Big leaf maple seedlings will be available for planting in the spring of 2011.

LC09c2A, Task 2: Riparian Habitat (Mid-Elevation Planting)

The USFS planted 380 cedars at five locations including the old Mitchell Creek road crossing, the East Fork of Mitchell Creek, Domke Lake (in 2007 and 2008 fire areas), and Little Gold Creek.

Winter Wildlife Survey (WDFW and Chelan PUD)

For the Winter 2010-2011, Chelan PUD conducted 12 winter wildlife surveys on Lake Chelan from late November 2010 through April 1, 2011 as required in the WHP.

The Lake Chelan Winter Wildlife Survey Report for the 2010-2011 winter season will be submitted 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.

Activity Planned for Calendar Year 2011

The following is a summary of Lake Chelan WHP activities planned for 2011 by agency:

Lake Chelan Wildlife Improvements (WDFW)

LC09a1, LC09a2, LC09a3: Conservation Easement Acquisition

Complete contract with the Cascadia Conservation District to assess landowner interest. The Conservation District mailed letters to landowners with more than 5-acres and a public meeting was held in April 2011 to assess the potential for landowner interest.

Cascadia will provide a report by August 2011 summarizing the number of parcel owners contacted, the number of responses received (response rate), and the number of owners interested in participating in this program (positive response rate).

Upland Habitat Improvements (USFS)

LC09b1, Task 1: Native Seed Program

Plants propagated from seeds collected in 2010 can be used in riparian areas, burns, and other impacted areas on USFS land. Bigleaf Maple, Pacific Dogwood, and low elevation Ponderosa Pine seedlings will be delivered for planting in April and May of 2011. Additional seed will be collected and propagated for future plantings.

LC09b1, Task 3: Coyote Creek Prescribed Burning

Perform prescribed burn provided weather and habitat conditions are suitable.

LC09b1, Task 7: Bear Mountain Pre-Commercial Thinning

Project units have been laid out and work will occur in 2011. Tasks include thinning, pruning, and/or piling fuels that could lead to severe fire and loss of mule deer winter range thermal cover.

LC09b1, Task 11: Whitebark Pine Restoration

Develop landscape level treatment plan that includes possible thinning beetle infected trees, fire and pheromone treatments.

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

Pay for crew time, oversight, and materials for Crupina removal along the north shore in 2011.

LC09b2: Noxious Weeds

Pay for crew time, oversight, and materials for Crupina removal along the north shore in 2011.

The USFS will continue spring control efforts for Crupina. Funds for this task will likely be exhausted in 2011.

Riparian Habitat Improvements (USFS)

LC09c2A, Task 1: Riparian Habitat (Low Elevation Planting)

Big leaf maple (400), dogwood (250), and low elevation ponderosa pine (300) seedlings will be planted in the spring of 2011.

LC09c2A, Task 2: Riparian Habitat (Mid-Elevation Planting)

Plant 330 cedar trees at mid-elevation in the spring of 2011.

Winter Wildlife Survey (WDFW and Chelan PUD)

Chelan PUD will conduct 12 winter wildlife surveys on Lake Chelan between November 2011 and April 2012 and provide the annual summary report by April 30, 2012.

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 2010, Chelan PUD coordinated with the WDFW, 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 2011 dollars using the CPI adjustment as of January 31, 2011, as outlined in Section 19.1 of the Settlement Agreement.

FUNDING PROVISIONS – YEAR 2010 ACTIVITIES – YEAR 2011 ESTIMATED COSTS
March 4 – 2011 YEAR START

AGMT ARTICLE	DESCRIPTION	ESTIMATED ACTIVITIES 2010	1st Qtr Jan - Mar	2nd Qtr Apr - June	3rd Qtr July - Sept	4th Qtr Oct - Dec	TOTAL SPENT 2010	ESTIMATED ACTIVITIES 2011	ESTIMATED COSTS 2011	TOTAL FUNDING AVAILABLE AS OF JANUARY 31, 2011
LC09a1 <i>One Time</i>	WDFW Conserv Easement Fund (Wildlife Plan)	Pursue conservation easement acquisition					---	Carry over 2010 to 2011	\$266,638.81	\$266,638.81
LC09a2 <i>One Time</i>	WDFW Conserv Easement Fees (Wildlife Plan)	Pursue conservation easement acquisition					---	Carry over 2010 to 2011 Task 1, Item 1: Cascadia – Outreach	\$31,995.85 \$8,000.00	\$39,995.82
LC09a3 <i>One Time</i>	WDFW Habitat Fund (Wildlife Plan)	Pursue conservation easement acquisition					---	Task 1	\$38,783.83	\$38,783.83
LC09b1	USFS Upland Habitat (Wildlife Plan)	Task 1: Plant/Seed Propagation (10-017) Task 3: Coyote Creek (09-010) Task 4: Lucerne (10-017) Task 7: Bear Mountain (10-017) Task 11: White Bark Pine (New) (10-017) Task 12: Crupina control (10-017)		\$6,030.84	\$892.35	\$321.75	\$321.75 \$0.00 \$0.00 \$0.00 \$892.35 \$6,030.84	Task 1: Plant/Seed Propaga. (10-017) Task 3: Coyote Creek Task 4: Lucerne (10-017) Task 5: Safety Harbor burn (10-017) Task 7: Bear Mountain (10-017) Task 9: Antilon Lake fence (10-107) Task 11: White Bark Pine (10-017) Task 12: Crupina control (10-017)	\$9,566.25 \$15,718.22 \$0.00 \$0.00 \$49,976.00 \$0.00 \$49,107.65 \$10,421.16	\$548,260.82
LC09b2	USFS Noxious Weeds (Y1-3) (Wildlife Plan)	Task 1: Weed Control (10-017)		\$6,958.05			\$6,958.05	Task 1: Weed Control (10-017)	\$994.95	\$994.95
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 (10-017) Task 2: Plant cedar trees at mid-elevation (10-017)		\$161.48 \$1,401.61	\$1,163.97		\$1,325.45 \$1,401.61	Task 1: Planting Task 2: Plant cedar trees at mid-elevation (10-017)	\$13,721.00 \$2,858.39	\$55,791.36
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)	Potentially dependent on conservation easement acquisition					---	No activity planned for 2011	---	\$42,419.81
		TOTALS		\$14,551.98	\$2,056.32	\$321.75	\$16,930.05		\$497,782.11	