# EVOS Trustee Council Meeting

May 3, 2001

## Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451

907/278-8012 fax:907/276-7178



#### **MEMORANDUM**

TO:

Trustee Council

FROM:

Molly McCammon Executive Director

DATE:

April 24, 2001

RE:

FY 2000 Audit

Attached is your copy of the FY 2000 external audit. Consistent with the previous years, the audit included a review of the internal control structure used to administer the Trust Funds and a review of the financial statements.

The document titled EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL, Internal Control and Operation Comments, February 9, 2001, is often referred to as the management letter. The management letter summarizes the auditor's comments and suggestions regarding opportunities to strengthen internal controls and operate more efficiently. Incorporated in the document are responses from the agencies which received comments.

The document titled EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL TRUST FUNDS FINANCIAL STATEMENTS and SUPPLEMENTARY RESTORATION PROJECTS INFORMATION, Fiscal Year Ended September 30, 2000, TOGETHER WITH INDEPENDENT AUDITORS' REPORT, is often referred to as the financial statements. This document is organized into three sections. The first section is a presentation of the cash balance associated with the individual Trust Funds. The second section is organized by agency and includes the Schedule of Expenditures and Obligations (by project) — Budget to Actual, for the Fiscal Year ending September 30, 2000. The third section includes the Independent Auditors' Report on Compliance and Internal Control.

If you have any questions regarding the external audit, please do not hesitate to give me a call.

cc: Agency Liaisons

#### Internal Control and Operating Comments

February 9, 2001

#### INTERNAL CONTROL AND OPERATING COMMENTS AND RECOMMENDATIONS

#### **Table of Contents**

	rage
LETTER TO THE TRUSTEE COUNCIL	1
CURRENT YEAR COMMENTS	
UNITED STATES DEPARTMENT OF INTERIOR, OFFICE OF THE SECRETARY	
Use of Project Management Funds Return Unspent Funds From Prior Year Projects	2 2
UNITED STATES DEPARTMENT OF INTERIOR, FISH AND WILDLIFE SERVICE	
Unallowable Direct Project Costs Compliance With Annual Reporting Requirements Return Unspent Funds From Prior Year Projects	2 3 3
UNITED STATES DEPARTMENT OF INTERIOR, UNITED STATES GEOLOGICAL SU	<b>IRVEY</b>
Return Unspent Funds From Prior Year Projects	3
UNITED STATES DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE	3
UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	
Unallowable Direct Project Costs Improve Monitoring of General and Administration Costs Return Unspent Funds From Priof Year Projects Compliance with Annual Reporting Requirements	4 4 4 5
UNITED STATES DEPARTMENT OF AGRICULTURE, UNITED STATES FOREST SERVICE	
Provide Quarterly Project Reports Return Unspent Funds from Prior Year Projects	5
GENERAL COMMENTS	6
COURT REGISTRY INVESTMENT SYSTEM - JOINT TRUST ACCOUNT	6
UNITED STATES, NATURAL RESOURCES DAMAGE ASSESSMENT AND RESTORATION FUND	6
STATE OF ALASKA, EXXON VALDEZ OIL SPILL SETTLEMENT TRUST	6
ALASKA DEPARTMENT OF NATURAL RESOURCES	6
ALASKA DEPARTMENT OF FISH AND GAME	7
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION	7

#### INTERNAL CONTROL AND OPERATING COMMENTS AND RECOMMENDATIONS

#### Table of Contents (Continued)

	Page
STATUS OF PRIOR YEAR COMMENTS	
GENERAL COMMENTS	8
COURT REGISTRY INVESTMENT SYSTEM - JOINT TRUST ACCOUNT	8 .
UNITED STATES, NATURAL RESOURCES DAMAGE ASSESSMENT AND	
RESTORATION FUND	8
STATE OF ALASKA, EXXON VALDEZ OIL SPILL SETTLEMENT TRUST	8
ALASKA DEPARTMENT OF NATURAL RESOURCES	9
ALASKA DEPARTMENT OF FISH AND GAME	9
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION	9
UNITED STATES DEPARTMENT OF INTERIOR, FISH AND WILDLIFE SERVICE	9
UNITED STATES DEPARTMENT OF INTERIOR, UNITED STATES GEOLOGICAL	
SURVEY	9
UNITED STATES DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE	9
UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND	
ATMOSPHERIC ADMINISTRATION	9
UNITED STATES DEPARTMENT OF AGRICULTURE, UNITED STATES FOREST	
SERVICE	9
TRUSTEE ACENCY RESPONSES	APPENDIY 1

9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801 Phone: 907-789-3178 · FAX: 907-789-7128

February 9, 2001

Members, *Exxon Valdez* Oil Spill Trustee Council, Anchorage, Alaska:

Dear Members:

In planning and performing our audit of the financial statements of the Exxon Valdez Oil Spill Trustee Council Trust Funds as of and for the year ended September 30, 2000, we considered the internal control structure used to administer the Trust Funds and used to expend funds related to restoration projects conducted by the Federal and State Trustee Agencies. This was done in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. We have not considered the internal control structure since the date of our report.

However, during our audit we noted certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 9, 2001, on the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds. Following our comments, we have listed our internal control and operating comments identified during our fiscal 1999 audit and the status of those comments as of our current year audit.

We have organized our comments by Trustee Agency. Those comments that relate to all Trustee Agencies or to other matters that came to our attention precede the individual Trustee Agency comments.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with appropriate personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We would also like to thank Molly McCammon, Debbie Hennigh and the members of the Federal and State Trustee Agencies with whom we worked for their assistance during the audit. They worked very intently to ensure that the audit was completed as smoothly and as efficiently as possible.

Sincerely,

Elger, Kehteld &, Fink, LLC

#### UNITED STATES DEPARTMENT OF INTERIOR, OFFICE OF THE SECRETARY

#### **Use of Project Management Funds**

#### Finding-

Project #00100, Public Information, Science Management and Administration, provides overall support for science management, public involvement and administration of the restoration program through the Restoration Office. This includes funding support for public involvement efforts and support for Trustee agency participation in the restoration program. At the United State Fish and Wildlife Service Project #00100 funds are budgeted by the Trustee Council for a Restoration Work Force Liaison. At other Trustee Agencies, the person budgeted to this position is actively involved in restoration activities of the Agency in support of the goals of the Trustee Council and is the person with whom we have predominant contact. At FWS it appears that this function is performed principally by Kent Wohl, Chief, Branch of Non Game Migratory Bird. Kent provides oversight of projects at FWS and performs other functions we expect of a liasion. FWS used the project #00100 funds, however, to fund the personnel costs of another individual at FWS who does not appear to perform the duties expected of a Liasion.

#### Recommendation -

We recommend that FWS consider redirecting future Liasion funding to the individual or individuals who perform project management.

#### Return Unspent Funds from Prior Year Projects

#### Finding -

The Trustee Council Agencies are required by the Trustee Council's Operating Procedures (OPs) to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent / unobligated funds have been returned for fiscal year 1999.

#### Recommendation -

We recommend that DOI-O/S investigate its prior year EVOS projects and determine whether funds exist that should be returned to NRDA&R. Unspent or unobligated Project funding should be identified, reported to the Restoration Office and returned to NRDA&R.

#### UNITED STATES DEPARTMENT OF INTERIOR, FISH AND WILDLIFE SERVICE

#### **Unallowable Direct Project Costs**

#### Finding-

During our audit of Project #00159, Surveys to Monitor Marine Bird Abundance in Prince William Sound During Winter and Summer 2000, and Project #00163R, Marbled Murrelets Distribution and Productivity Relative to Forage Fish and Other Environmental Factors in Prince William Sound, we noted that bonuses and 'on-the-spot' awards were awarded to several PI's and project personnel in the amount of \$7,500, with corresponding general administration (GA) of \$1,100. The OPs require that authorization to expend personal services shall be consistent with the budgets approved by the Trustee Council (DPD). Those procedures also require that costs attributable to a project must be necessary and reasonable. From reviewing the DPD for these projects, no apparent provision was made for the payment of award bonuses. Although the bonuses were paid in accordance with DOI-FWS policy, they do not pass the 'necessary cost' test of project expenditures.

#### Recommendation -

We recommend that the Resoration Office determine whether the questioned costs should be disallowed and returned to NRDA&R. In addition, we recommend the Trustee Council set a policy or modify the current OPs to allow bonuses under appropriate circumstances.

#### Compliance With Annual Reporting Requirements

#### Finding -

The OPs establish a close-out period and stipulate that by January 31 st of each year, Agencies will report to the Executive Director the total expended for each project, plus any obligations relating to the fiscal year just ended. During the current year audit, we noted that FWS did not complete the close-out process prior to December 31st. As such, the agencies were unable to report on expenditures and obligations by January 31st.

#### Recommendation -

We recommend that FWS continue to be aware of the deadline for submitting project expenditures and obligations, and structure their internal policies and procedures to comply with this requirement.

#### Return Unspent Funds From Prior Year Projects

#### Finding -

The Trustee Council Agencies are required by the OPs to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent or unobligated funds have been returned for fiscal 1999.

#### Recommendation -

We recommend that FWS investigate its prior year EVOS projects and determine whether funds exist that should be returned to NRDA&R. Unspent or unobligated Project funding should be identified, reported to the Restoration Office and returned to NRDA&R.

# UNITED STATES DEPARTMENT OF INTERIOR, UNITED STATES GEOLOGICAL SURVEY

#### Return Unspent Funds From Prior Year Projects

#### Finding –

The Trustee Council Agencies are required by the OPs to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent or unobligated funds have been returned for fiscal 1999.

#### Recommendation -

We recommend that USGS investigate its prior year EVOS projects and determine whether funds exist that should be returned to NRDA&R. Unspent or unobligated Project funding should be identified, reported to the Restoration Office and returned to NRDA&R.

#### UNITED STATES DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE

We have no comments with respect to the United States Department of Interior, National Park Service.

## UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

#### **Unallowable Direct Project Costs**

#### Finding -

During our audit of Project #00454 Evidence and Consequences of Persistent Oil Contamination in Pink Salmon Natal Habitats, we noted a contract with Tal Air for flights to take place in FY01. This was done to get a new project underway for FY01 that had not yet received funds using FY00 funds from a project that had funds remaining. The OPs require that authorization to expend funds shall be consistent with the budgets approved by the Trustee Council (DPD). Those procedures also require that costs attributable to a project must be incurred within the fiscal year beginning October 1st and ending September 30th unless the Trustee Council has approved a different fiscal year. Expenditures for this contract are clearly outside the Operating Procedures for funds approved for Project #00454 by the Trustee Council. The total questioned costs for this contract, along with the associated GA is \$10,786.

#### Recommendation -

We recommend that the Restoration Office determine whether the questioned costs should be disallowed and returned to NRDA&R.

#### Improve Monitoring of General Administration Costs

#### Finding -

The OPs allow for restoration project budgets to include costs related to general administration of the projects. Theegeneral administration funds are intended to reimburse the Trustee Agencies for indirect costs such as office space, office utilities, fixed telephone charges and all normal agency services for administering the projects. The general administration budgets are calculated based on a percentage of direct project costs – 15 percent of each project's direct personnel cost, and 7 percent of the first \$250,000 of each project's contract cost, plus 2 percent of contract cost in excess of \$250,000. During our audit, we noted that GA portion of each project's budget is separated in NOAA's accounting system. This enables it to be monitored as projects are expended. Due to personnel turnover, the monitoring of the recoverable GA didn't take place, resulting in GA being recovered in excess of the allowable amount based on actual direct project spending. As a result NOAA recovered GA of \$21,162 in excess of the allowable amount.

#### Recommendation -

We recommend that the costs in excess of amounts allowable by the OPs be returned to NRDA&R. In addition, we recommend that NOAA personnel monitor the actual direct projects spending and calculate the allowable GA periodically to ensure the recovered amount is within the amount permissible by the OP's.

#### Return Unspent Funds From Prior Year Projects

#### Finding -

The Trustee Council Agencies are required by the OPs to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent or unobligated funds have been returned for fiscal 1999.

#### Recommendation -

We recommend that NOAA investigate its prior year EVOS projects and determine whether funds exist that should be returned to NRDA&R. Unspent or unobligated Project funding should be identified, reported to the Restoration Office and returned to NRDA&R.

#### Compliance With Annual Reporting Requirements

#### Finding -

The OPs establish a close-out period and stipulate that by January 31st of each year, Agencies will report to the Executive Director the total expended for each project, plus any obligations relating to the fiscal year just ended. During the current year audit, we noted that NOAA did not complete the close-out process prior to December 31st. As such, the agencies were unable to report on expenditures and obligations by January 31st.

#### Recommendation -

We recommend that NOAA continue to be aware of the deadline for submitting project expenditures and obligations, and structure their internal policies and procedures to comply with this requirement.

# UNITED STATES DEPARTMENT OF AGRICULTURE, UNITED STATES FOREST SERVICE

#### **Provide Quarterly Project Reports**

#### Finding -

The OPs establish a close-out period and stipulate that by January 31st of each year, Agencies will report to the Executive Director the total expended for each project, plus any obligations relating to the fiscal year just ended. During fiscal 2000, the United States Forest Service (USFS) did not provide a quarterly project status report for the fourth quarter to the Restoration Office as required by the OPs. In August 2000 the USFS's accounting system had problems sufficient enough that reliable actual expenditure and obligation reports were not available for the fourth quarter. Accurate reports are not expected until mid-April 2001. As a result, accounting reports were not available to USFS project managers throughout the entire fiscal year.

Proper internal controls dictate that managers be able to review the results of operations for areas under their responsibility on a regular basis. Due to the unavailability of accounting reports during all of 2000, this was not possible for those project managers responsible for restoration Projects. Our tests of detail over expenditures and obligations charged to restoration projects, however, did not identify any deficiencies over the controls in place relative to the approval of transactions to be charged to restoration projects during the year. In addition, subsequent to September 30, 2000, USFS was unable to provide materially correct actual expenditure and obligation reports. As a result, we were unable to prepare the supplementary restoration project information in the Trust Fund Financial Statements and our opinion on the supplementary information for USFS is disclaimed in the Trust Fund Financial Statements.

Our Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* contains a reportable condition based on the above finding

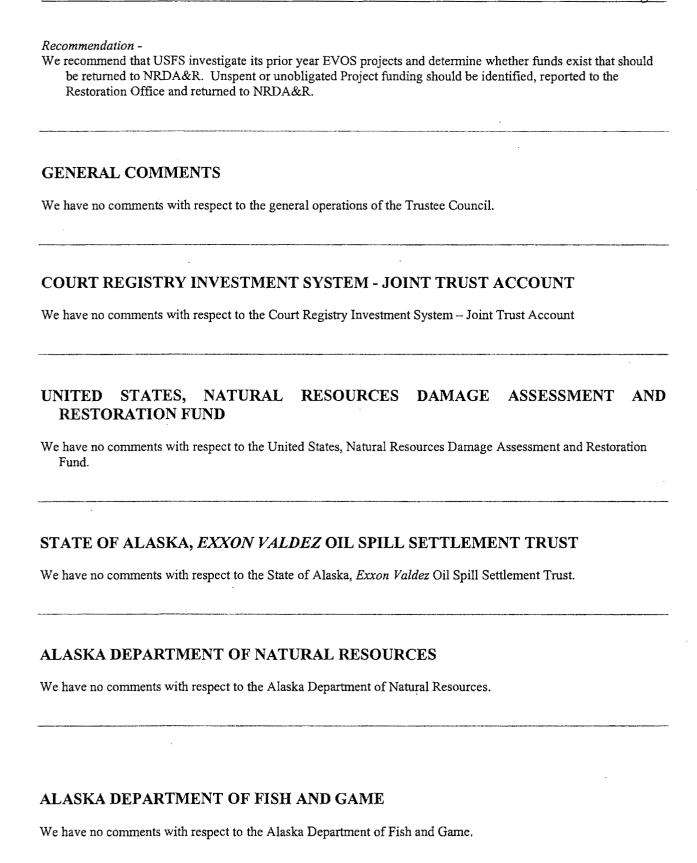
#### Recommendation -

USFS should ensure that actual expenditure and obligation information is available on a timely basis in fiscal 2001 and future years. This will help to ensure that USFS personnel are able to comply with OPs requirements of the Trustee Council, and maintain proper internal controls over their restoration projects.

#### Return Unspent Funds from Prior Year Projects

#### Finding -

The Trustee Council Agencies are required by the OPs to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent or unobligated funds have been returned for fiscal 1995-1999.



### Internal Control and Operating Comments - Current Year Comments

Page 7

#### ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

We have no comments with respect to the Alaska Department of Environmental Conservation.

Prior Year Caption

Current Status

#### **GENERAL COMMENTS**

General Administration Budget Recovery

This issue was resolved in the current fiscal year

By Agency

Compliance with Annual Reporting

Requirements

See our comment in the Current Year Comments section of

this letter

Timely Close-out of Capital Projects

This issue was resolved in the current fiscal year

Improve Contract Management

This issue was resolved in the current fiscal year

Return Lapsed Funds

See our comment in the Current Year Comments section of

this letter with respect to individual federal agencies.

Indirect Cost Allocation Guidance in OPs

See our comment in the Current Year Comments section of

this letter with respect to NOAA.

#### COURT REGISTRY INVESTMENT SYSTEM - JOINT TRUST ACCOUNT

Reduce Registry Fees

This issue was resolved in the current fiscal year.

## UNITED STATES, NATURAL RESOURCES DAMAGE ASSESSMENT AND RESTORATION FUND

We had no comments with respect to the United States, Natural Resources Damage Assessment and Restoration Fund in our prior audit.

#### STATE OF ALASKA, EXXON VALDEZ OIL SPILL SETTLEMENT TRUST

We had no comments with respect to the State of Alaska, Exxon Valdez Oil Spill Settlement Trust in our prior audit.

#### ALASKA DEPARTMENT OF NATURAL RESOURCES

We had no comments with respect to the Alaska Department of Natural Resources during our prior audit.

#### ALASKA DEPARTMENT OF FISH AND GAME

We had no comments with respect to the Alaska Department of Fish and Game during our prior audit.

#### ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

We had no comments with respect to the Alaska Department of Environmental Conservation during our prior audit.

#### UNITED STATES DEPARTMENT OF INTERIOR, FISH AND WILDLIFE SERVICE

We had no comments with respect to the United States Department of Interior, Fish and Wildlife Service during our prior audit.

# UNITED STATES DEPARTMENT OF INTERIOR, UNITED STATES GEOLOGICAL SURVEY

Unallowable Direct Project Costs

This issue was resolved in the current fiscal year.

Consistent Treatment of General Administration Budgets

This issue was resolved in the current fiscal year.

#### UNITED STATES DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE

We had no comments with respect to the United States Department of Interior, National Park Service in our prior audit.

## UNITED STATES DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

We had no comments with respect to the United States Department of Commerce, National Oceanic and Atmospheric Administration during our prior audit.

# UNITED STATES DEPARTMENT OF AGRICULTURE, UNITED STATES FOREST SERVICE

Return Unspent Funds from Prior Year

See our comment in the Current Year Comments section of this letter.



## Department of the Interior Office of the Secretary

APR 0 9 2001

: SuStati d'Alabi di

April 2, 2001

To:

Molly McCammon,

Exxon Valdez Oil Spill Trustee Council Staff

From:

Robert Baldauf, Department of the Interior, Office of the

Secretary, Budget Office

Subject:

Response to Exxon Valdez Oil Spill Draft Audit

This memorandum provides the Office of the Secretary's response to the Internal Control and Operating Comments dated February 9, 2001.

There was one *Finding* and *Recommendation* pertaining to the Department of the Interior, Office of the Secretary.

Finding-

"The Trustee Council Agencies are required by the Trustee Council's Operating Procedures (Ops) to return all unspent funds from prior year projects to NRDA&R. It does not appear that all unspent/unobligated funds have been returned for fiscal year 1999."

#### Recommendation-

"We recommend that DOI-O/S investigate its prior year EVOS projects and determine whether funds exist that should be returned to NRDA&R. Unspent or unobligated Project funding should be identified, reported to the Restoration Office and returned to NRDA&R."

Response-

The Office of the Secretary concurs. The Office of the Secretary has completed an investigation and determined that there is \$19,267.95 of unobligated balances for return to NRDA&R. Those funds will be returned to the NRDA&R Fund in April 2001 business.

In the future, return of Office of the Secretary unobligated balances will be completed in a more timely manner. It is understood that on January 31 of each year, Federal agencies are directed by the EVOS\_Procedures to return to the NRDA&R Fund the unobligated balance for the fiscal year just ended.

Please call me at (202) 208-3289 should you wish to discuss this response.

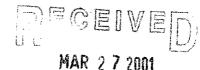
Cc:

Charles Towle, POB Robert White, NBC Bruce Nesslage, NRDA&R Carl Roberts, POB Pat Taborn, SOL Dave Behler, OEPC



## United States Department of the Interior

FISH AND WILDLIFE SERVICE 1011 E. Tudor Rd. Anchorage, Alaska 99503-6199



EXXONAMINATION OF THE TRUSTEL CONTROL

AFES/AO fy00\_audit.comments.wpd

MAR 23 2001

Ms. Molly McCammon Exxon Valdez Oil Spill Trustee Council Restoration Office 645 G Street Anchorage, Alaska 99501

Dear Ms. McCammon:

In response to the Fiscal Year 2000 Draft Audit document, *Exxon Valdez* Oil Spill Trustee Council, *Internal Control and Operating Comments*, we offer the following comments and solutions for our agency.

#### Use of Project Management Funds

Although Kent Wohl has provided oversight of projects and performs other functions, Catherine Berg was the official Fish and Wildlife Service liaison during FY 2000 and she performed the liaison activities. Therefore, her salary was charged to the project #00100 funds.

#### Unallowable Direct Project Costs

The Fish and Wildlife Service's expenditures for Project #00159 relating to bonuses and on-the-spot awards were in compliance with Service policy to present awards to deserving staff and to use personnel budget items to fund awards. The project manager will prepare a ratification request to the Trustee Council by March 30, 2001.

#### Compliance With Annual Reporting Requirements

The Fish and Wildlife Service is aware of the deadline for submitting project expenditures and obligations. A review of our internal procedures is in progress and will be modified to ensure compliance with this requirement.

#### Return Unspent Funds From Prior Year Projects

The Fish and Wildlife Service is investigating all prior year EVOS projects to determine if unobligated funds need to be returned to NRDAR. Unspent funding will be identified and returned.

Thank you for the opportunity to respond to the auditor's findings and recommendations. If you have any questions regarding these comments, please contact Richard Hannan at 907-786-3680 or Debora McClain at 907-786-3481.

Sincerely,

David B. Allen Regional Director



IN REPLY REFER TO

# 

U.S. GEOLOGICAL SURVEY
BIOLOGICAL RESOURCES DIVISION
Alaska Science Center
1011 E. Tudor Road
Anchorage, Alaska 99503

MAR 2 8 2001

EXMON VALDEZ OIL SPILL TRUSTEE COUNCIL

March 26, 2001

Molly McCammon Executive Director EVOS Trustee Council 645 G Street, Suite 401 Anchorage, AK 99501-3451

Dear Ms. McCammon,

We have completed our review of the two documents you sent us relating to the Draft Fiscal Year 2000 external audit developed by Elgee, Rehfeld and Funk for the EVOS Trustee Council. Here are our comments:

Internal Control and Operating Comments dated February 10, 2001

The auditors recommend that USGS return unspent funds for fiscal year 1999. USGS concurs with this recommendation and will proceed to identify and return any such funds.

Schedule of Expenditures and Obligations for the USGS, Fiscal Year Ending September 30, 2000 USGS recognizes that the financial accounting presented in this document reflects project amounts as allocated in the Court Order. As such, some of the amount shown for USGS actually includes expenditures and obligations made by the FWS, for cooperative work on project 00423. In addition, three USGS projects are reported elsewhere in the financial schedule, under the Office of the Secretary, etc. USGS will identify and return all unspent or unobligated funds from its FY 2000 EVOS projects.

Thank you for the opportunity to review the Fiscal Year 2000 Draft Audit.

Sincerely,

William K. Seitz, Director

Alaska Biological Science Center

Cc: Cindy Gilder
Mark Stevenson



#### UNITED STATES DEPARTMENT OF COMMERCE National Oceanic and Atmospheric Administration National Marine Fisheries Service P.O. Box 21668

Juneau, Alaska 99802-1668

April 6, 2001

MEMORANDUM FOR:

Molly McCammon

EVOS TC Executive Director

FROM:

NOAA Budget Analyst

SUBJECT:

Response to Internal Control and Operating Comments,

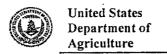
March 1, 2001

The Internal Control and Operating Comments prepared by our auditors highlighted some areas in which NOAA could improve internal controls, in particular improved monitoring of General Administration Costs. Following the audit in FY99, NOAA implemented a better coordinated effort on the part of WASC contracting, NOAA Fisheries Regional Office administrative and financial support, and the Office of Oil Spill Damage Assessment and Restoration. This resulted in NOAA improving review of project expenditure reports and tracking, and contract stipulations. Unfortunately, the NOAA person responsible for the budget tracking transferred to the USFS, allowing, for a time, an interruption in the monitoring of General Administration costs. In FY 01, NOAA intends to hire an additional staff member to monitor project expenditures and GA.

The audit noted the expenditure of FY00 funds to support FY01 EVOS projects, specifically, an air charter contract for \$10,786. Managing multiple field tasks that are active at the end of the fiscal year using multiple funding sources is a difficult and challenging management activity. This is particularly true for our pink salmon studies, in which peak field activity transcends the fiscal year (adults return in August/September, are evaluated, and spawned in September/October, with spawning evaluation immediately following). With less than 5 days left in the fiscal year, we invested the surplus of EVOS funds in one pink salmon project into the new and continuing pink salmon EVOS work of the following fiscal year, which in reality, had already started during the summer using other funds. Since these were both EVOS pink salmon projects and since there is authority to move limited amounts of funds between EVOS projects, we were not aware that this would create a problem. We will make sure in the future that funding for EVOS projects between fiscal years is kept very distinct.

cc: John Gorman Bonita Nelson Jeep Rice Bruce Wright





Forest Service Chugach National Forest 3301 'C' Street Suite 300 Anchorage, AK 99503-3998

File Code: 1590

Date: March 15, 2001

Molly McCammon Executive Director EVOS Restoration Program 645 G Street, Suite 401 Anchorage, AK 99501-3451

After reviewing the Fiscal Year 2000 Draft Audit, "Internal Control and Operating Comments" dated February 10, 2001, prepared by the firm of Elgee, Rehfeld & Funk, I have the following comments.

I agree with the auditor's comments. It is our intent to have our budget system operational, but we are still not able to pull last year's final numbers. This problem is Nation wide and encompasses all of our accounts, not just oil spill. We are working on past years balances and will return those funds.

Sincerely,

KENNETH E. HOLBROOK

Restoration Manager

# $\it EXXON\ VALDEZ$ OIL SPILL TRUSTEE COUNCIL TRUST FUNDS FINANCIAL STATEMENTS

and

#### SUPPLEMENTARY RESTORATION PROJECTS INFORMATION

Fiscal Year Ended September 30, 2000

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

# TRUST FUNDS FINANCIAL STATEMENTS and SUPPLEMENTARY RESTORATION PROJECTS INFORMATION

#### Fiscal Year Ended September 30, 2000

#### TABLE OF CONTENTS

	Page
Table of Contents	i - ii
TRUST FUNDS FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Trust Fund Financial Statements	
Statement of Assets, Liabilities and Joint Trust Account Balances Arising from Cash Transactions - Exxon Valdez Oil Spill Settlement Account with the	
Court Registry Investment System	3
Statement of Receipts, Disbursements and Changes in Joint Trust Account Balances -	
Exxon Valdez Oil Spill Settlement Account with the Court Registry Investment System Statement of Assets, Liabilities and Trust Fund Balance Arising from	4
Cash Transactions - U.S. Department of the Interior, Fish and Wildlife Service, Natural	
Resources Damage Assessment and Restoration Fund	5
Statement of Receipts, Disbursements and Changes in Trust Fund Balance - U.S.  Department of the Interior, Fish and Wildlife Service, Natural Resources Damage	,
Assessment and Restoration Fund	6
Balance Sheet - State of Alaska, Exxon Valdez Oil Spill Settlement Trust	7
Statement of Revenues, Expenditures and Changes in Fund Balances - State of Alaska, Exxon Valdez Oil Spill Settlement Trust	8
Notes to Trust Funds Financial Statements	9 - 19
SUPPLEMENTARY RESTORATION PROJECTS INFORMATION	
Independent Auditors' Report on Supplementary Restoration Projects Information	20
Schedules of Expenditures and Obligations - Budget and Actual	
State of Alaska  Department of Fish and Game	21-22
Department of Fish and Game  Department of Environmental Conservation	23
Department of Natural Resources	24
United States Government	
Department of Agriculture, United States Forest Service	25
Department of Interior, Fish and Wildlife Service	26
Department of Interior, U.S. Geological Survey	27
Department of Interior, Office of the Secretary	28
Department of Commerce, National Oceanic and Atmospheric Administration	29-30

#### TABLE OF CONTENTS (Continued)

#### SUPPLEMENTARY RESTORATION PROJECTS INFORMATION

	Page
Schedule of Fiscal 1999 Work Plan Status as of September 30, 2000 (Unaudited)	31
Notes to Supplementary Information Related to Restoration Projects	32-34
INDEPENDENT AUDITORS' REPORTS	nonen (a
ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL RE	PORTING
Independent Auditors' Report on Compliance and on Internal Control Over Financial	
Reporting Based on an Audit of Financial Statements Performed in Accordance	
with Government Auditing Standards	
Exxon Valdez Oil Spill Trustee Council	
Court Registry Investment System, Exxon Valdez Oil Spill Settlement Account	35
U.S. Department of the Interior, Natural Resources Damage Assessment	×
and Restoration Fund	36-37
State of Alaska, Exxon Valdez Oil Spill Settlement Trust	38

TRUST FUNDS STATEMENTS

9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801 Phone: 907-789-3178 · FAX: 907-789-7128

#### INDEPENDENT AUDITORS' REPORT

Members, Exxon Valdez Oil Spill Trustee Council, Anchorage, Alaska:

We have audited the financial statements of the Exxon Valdez Oil Spill Trustee Council, Trust Funds as of and for the year ended September 30, 2000, as listed in the accompanying table of contents. These financial statements are the responsibility of the Exxon Valdez Oil Spill Trustee Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial presentation for the Court Registry Investment System (CRIS), Exxon Valdez Oil Spill Settlement Account (Joint Trust Account - CRIS) is of this account only and is not intended to present the financial position of CRIS or the United States District Court for the Southern District of Texas and the results of their operations, in conformity with generally accepted accounting principles.

As discussed in Note 2, the financial presentation for the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R) is of the amounts related to the *Exxon Valdez* Oil Spill Trustee Council only and is not intended to present the financial position of NRDA&R or the U.S. Department of Interior Fish and Wildlife Service and the results of their operations, in conformity with generally accepted accounting principles.

As discussed in Note 2, the financial presentation for the State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust (Settlement Trust) is of the Settlement Trust only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

As discussed in Note 2, the financial statements for the Joint Trust Account - CRIS and NRDA&R are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Joint Trust Account - CRIS and NRDA&R and the financial position of the Settlement Trust as of and for the year ended September 30, 2000, and the results of their operations for the year then ended on the basis of accounting described in Note 2 for the Joint Trust Account - CRIS and NRDA&R, and in conformity with generally accepted accounting principles for the Settlement Trust.

In accordance with Government Auditing Standards, we have also issued our reports dated February 9, 2001, on our consideration of the Exxon Valdez Oil Spill Trustee Council, Trust Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations and contracts.

Elger, Repfeld & Funk, LLC

February 9, 2001

# UNITED STATE DISTRICT COURT - FIFTH CIRCUIT COURT REGISTRY INVESTMENT SYSTEM EXXON VALDEZ OIL SPILL SETTLEMENT ACCOUNT

# STATEMENT OF ASSETS, LIABILITIES AND JOINT TRUST ACCOUNT BALANCES ARISING FROM CASH TRANSACTIONS September 30, 2000

#### ASSETS:

Cash and Investments	_\$	127,097,189
Total Assets	\$	127,097,189
LIABILITIES AND JOINT TRUST ACCOUNT BALANCES:		
Liabilities	\$	-
Joint Trust Account Balance - Liquidity Account		74,803,937
Joint Trust Account Balance - Reserve Account		52,293,252
Total Liabilities and Joint Trust Account Balances	_\$_	127,097,189

#### UNITED STATE DISTRICT COURT - FIFTH CIRCUIT COURT REGISTRY INVESTMENT SYSTEM EXXON VALDEZ OIL SPILL SETTLEMENT ACCOUNT

# STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN JOINT TRUST ACCOUNT BALANCES For the Fiscal Year Ended September 30, 2000

Receipts:	
Receipts	\$ 66,250,000
Investment Income - Liquidity Account	2,300,939
Investment Income - Reserve Account	2,484,046
Total Receipts	71,034,985
Disbursements:	
State of Alaska, Exxon Valdez Settlement Trust: Natural Resource Damage Assessment and	
Restoration Projects	(672,500)
Fiscal 2000 Archeological Repository	(203,500)
Land Acquisition Disbursements	(27,652,633)
Total Disbursements to State of Alaska	(28,528,633)
U.S. Department of Interior, Natural Resources Damage Assessment and Restoration Fund: Fiscal 1999 Natural Resource Damage Assessment	
and Restoration Projects	(15,000)
Fiscal 2000 Natural Resource Damage Assessment	(,)
and Restoration Projects	(397,000)
Land Acquisition Disbursements	(5,227,854)
Total Disbursements to United States	(5,639,854)
Court Registry Fees	(259,635)
Total Disbursements	(34,428,122)
Excess of Receipts Over Disbursements	36,606,863
Joint Trust Account Balances, Beginning of Year	90,490,326
Joint Trust Account Balances, End of Year	\$ 127,097,189

# UNITED STATE DEPARTMENT OF THE INTERIOR, FISH AND WILDLIFE SERVICE NATURAL RESOURCES DAMAGE ASSESSMENT AND RESTORATION FUND

#### STATEMENT OF ASSETS, LIABILITIES AND TRUST FUND BALANCE ARISING FROM CASH TRANSACTIONS September 30, 2000

Cash and Investments	
----------------------	--

3,785,549

Total Assets

ASSETS:

3,785,549

#### LIABILITIES AND FUND BALANCE:

Liabilities

\$

Trust Fund Balance

3,785,549

Total Liabilities and Trust Fund Balance

3,785,549

# UNITED STATE DEPARTMENT OF THE INTERIOR, FISH AND WILDLIFE SERVICE NATURAL RESOURCES DAMAGE ASSESSMENT AND RESTORATION FUND

# STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN TRUST FUND BALANCE For the Fiscal Year Ended September 30, 2000

#### Receipts:

Contributions - Court Registry Investment System, Joint Trust Account	\$ 5,639,854
Unobligated Balances Returned to NRDA&R: U.S. Department of Interior:	
Bureau of Indian Affairs	5,900
National Park Service	 38,421
	44,321
Investment Income	 444,390
Total Receipts	 6,128,565
Disbursements:	
U.S. Department of Interior:	
Fish and Wildlife Service	(1,184,050)
United States Geological Survey	(1,146,700)
National Park Service	(17,550)
Office of the Secretary	(34,900)
Bureau of Land Management	(47,900)
U.S. Department of Agriculture, United States	
Forest Service	(5,350,254)
U.S. Department of Commerce, National Oceanic	
and Atmospheric Administration	(2,816,400)
State of Alaska	(6,900)
Total Disbursements	 (10,604,654)
Deficiency of Receipts Over Disbursements	(4,476,089)
Trust Fund Balance, Beginning of Year	 8,261,638
Trust Fund Balance, End of Year	\$ 3,785,549

#### STATE OF ALASKA - EXXON VALDEZ OIL SPILL SETTLEMENT TRUST

#### BALANCE SHEET September 30, 2000

A	S	S	E	Τ	S	:

Cash and Investments	_\$	33,266,492
Total Assets		33,266,492
LIABILITIES AND FUND BALANCES:		
Liabilities: Accounts Payable Deferred Revenues	\$	1,001,998 23,025,833
Total Liabilities		24,027,831
Fund Balances: Reserved for Encumbrances Unreserved		2,279,595 6,959,066
Total Fund Balances		9,238,661
Total Liabilities and Fund Balances	\$	33,266,492

#### STATE OF ALASKA - EXXON VALDEZ OIL SPILL SETTLEMENT TRUST

# STATEMENT OF REVENUES , EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended September 30, 2000

#### Revenues:

Contributions - Court Registry Investment System, Joint Trust Account Interest and Investment Income	\$ 32,861,990 964,015
Total Revenues	33,826,005
Expenditures:	
Current Operating: Natural Resources Damage Assessment and Restoration Projects	
Department of Fish and Game	4,391,172
Department of Environmental Conservation	202,366
Department of Natural Resources	 915,420
Total Current Operating	5,508,958
Capital Outlay:	
Research Infrastructure Improvements - Alaska	
Department of Fish & Game	835,956
Land Acquisitions - Alaska Department of	
Natural Resources	 27,543,815
Total Expenditures	 33,888,729
Deficiency of Revenues Over Expenditures	(62,724)
Fund Balances, Beginning of Year	 9,301,385
Fund Balances, End of Year	\$ 9,238,661

NOTES

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 1. EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

### Formation of the Exxon Valdez Oil Spill Trustee Council

The United States of America (United States) and the State of Alaska (State) entered into a Memorandum of Agreement and Consent Decree (MOA) on August 28, 1991. The MOA was made to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the T/V Exxon Valdez Oil Spill (Oil Spill), which occurred on the night of March 23-24, 1989 in Prince William Sound, Alaska. Upon entering into the MOA, the United States and the State believed that the terms of the MOA were in the public interest and would best enable them to fulfill their duties as trustees to assess injuries and to restore, replace, rehabilitate, enhance, or acquire the equivalent of the natural resources injured, lost, or destroyed as a result of the Oil Spill.

Pursuant to the MOA and federal laws, the United States and State act as co-trustees in the collection and joint use of all natural resource damage recoveries for the benefit of natural resources injured, lost or destroyed as a result of the Oil Spill. To manage the co-trustee relationship, the *Exxon Valdez* Oil Spill Trustee Council (Council) was formed.

### Exxon Valdez Oil Spill Trustee Council Structure

The Council consists of six trustees, three trustees represent the United States and three trustees represent the State. The United States' trustees are the Secretaries of the United States Departments of Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (a bureau of the United States Department of Commerce). The State's trustees consist of the Commissioners of the State Departments of Environmental Conservation and Fish and Game, and the Attorney General of the State of Alaska. The MOA allows the President of the United States or the Governor of the State of Alaska to transfer trustee status from one official to another official of their respective governments.

All decisions of the Council must be made by the unanimous agreement of the trustees. The decisions of the United States' trustees must be made in consultation with the United States Environmental Protection Agency. If the trustees cannot reach unanimous consent, either the United States or the State may resort to litigation in the United States District Court for the District of Alaska (Court).

### Restoration Office

The Council has established a Restoration Office, which is responsible for the coordination and supervision of the activities of the Council. The Restoration Office is managed by an Executive Director who reports directly to the Council. Since the Council exists through the MOA, it and the Restoration Office operate within the framework of the Trustee Agencies. During fiscal 2000, most activities of the Restoration Office were conducted through the Alaska State Departments of Fish and Game and Natural Resources.

The Restoration Office develops an annual budget, which, upon approval by the Council, sets forth the anticipated expenditures of the Restoration Office. The Council makes an annual contribution to the State agencies equal to the budget for the Restoration Office. The contributions are made using the disbursements procedures discussed in Note 6.

### Termination of the Exxon Valdez Oil Spill Trustee Council

The MOA shall terminate when the United States and the State certify to the Court, or when the Court determines on application by either government, that all activities contemplated under the MOA have been completed.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Joint Trust Account - CRIS - Court Registry Investment System

As further discussed in Note 5, amounts paid by Exxon Corporation are made directly to the United States and the State for reimbursement of certain costs incurred by them in connection with the Oil Spill. In accordance with the MOA and as ordered by the presiding Court and pending disburments to the Federal and State trust funds, money that is not directly paid to the United States and the State is placed in an interest-bearing account in the Court Registry Investment System (CRIS) administered through the United States District Court for the Southern District of Texas. An account entitled "Exxon Valdez Oil Spill Settlement Account" (Liquidity Account) was established in CRIS specifically for the Exxon settlement proceeds. A second account (Reserve Fund) was established in fiscal 1995 and is intended to be an investment mechanism for funds pertaining to the settlement with Exxon, which are anticipated to be held for longer periods of time (see additional discussion in Note 9). Together, the Liquidity and Reserve Accounts are referred to as the Joint Trust Account - CRIS.

CRIS is a cash management system developed by the United States District Court for the Southern District of Texas. All amounts placed with the CRIS liquidity account are maintained in United States government treasury securities with maturities of 100 days or less, and are held in the name of the Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. Amounts placed with the CRIS reserve fund are maintained in United States government treasury securities with maturity dates ranging from fiscal 1999 through fiscal 2004, and are held in the name of the Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. The financial presentation for the Joint Trust Account - CRIS is of the Joint Trust Account - CRIS only and is not intended to present the financial position of CRIS or the United States District Court for the Southern District of Texas and the results of their operations.

Upon unanimous approval of the Trustee Council, funds are disbursed to the United States and the State to be expended by the Trustee Agencies in accordance with the Council's wishes. The accompanying financial statements for the Joint Trust Account - CRIS reflect the intent of the disbursements as to natural resource damage assessment and restoration, or the acquisition of land or research infrastructure improvements to further protect the natural resources. The financial statements also reflect the fiscal year which the disbursements are to be expended by the Trustee Agencies.

As allowed under 28 USC 1913, 1914 (b) and 1930(b), the Clerk of the Court for the United States Courts is allowed to charge a registry fee for administering investment holdings of funds held in their registry accounts. During the year ended September 30, 1999, the registry fee charged to the Joint Trust Account-CRIS was ten percent of investment income as determined on a cash basis until April 21, 1999; thereafter it was adjusted to five percent in accordance with registry fee regulations. In addition, CRIS has entered into a contract with a Houston, Texas based financial institution to provide investment advisory information, securities trading services, and accounting services at a fee of .025 percent added to the cost of securities purchased by CRIS.

### U.S. Department of the Interior, Natural Resources Damage Assessment and Restoration Fund

Disbursements which are made from the Joint Trust Account - CRIS to the United States are deposited in the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R). NRDA&R was established pursuant to Public Law 102-154, and is administered by the U.S. Department of Interior, Fish and Wildlife Service. It is a trust fund which was established to hold natural resources damage assessment and restoration settlement proceeds of the United States Government. Public Law 120-229 requires that federal proceeds from the Agreement and Consent Decree (see additional discussion in Note 4) be deposited in NRDA&R, and that all interest earned on these proceeds be available to the Federal Trustees for necessary expenses for assessment and restoration of areas affected by the Oil Spill. Public Law 120-229 also calls for amounts in NRDA&R to be invested by the U.S. Secretary of the Treasury in interest bearing obligations of the United States.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U.S. Department of the Interior, Natural Resources Damage Assessment and Restoration Fund (Continued) Disbursements from NRDA&R are made pursuant to the directions of the Council and as approved by the Court. At the beginning of each fiscal year, the Department of Interior, Fish and Wildlife Service communicates with each of the United States Trustee Agencies to determine the timing of disbursements from NRDA&R to each Federal Trustee Agency. Investments are purchased in order to earn interest on available balances within NRDA&R, with scheduled maturity dates coincident with the scheduled date of disbursement.

The financial presentation for NRDA&R is of the amounts related to the Council only and is not intended to present the financial position of NRDA&R or the Department of Interior, Fish and Wildlife Service and the results of their operations.

### State of Alaska, Exxon Valdez Oil Spill Settlement Trust

Disbursements which are made from the Joint Trust Account - CRIS to the State are deposited in the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust). The Settlement Trust is established pursuant to AS 37.14.400. Pursuant to State law a state agency may not expend money from the Settlement Trust unless the expenditure is in accordance with an appropriation made by law. Expenditures of funds are made upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain.

The Settlement Trust is an expendable trust fund of the State. Expendable trust funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the fund's designated operations.

Upon approval by the Council, the Court, and the State of Alaska, State Trustee Agencies make expenditures directly against the Settlement Trust.

The financial presentation for the Settlement Trust is of the Settlement Trust only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

### Basis of Accounting

Basis of accounting refers to when revenues, expenditures and the related assets and liabilities are recorded in the accounts and financial statements. Specifically, it relates to the timing of the financial measurements made, regardless of the measurement focus applied.

The basis of accounting used by the Joint Trust Account - CRIS, NRDA&R and the Settlement Trust are as follows:

<u>Joint Trust Account - CRIS</u> - The financial statements of the Joint Trust Account - CRIS are prepared on a cash basis of accounting. As such, revenues are recognized when received, and disbursements are recognized when paid.

<u>NRDA&R</u> - The financial statements of NRDA&R are prepared on a cash basis of accounting. As such, revenues are recognized when received, and disbursements are recognized when paid.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Settlement Trust - The financial statements of the Settlement Fund are accounted for using a current financial resources measurement focus on the modified accrual basis. The Settlement Fund recognizes revenues when the source is measurable and available, and intended for the fiscal year. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Assets are recorded when measurable and due.

Expenditures are recorded when the related liability is incurred. Encumbrance accounting, under which purchase orders and contracts for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration of the Settlement Trust. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Until June 30, 1997, interest and investment income was allocated to the Settlement Trust as agreed to under a Memorandum of Understanding (MOU) by and between the State Departments of Revenue and Administration effective July 1, 1993. Under the MOU, interest was credited daily to the Settlement Trust by determining the Settlement Trust's daily cash balance and applying the current weekly 180-day Treasury Bill Rates based on the Treasury Bill auctions. Effective July 1, 1997, a new MOU, dated November 26, 1997, superceded the original MOU and modified the method of determining interest income earned by the Settlement Trust. Under the new method, interest income is allocated daily based on actual earnings of the cash management pool of which the Settlement Trust is a part.

### Statement Presentation

Separate balance sheets and statements of receipts and disbursements or revenues and expenditures are presented for each of the Joint Trust Accounts - CRIS, NRDA&R and the Settlement Trust. This is due to the fact that ownership of the Trust Funds rests separately with each of the U.S. District Court, U.S. Department of Interior, Fish and Wildlife Service and the State of Alaska, and the different bases of accounting used by the Trust Funds.

### Accounts Payable and Deferred Revenue - Settlement Trust

Accounts payable in the Settlement Trust financial statements include disbursements made against the Settlement Trust subsequent to September 30, 2000, but which relate to fiscal 2000 restoration activities.

Deferred Revenues in the Settlement Trust financial statements include amounts received or receivable at September 30, 2000, which are to be expended by the State in fiscal 2001.

### 3. CASH AND INVESTMENTS

Cash and investments for the Joint Trust Account - CRIS, NRDA&R and the Settlement Trust are as follows:

Joint Trust Account - CRIS - All deposits and investments of the Joint Trust Account - CRIS are held in the name of the Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. At September 30, 2000, the balances held in the CRIS liquidity account are held in U.S. Treasury Bills with maturities less than 100 days, and the balances held in the CRIS reserve fund are held in U.S. Treasury Bills with maturity dates on November 15, in each year from 1998 through 2004. Market values of investment securities held by CRIS approximate their cost at September 30, 1999. There are no uninsured or unregistered deposits or investments. This places all of CRIS's investments and deposits in GASB credit risk category 1 \*. As discussed in Note 10, the Trustee Council withdrew all funds from CRIS and deposited them into an Investment Fund in the Alaska Department of Revenue, Division of Treasury on October 5, 2000.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 3. CASH AND INVESTMENTS (Continued)

NRDA&R - All cash and investments of NRDA&R are held in the name of the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund at the U.S. Department of the Treasury. At September 30, 2000, substantially all balances are held in U.S. Treasury Bills and Notes with maturities ranging from 30 to 300 days. A nominal amount of cash is also included in the balance. Market values of investment securities held by NRDA&R approximate their cost at September 30, 2000. There are no uninsured or unregistered deposits or investments. This places all of NRDA&R's investments and deposits in GASB credit risk category 1 \*.

Settlement Trust - Cash and Investments of the Settlement Trust represent cash on deposit in banks, and cash invested in various investments as a part of the State's short-term cash management pools. By law, all deposits and investments relating to the Settlement Trust are under the control of the Commissioner of the State Department of Revenue. The State's cash is invested pursuant to State laws which mandate that investments shall be made with the judgment and care exercised by an institutional investor of ordinary professional prudence, discretion and intelligence. Investments of the State are stated at fair value in accordance with GASB Statement No. 31. All investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All deposits are insured or collateralized with securities held by the State or by its custodian in its name. All investments are insured or registered in the State's name and are held by the State or its custodian. This places all of the State's General Investment Fund deposits and investments, of which the Settlement Trust cash and investments are a part, in GASB credit risk category 1 \*. Additional investment information on the various pools and investments, as well as the Funds, may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

\* GASB Statement No. 3 requires deposits and investments to be categorized to indicate the level of risk assumed by an entity. For investments, category 1 consists of investments that are insured or registered for which the securities are held by the entity or its custodian in the entity's name, category 2 consists of uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name, and category 3 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent not in the entity's name.

### 4. CONTRIBUTIONS BY EXXON CORPORATION

### Agreement and Consent Decree

On October 8, 1991, the United States, the State, Exxon Corporation (Exxon) and Exxon Shipping Company, and Exxon Pipeline Company entered into an Agreement and Consent Decree (Agreement). The Agreement principally stipulates that Exxon make certain payments, and that all parties release and covenant not to sue or to file any administrative claim against the other parties or specifically identified third parties.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 4. CONTRIBUTIONS BY EXXON CORPORATION (Continued)

### Agreement and Consent Decree (Continued)

Pursuant to the Agreement Exxon is to pay the United States and the State a total of \$900 million as follows:

Date Payment Due		Amount
Ten days after the Agreement	\$	90,000,000
became effective		
December 1, 1992		150,000,000
September 1, 1993		100,000,000
September 1, 1994		70,000,000
September 1, 1995		70,000,000
September 1, 1996		70,000,000
September 1, 1997		70,000,000
September 1, 1998		70,000,000
September 1, 1999		70,000,000
September 1, 2000		70,000,000
September 1, 2001		70,000,000
	<u>\$</u>	900,000,000

During fiscal 2000, Exxon Corporation made the contribution to the Joint Trust Account - CRIS as required by the Agreement. As further discussed in Note 5, \$3,750,000 of the \$70,000,000 contribution was paid directly to the State of Alaska. The balance of \$66,250,000 was placed with the Joint Trust Account - CRIS.

### Reopener for Unknown Injury

In addition to the payment terms discussed above, the Agreement also has a reopener provision that allows the governments to claim an additional \$100 million from Exxon between September 1, 2002, and September 1, 2006, as required for the performance of restoration projects in Prince William Sound and other areas affected by the Oil Spill to restore one or more populations, habitats, or species which, as a result of the Oil Spill, suffered substantial loss or substantial decline in the areas affected by the Oil Spill.

The cost of the restoration projects must not be grossly disproportionate to the magnitude of the benefits obtained, and the reopener is available only for any losses or declines that could not reasonably have been known or anticipated from information available at the time of the Agreement.

### 5. REIMBURSEMENTS TO THE UNITED STATES AND THE STATE

Under the terms of the Agreement, certain amounts paid by Exxon are to be made directly to the United States and the State. These payments are to be used solely to reimburse them for the following purposes:

- 1. Response and clean-up costs incurred by either of them on or before December 31, 1990 in connection with the Oil Spill;
- 2. Natural resource damages assessment costs incurred by either of them on or before March 12, 1991 in connection with the Oil Spill;
- 3. (State only) Attorneys fees, experts' fees, and other costs incurred by the State on or before March 12, 1991 in connection with litigation arising from the Oil Spill;
- 4. Response and clean-up costs incurred by either of them after December 31, 1990 in connection with the Oil Spill;

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 5. REIMBURSEMENTS TO THE UNITED STATES AND THE STATE (Continued)

- 5. To assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural resource services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services after March 12, 1991; and
- 6. (State only) Reasonable litigation costs incurred by the State after March 12, 1991.

The Agreement states that the amounts to be reimbursed to the United States for items one and two above are not to exceed \$67 million. The amounts to be reimbursed to the State for items one, two and three above are not to exceed \$75 million. The agreement does not place a cap on items four and five. The amounts paid to the State for item six above are not to exceed \$1 million per month.

During fiscal 2000, \$3,750,000 was paid to the State of Alaska as a reimbursement pursuant to the Agreement. There were no other reimbursements made to the United States or the State during fiscal 2000 under the Agreement.

### 6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT - CRIS

### Approved Payment Uses

Under the terms of the MOA, amounts paid by Exxon, excluding the reimbursements discussed in the preceding Note, are deposited into the Joint Trust Account - CRIS. These payments are to be used solely to assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural resource services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services.

### Project Approval

The Council has developed a solicitation and review process for projects to address the purposes stated above. The outcome of the process is the development of a fiscal year Work Plan, which approves the funding for all projects to be conducted during the fiscal year. For the fiscal year ending September 30, 2000, the following project solicitation and review process was used by the Council:

- 1. In February 1999, the Council published an *Invitation to Submit Restoration Proposals for Federal Fiscal Year 2000*. As part of the requirements, proposers developed and submitted detailed project descriptions and project budgets for review.
- 2. In May 1999, the Council's Chief Scientist and core reviewers coordinated a preliminary scientific and technical review of the proposals. The Council's Executive Director also discussed proposals with Trustee agencies, Chief Scientist and representatives of the Public Advisory Group (the Public Advisory Group consists of members of the public and concerned groups and was appointed by the Secretary of Interior based on the Council's recommendations in accordance with the MOA to help provide meaningful public participation in the injury assessment and restoration process) and drafted preliminary recommendations.
- 3. In June 1999, all proposals and the results of the reviews were published in the *Draft Fiscal Year 2000 Work Plan* and distributed for public comment.
- 4. In July 1999, a public hearing was held on the FY'00 Draft Work Plan and the Public Advisory Group met to advise Trustee Council on the final work plan.
- 5. The majority of approved projects, received funding from the Council in August 1999. In addition to the public review many proposals underwent further technical, budget, policy, and legal review.

In addition to the process outlined above, the Council has also identified and acquired several tracts of land as permitted by the MOA. The land acquisition support costs are funded through the Work Plan. Land acquisitions are separately approved by the Council.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT – CRIS (Continued)

### Interest Income Recovery - NRDA&R and the Settlement Trust

The governments are to report to the Council the amount of interest earned on net available balances in NRDA&R and the Settlement Trust. When appropriate, the Council then recovers the interest reported by reducing subsequent disbursements from the Joint Trust Fund for future projects. During fiscal 2000, disbursements to the United States and the State were not reduced for such interest earnings.

### Unobligated Balance Recovery - NRDA&R and the Settlement Trust

Actual project costs are frequently less than the original project budgets. When this occurs, the United States and the State retain the unspent or unobligated balances. When appropriate, the Council then recovers these balances by reducing subsequent disbursements for new projects. During fiscal 2000, disbursements to the United States and the State were reduced by \$2,288,400 and \$4,349,900 for such interest earnings, respectively.

### Disbursements from the Joint Trust Account - CRIS

During fiscal 2000, the Council disbursed \$34,168,487 for restoration projects and land acquisition pursuant to the MOA as follows:

### Restoration Projects Authorized By the Council

For 1999 and 2000:

Total

To be conducted by the United States	\$ 412,000
To be conducted by the State	 672,500
Total	 1,084,500
Land Acquisitions and Research Infrastructure Improvements Authorized By The Council	
For 1999 and 2000:	
To be acquired by the United States	5,227,854
To be acquired by the State	27.856.133

Disbursements from the Joint Trust Account - CRIS \$ 34,168,487

### 7. DEFERRED REVENUE

In August 2000, the Court approved the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 2001 and land acquisition disbursements to be made in fiscal 2001. A disbursement relating to this activity was made from the Joint Trust Account - CRIS on September 7, 2001, and of the amount disbursed to the State Trustee Agencies', \$23,025,833 has been recorded as deferred revenue for fiscal 2001 land acquisitions.

33,083,987

NRDA&R has not received any disbursement for the United States' relating to the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 2001 prior to September 30, 2000. NRDA&R continues to hold approximately \$414,000 related to closing of certain small tracts which were part of the fiscal 1998 English Bay large parcel acquisition. These funds are expected to be disbursed in fiscal 2001.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 8. REAL PROPERTY ACQUISITIONS

In order to protect the habitat of resources and services injured by the oil spill, the Council directed its staff to establish a process for the evaluation and acquisition of real property that was imminently threatened by development, or had habitat value. This process was divided into two phases; large parcels, generally those over 1,000 acres, and small parcels, generally those smaller than 1,000 acres.

### Large Parcel Acquisitions

The large parcel phase of the land evaluation and acquisition process was initiated in 1992. This evaluation process led to the consideration of numerous parcels for acquisition by Trustee Agencies. As of September 30, 2000, the Council funded the acquisition, through either the purchase of the property or the acquisition of a limited term conservation easement, for 635,770 acres, with a total purchase cost of \$397,648,124. Of the total purchase cost, \$341,654,778 is being provided from the Joint Trust Account - CRIS, and \$55,993,346 from other sources.

During fiscal 2000, no large parcel acquisitions were completed.

Three of the acquisitions completed to date are to be paid on an installment basis through fiscal 2002. The following is a summary of the remaining commitments (excluding interest) due from the Joint Trust Account - CRIS as of September 30, 2000:

Fiscal Year Ending September 30:

2001 2002 \$ 32,000,000 18,805,734 \$ 50,805,734

### Pending Large Parcel Acquisitions

Negotiations continue on one other large parcel acquisition. The area under negotiation includes approximately 55,402 acres that are now under a limited term conservation easement, which will expire, in fiscal 2001.

### Small Parcel Acquisitions

The small parcel phase of the land evaluation and acquisition process was initiated in 1994. The nomination period is open ended, and the Council continues to receive and evaluate nominations. The Council's staff evaluate, score, and rank the parcels, taking into account the resource value of the parcel, adverse impacts from human activity, and potential benefits to management of public lands.

Through September 30, 2000, the Trustee Council has completed the acquisition on 63 parcels containing 6,395 acres with a total cost of \$20,417,900. One of the acquisitions also contained a provision in which the seller relinquished remaining selections totaling 1,207 acres under their entitlement pursuant to the Alaska Native Claims Settlement Act (ANCSA). In addition, offers have been accepted by sellers on 13 parcels that closed during the first part of fiscal 2001. These parcels contain 320 acres and have a total cost of \$472,800. All of the small parcels are purchased under fee simple title, and cash is paid on these parcels at closing. Most of these acquisitions are purchased through the Alaska Department of Natural Resources or the U.S. Department of the Interior, Fish and Wildlife Service. Of the total purchase cost on the parcels acquired to date, \$19,933,900 is being provided from the Joint Trust Account - CRIS, and \$484,000 from other sources.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 8. REAL PROPERTY ACQUISITIONS (Continued)

### Alaska Sea Life Center

During fiscal 1997, the Council approved additional funding, totaling \$545,600, for the construction of the Fish Pass at the Alaska Sea Life Center in Seward, Alaska. The Sea Life Center is affiliated with the University of Alaska, School of Fisheries and Ocean Sciences, Institute of Marine Science. Through September 30, 2000, substantially all of the funds had been expended.

Also during fiscal 1997, the Council approved funding for the acquisition of research equipment for the Alaska Sea Life Center totaling \$724,000. The additional funds are also being expended by the Alaska Department of Fish and Game. As of September 30, 2000, \$680,436 of the additional funds had been expended, and the balance remained encumbered. The Alaska Department of Fish and Game will retain none of these funds for contract administration. It is anticipated that all of these additional funds will be expended during fiscal 2001.

### Kodiak Island Borough Master Waste Management Plan

During fiscal 1999, the Trustee Council approved the expenditure of \$1,857,100 for capital improvement to various waste management systems of the remote communities of Kodiak Island. Specifically, this project will upgrade and improve landfills, disposal sites and solid waste management, and will construct and install used oil and hazardous waste storage and disposal facilities and equipment, and provide for systems maintenance and repairs for seven communities on Kodiak Island. The Alaska Department of Environmental Conservation (DEC) will expended the funds principally through contracts to be initiated in fiscal 2001 with anticipated completion by September 30, 2003. Of the total funding for the project, \$48,700 will be retained by DEC for contract administration.

### Port Graham Hatchery Reconstruction

During fiscal 1999, the Trustee Council approved the expenditure of \$781,300 for capital improvement to help rebuild the Port Graham Hatchery that was destroyed by fire on January 30, 1998. Of the total approved, \$777,500 was allocated to the Alaska Department of Fish and Game to fund reconstruction efforts and \$3,800 was allocated to the United States Forest Service for National Environmental Policy Act (NEPA) compliance work. The Department of Fish and Game expended the funds through a Reimbursable Services Agreement (RSA) with the Alaska Department of Community and Economic Development during fiscal 2000.

### Archeological Repository

During fiscal 1998, the Trustee Council approved the concept of a single regional archeological repository in one of eight communities in the Chugach and lower Cook Inlet regions to house and display spill-related artifacts at a cost not to exceed \$1 million, the construction of new or renovated community facilities in the remaining seven communities to display spill-related archeological resources at a total cost not to exceed \$1.6 million, and the development of traveling exhibits of spill-related archeological materials for display in community facilities in the spill area at a total cost not to exceed \$200,000. During fiscal 1999, the Trustee Council resolved to provide \$2.8 million (plus a reasonable amount of funding for project management and general administration to be approved by the Council) to the Alaska Department of Natural Resources (DNR) to administer a grant award to Chugachmiut. Through fiscal 2000, the Trustee Council also approved \$102,580 for project management and general administration making the total approved \$2,902,580. As of September 30, 2000, \$181,506 has been expended on the project.

### NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2000

### 9. RESTORATION RESERVE

The Restoration Reserve Fund was established in fiscal 1995. Subsequent to the Reserve's establishment, the Council considered the restoration mission, past restoration program efforts and accomplishments, and obtained input from a variety of public sources to determine whether long-term restoration work needed to continue. It also obtained the most current information regarding the status of recovery of the resources and services injured by the oil spill in order to identify whether there was substantial and continuing long-term restoration needs. As a result of this process, the Trustee Council determined that full recovery of many injured resources and services is not yet complete, and that further scientific research and monitoring, and a continuing commitment to habitat protection is needed.

By October 2002, as a result of the past and anticipated future deposits into the Reserve, it is estimated that the total balance in the Reserve and other remaining unobligated settlement funds will be \$170 million, unless, prior to that time, on-going negotiations concerning potential habitat acquisitions obligates some of these funds. The Trustee Council resolved on March 1, 1999, that \$55 million of the funds would be managed as a long-term funding source, with a significant proportion of these funds to be used for small parcel habitat protection. It was further recognized that any funding that may be authorized for purchase of lands along or adjacent to the Karluk or Sturgeon rivers or other potential habitat acquisitions would be made from within the \$55 million allocated. The remaining balance of the funds would be managed so that the annual earnings, adjusted for inflation, would be used to fund annual work plans that include a combination of research, monitoring and general restoration.

As discussed in Note 10, the Trustee Council withdrew all funds from CRIS, including the Restoration Reserve, and deposited them into to an Investment Fund in the Alaska Department of Revenue, Division of Treasury on October 5, 2000.

### 10. SUBSEQUENT EVENTS

The Trustee Council withdrew all funds from CRIS, including the Restoration Reserve, and deposited them into to an Investment Fund in the Alaska Department of Revenue, Division of Treasury on October 5, 2000. The total amount deposited in the Investment Fund was \$134,697,905. The balance reflected on the accompanying balance sheet for CRIS on page 2 of \$127,097,189 was adjusted for registry fees and interest accrued on account balances at the time of transfer.

SUPPLEMENTARY INFORMATION

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### INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY RESTORATION PROJECTS INFORMATION

Members, Exxon Valdez Oil Spill Trustee Council, Anchorage, Alaska:

We have audited the financial statements of the Exxon Valdez Oil Spill Trustee Council, Trust Funds as of and for the year ended September 30, 2000, as listed in the accompanying table of contents, and have issued our report thereon dated February 9, 2001. These financial statements are the responsibility of the Exxon Valdez Oil Spill Trustee Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of the inadequacy of accounting records for the Department of Agriculture, United States Forest Service, we were unable to form an opinion regarding expenditures for the Fiscal 2000 *Work Plan* with respect to the Department of Agriculture, United States Forest Service.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Exxon Valdez Oil Spill Trustee Council, Trust Funds, taken as a whole. The accompanying Schedules of Expenditures and Obligations - Budget and Actual, and Schedule of Fiscal 1999 Work Plan Status as of September 30, 2000 on pages 21 through 31, are presented for purposes of additional analysis and are not a required part of the financial statements. With the exception of the Department of Agriculture, United States Forest Service Schedule of Expenditures and Obligations - Budget and Actual on page 25, described above, and the Schedule of Fiscal 1999 Work Plan Status as of September 30, 2000, on page 31 on which we express no opinion and which are marked "unaudited," the information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

February 9, 2001

### Exxon Valdez Oil Spill Trustee Council Alaska Department of Fish and Game Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
00025-CLO	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	\$ 22,200	\$ 22,197	\$ 3
00052	Community Involvement/Traditional Ecological Knowledge	201,500	201,500	. <del>-</del>
00064-CLO	Monitoring, Habitat Use, and Trophic Interactions of Harbor Seals in Prince William Sound	129,400	127,486	1,914
00100	Administration, Science Management, and Public Information	1,374,000	1,168,478	205,522
00126	Habitat Protection and Acquisition Support	15,800	15,764	36
00127	Tatitlek Coho Salmon Release	11,400	11,400	-
00139A2	Port Dick Creek Tributary Restoration and Development	46,600	47,577	(977)
00163L	APEX: Historical Data Review	8,300	8,280	20
00163T	APEX: Aerial Surveys	91,000	90,310	690
00190	Construction of Linkage Map for the Pink Salmon Genome	331,000	331,000	-
00210	Youth Area Watch	122,000	122,000	-
00225	Port Graham Pink Salmon Subsistence Project	75,000	75,000	-
00245	Community-Based Harbor Seal Management and Biological Sampling	56,500	56,456	44
00247	Kametolook River Coho Salmon Subsistence Project	23,200	15,156	8,044
00250	Project Management	154,900	140,457	14,443
00256B	Sockeye Salmon Stocking at Solf Lake	39,100	28,492	10,608
00263	Assessment, Protection and Enhancement of Salmon Streams in Lower Cook Inlet	23,400	23,400	-
00273	Surf Scoter Life History and Ecology: Linking Satellite Technology with Traditional Knowledge to Conserve the Resource	205,400	205,188	212
00278	Development of an Ecological Characterization and Site Profile for Kachemak Bay/Lower Cook Inlet	44,100	42,074	2,026
00320-BAA	Sound Ecosystem Assessment (SEA): Publishing the Integrated Final Report and a Program Synthesis	6,200	6,200	-
00327	Pigeon Guillemot Restoration Research at the Alaska SeaLife Center	20,400	20,400	-
00340	Toward Long-Term Oceanographic Monitoring of the Gulf of Alaska Ecosystem	65,900	63,635	2,265
00341	Harbor Seal Recovery: Controlled Studies of Health and Diet	216,100	214,565	1,535
00348-CLO	Response of River Otters to Oil Contamination: A Controlled Study of Biological Stress Markers	50,600	50,482	118
00366	Improved Salmon Escapement Enumeration Using Remote Video and Time-Lapse Recording Technology	46,500	44,040	2,460
00371	Effects of Harbor Seal Metabolism on Stable Isotope Ratio Tracers	163,100	163,100	-
00374	Coordination and Planning for Herring Research	35,500	35,500	-
00375-CLO	Effect of Herring Egg Distribution and Ecology on Year-Class Strength and Adult Distribution	48,000	48,000	-
00379-CLO	Assessment of Risk Caused by Residual Oil in Prince William Sound Using P450 Activity in Fishes	29,000	29,000	-
00389	3-D Ocean State Simulations for Ecosystem Applications from 1995-98 in Prince William Sound	125,300	124,938	362
00391	CIIMS: Cook Inlet Information Management/Monitoring System	26,000	19,955	6,045 (Continued)

### Exxon Valdez Oil Spill Trustee Council Alaska Department of Fish and Game Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	. Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
(Continued)	· ·			
00407	Harlequin Duck Population Dynamics	63,800	63,862	(62)
00423	Patterns and Processes of Population Change in Selecteed Nearshore Vertebrate Predators	36,800	36,764	36
00441	Harbor Seal Recovery: Effects of Diet on Lipid Metabolism and Health	191,600	191,599	
00462	Effects of Disease on Pacific Herring Population Recovery in Prince William Sound	74,600	70,357	4,243
00478	Testing Satellite Tags as a Tool for Identifying Critical Habitat	29,100	29,050	50
00481	Documentary Film on the Oil Spill Impacts on Subsistence Use of Intertidal Resources	8,600	8,600	-
00493	Statistically-Based Sampling Strategies for Gulf of Alaska Ecosystem Trawl Survey Monitoring	1,200	-	1,200
00509	Long-Term Monitoring of Harbor Seal Populations:  Development of an Experimental Design	51,800	51,359	441
00510-BAA	Recovery on Intertidal Communities and Recommendations for Future Monitoring	9,100	9,002	98
00530	Lessons Learned: Evaluating Scientific Sampling of Oil Spill Effects	11,800	6,880	4,920
00605	Information Transfer to Resource Managers, Stakeholders, and General Public	19,800	-	19,800
00610	Kodiak Island Youth Area Watch	61,800	61,800	-
00630	Planning for Long-Term Research and Monitoring Program	20,500	19,416	1,084
	Alaska Department of Fish and Game Totals	\$ 4,387,900	\$ 4,100,719	\$ 287,181

### Exxon Valdez Oil Spill Trustee Council Alaska Department of Environmental Conservation Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title	Exper		Actual penditures Obligations	•	er) Under xpended	
00100	Administration, Science Management and Public Information	\$	44,800	\$	39,285	\$	5,515
00250	Project Management		27,900		19,714		8,186
00391	Cook Inlet Information Management/Monitoring System		100,900		98,360		2,540
00530	Lessons Learned: Evaluating Scientific Sampling of Oil Spill Effects		31,000		31,000		-
00567	Monitoring Environmental Contaminants in the Northern Gulf of Alaska		41,400		26,968		14,432
	Alaska Department of Environmental Conservation Totals	\$	246,000	\$	215,327	\$	30,673

### Exxon Valdez Oil Spill Trustee Council Alaska Department of Natural Resources Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title		Budget		Budget		Budget		Actual penditures obligations	•	er) Under opended
00007A-CLO	Archaeological Index Site Monitoring	\$	68,500	\$	67,923	\$	577				
00100	Administration, Science Management and Public Information	4	404,600		400,066		4,534				
00126	Habitat Protection and Acquisition Support		163,000		161,960		1,040				
00180-CLO	Kenai Habitat Restoration & Recreation Enhancement		10,800		7,982		2,818				
00250	Project Management		25,500		25,380		120				
00391	Cook Inlet Information Management/Monitoring system		187,500		186,922		578				
00530	Lessons Learned: Evaluating Scientific Sampling of Oil Spill		8,300		7,688		612				
	Effects										
00630	Planning for Long-Term Research and Monitoring Program		64,200		64,180		20				
	Alaska Department of Natural Resources Totals	\$	932,400	\$	922,101	\$	10,299				

# Exxon Valdez Oil Spill Trustee Council Department of Agriculture, United States Forest Service Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000 (Unaudited)

Project Number	Project Title			Actual Expenditures & Obligations		(Over) Under Expended	
00007A	Archeological Index Site Monitoring	\$	9,800	\$	-	\$	-
00100	Administration, Science Management, and Public Information		37,400		-		-
00126	Habitat Protection and Acquisition Support		110,200		-		
00250	Project Management		21,400		_		-
00256B	Sockeye Salmon Stocking at Solf Lake		120,400		-		<b>-</b> .
00339-CLO	Western Prince William Sound Human Use and Wildlife Disturbance Model		14,000		-		- '
00391	Cook Inlet Information Management/Monitoring System		7,200				
	Department of Agriculture, United States Forest Service Totals	\$	320,400	\$	-	\$	

### Exxon Valdez Oil Spill Trustee Council Department of Interior, Fish and Wildlife Service Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title		Budget		Budget		Budget		Budget		Budget		Budget		Budget		Budget		Budget		Budget		Budget		Actual penditures Obligations	•	er) Under spended
00007A-CLO	Archaeological Index Site Monitoring	\$	11,900	\$	7,614	\$	4,286																				
00144A-CLO	Common Murre Population Monitoring		15,400		13,667		1,733																				
00159	Surveys to Monitor Marine Bird Abundance in Prince William		233,600		239,946		(6,346)																				
	Sound During Winter and Summer: Report and Publication																										
00163B	APEX: Seabird Interactions		90,000		81,973		8,027																				
00163E	APEX: Kittiwakes		92,000		92,120		(120)																				
00163F	APEX: Guillemots		83,100		84,122	,	(1,022)																				
00163J	APEX: Barren Islands Seabird Studies		73,800		71,017		2,783																				
00163K	APEX: Large Fish as Samplers		17,600		18,197		(597)																				
00163R	APEX: Marbled Murrelet Productivity		92,800		94,991		(2,191)																				
	Department of Interior - Fish and Wildlife Service Totals	\$	710,200	\$	703,647	\$	6,553																				

## Exxon Valdez Oil Spill Trustee Council Department of Interior, U.S. Geological Survey Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended	
00025-CLO	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	\$ 151,000	\$ 151,586	\$ (586)	
00163L	APEX: Barren Island Survey & Historical Data Review	8,400	7,811	589	
00163M	APEX: Response of Seabirds to Forage Fish Density	181,900	183,376	(1,476)	
00169-CLO	A Genetic Study to Aid in Restoration of Murres, Guillemots, and Murrelets in the Gulf of Alaska	19,200	19,153	47	
00306	Ecology and Demographics of Pacific Sand Lance in Lower Cook Inlet	20,000	20,009	(9)	
00327	Pigeon Guillemot Restoration Research at the Alaska SeaLife Center	172,400	172,377	23	
00338	Survival of Adult Murres and Kittiwakes in Relation to Forage Fish Abundance	59,700	60,876	(1,176)	
00391	Cook Inlet Information Management/Monitoring System	39,400	38,816	584	
00423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	163,500	163,243	257	
00459	Residual Oiling of Armored Beaches and Mussel Beds in the Gulf of Alaska	35,700	35,598	102	
00466-CLO	Recovery Status of Barrow's Goldeneyes	14,800	14,825	(25)	
00478	Testing Satellite Tags as a Tool for Identifying Critical Habitat	77,000	66,836	10,164	
00479	Effects of Food Stress on Survival and Reproductive Performance of Seabirds	125,200	125,006	194	
00599	Evaluation of Yakataga Oil Seeps as Regional Background Hydrocarbon Sources in Benthic Sediments of the spill Area	21,800	21,039	761	
	Department of Interior - U.S. Geological Survey Totals	\$ 1,090,000	\$ 1,080,551	\$ 9,449	

### Exxon Valdez Oil Spill Trustee Council Department of Interior, Office of the Secretary Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title		Expe		Actual Expenditures Budget & Obligations		Expenditures		`	er) Under kpended
00100	Administration, Science Management and Public Information	\$	110,200	\$	101,408	\$	8,792			
00126	Habitat Protection and Acquisition Support		116,800		120,035		(3,235)			
00250	Project Management		70,200		70,021		179			
00501	Protocols for Long-Term Monitoring of Seabird Ecology in the Gulf of Alaska		39,900		38,656		1,244			
00530	Lessons Learned: Evaluating Scientific Sampling of Oil Spill Effects		8,200		6,102		2,098			
	Department of Interior - Office of the Secretary Totals	\$	345,300_	\$	336,222	\$	9,078			

### Exxon Valdez Oil Spill Trustee Council U.S. Department of Commerce, National Oceanic and Atmospheric Administration Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
00012A-BAA	Photographic and Acoustic Monitoring of Killer Whales in Prince William Sound and Kenai Fjords	\$ 82,900	\$ 83,514	\$ (614)
00025-CLO	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	22,800	24,764	(1,964)
00048-BAA	Publication: Historical Analysis of Sockeye Salmon Growth Among Populations Affected by the Oil Spill and Large Spawning Escapements	10,300	10,345	(45)
00090-CLO	Monitoring of Oiled Mussel Beds in Prince William Sound	64,000	61,571	2,429
00100	Administration, Science Management and Public Information	62,900	63,000	(100)
00163A	APEX: Forage Fish Assessment	113,500	113,448	` 52́
00163G	APEX: Seabird Energetics	86,200	86,854	(654)
001631	APEX: Project Management	42,600	42,888	(288)
00163L	APEX: Historical Data Review	31,900	26,651	5,249
00163O	APEX: Statistical Review	29,700	29,957	(257)
00163Q	APEX: Modeling	92,100	92,781	(681)
00163S	APEX: Jellyfish as Competitors and Predators of Fishes	95,200	95,906	(706)
00195	Pristane Monitoring in Mussels	54,900	52,420	2,480
00250	Project Management	102,000	101,837	163
00287-BAA	Seabird-Oceanographic Realtionships in the Northern Gulf of Alaska: Integration with NSF/NOAA Study GLOBEC	151,300	152,373	(1,073)
00290	Hydrocarbon Data Analysis, Interpretation, and Database Maintenance	55,500	53,876	1,624
00320-BAA	Sound Ecosystem Assessment (SEA): Publishing the Integrated Final Report and a Program Synthesis	113,800	110,022	3,778
00330-BAA	Mass-Balance Model of Trophic Fluxes in Prince William Sound	25,300	25,431	(131)
00347-CLO	Fatty Acid Profile and Lipid Class Analysis for Estimating Diet Composition and Quality at Different Trophic Levels	35,500	34,962	538
00360-BAA	The Exxon Valdez Oil Spill: Guidance for Future Research Activities	304,800	306,810	(2,010)
00379-CLO	Assessment of Risk Caused by Residual Oil in Prince William Sound Using P450 Activity in Fishes	3,100	-	3,100
00393-BAA	Prince William Sound Food Webs: Structure and Change	153,700	154,850	(1,150)
00396	Alaska Shark Assessment	<b>86,</b> 000	82,841	3,159
00401	Assessment of Spot Shrimp Abundance in Prince William Sound	88,700	87,675	1,025
00414-BAA	Development of Web-Based System for Communicating Ecosystem Research Results to the public	26,800	26,940	(140)
00454	Evidence and Consequences of Persistent Oil Contamination in Pink Salmon Natal Habitats	334,100	332,366	1,734
00455-BAA	An Evaluation of the Data System for the EVOS Long-Term Monitoring Program	89,000	89,656	(656)
00459-CLO	Residual Oiling of Armored Beaches and Mussel Beds in the Gulf of Alaska	4,300	5,233	(933)
00476	Effects of Oiled Incubation Substrate on Pink Salmon Reproduction	74,800	71,194	3,606
	-		(0	Continued)

### Exxon Valdez Oil Spill Trustee Council U.S. Department of Commerce, National Oceanic and Atmospheric Administration Schedule of Expenditures and Obligations - Budget and Actual Fiscal Year Ending September 30, 2000

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
		•		
(Continued)	,			
00482-BAA	Optimization of Rapid Diagnostic Test Kits for Paralytic	55,600	56,035	(435)
	Shellfish Poisoning and Amnesic Shellfish Poisoning			
00493	Statistically-Based Sampling Strategies for Gulf of Alaska	33,300	32,963	337
	Ecosystem Trawl Survey Monitoring			
00510-BAA	Recovery of Intertidal Communities and Recommendations for	39,700	39,979	(279)
	Future Monitoring			
00516-BAA	Publication: Comparative Habitat Use by Kittlitz's and Marbled	21,000	21,121	(121)
	Murrelets			
00530	Lessons Learned: Evaluating Scientific Sampling of Oil Spill	19,100	16,974	2,126
	Effects			·
00541-BAA	Publication: Prince William Sound Isotope Ecology	15,000	15,486	(486)
00522-BAA	Exchange Between Prince William Sound and the Gulf of Alaska	114,400	115,195	(795)
00567	Monitoring Environmental Contaminants in the Northern Gulf of	13,300	17,994	(4,694)
	Alaska			
00598	Publication: Resolution of Mixtures Containing Exxon Valdez	13,500	13,780	(280)
	Oil and Regional Background Hydrocarbons in Subtidal			
	Sediments			
00599	Evaluation of Yakataga Oil Seeps as Regional Background	53,800	51,409	2,391
	Hydroocarbon Sources in Benthic Sediments of the Spill Area			
	U.S. Department of Commerce, National Oceanic and			
	Atmospheric Administration Totals	\$ 2,816,400	\$ 2,801,101	\$ 15,299

### Exxon Valdez Oil Spill Trustee Council Schedule of Fiscal 1999 Work Plan Status as of September 30, 2000 (Unaudited)

	Budget	Actual Expenditures & Obligations as of 9/30/00	Unobligated Balance as of 9/30/00
Alaska Departments of:			
Fish & Game	\$ 7,082,300	\$ 6,602,565	\$ 479,735
Environmental Conservation	226,400	217,071	9,329
Natural Resources	1,630,400	1,345,515	284,885
Total State of Alaska	8,939,100	8,165,151	773,949
United States Departments of:			
Agriculture, United States Forest Service	669,700	538,346	131,354
Interior:			
Fish & Wildlife Service	1,077,000	1,044,224	32,776
U.S. Geological Survey	1,305,300	1,298,589	6,711
National Park Service	15,200	-	15,200
Office of the Secretary	444,500	330,088	114,412
Commerce, National Oceanic & Atmospheric			
Administration	2,461,400	2,418,314	43,086
Total United States	5,973,100	5,629,561	343,539
Totals	\$ 14,912,200	\$ 13,794,712	\$ 1,117,488

See Notes 5 and 6 of the Notes to Supplementary Information Related to Restoration Projects on Page 34 for additional discussion relating to this schedule.

NOTES TO SUPPLEMENTARY INFORMATION

### NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 2000

### 1. PRESENTATION

The information presented in the accompanying Schedules of Expenditures and Obligations - Budget and Actual present the budgets for each project approved by the Exxon Valdez Trustee Council (Council) as included in the Council's Fiscal Year 2000 Work Plan, and any amendments approved thereto, along with expenditures and obligations incurred by the Trustee Agencies in carrying out the Fiscal 2000 restoration projects, only. The information presented is not intended to present the results of operations of any other activities conducted by the Trustee Agencies. Expenditures incurred by the Trustee Agencies in Fiscal 2000 relating to restoration projects of prior years and to the liquidation of prior year encumbrances, are also not presented. The procedures used to develop and implement the project budgets for Fiscal 2000 are discussed in Note 6 to the Trust Fund Financial Statements.

The schedules titled "Department Total" for each agency reflect total budgets, expenditures and obligations for each Trustee Agency.

### 2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenditures and the related assets and liabilities are recorded in the accounts and financial statements. Specifically, it relates to the timing of the financial measurements made, regardless of the measurement focus applied.

As discussed in Note 2 to the Trust Fund Financial Statements, the State of Alaska accounts for the expenditure of funds from the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust) on the modified accrual basis of accounting.

As discussed in Note 2 to the Trust Fund Financial Statements, the United States accounts for the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R) on the cash basis of accounting. However, the United States Trustee Agencies use modified accrual accounting to account for the expenditure of funds within each agency. Expenditures are recorded when the related liability is incurred. Encumbrance (obligation) accounting, under which purchase orders and contracts for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration of the United States Government. Encumbrances (obligations) outstanding at year-end are included in the Actual Expenditures & Obligations column in the accompanying Schedules of Expenditures and Obligations - Budget and Actual.

### 3. FINANCIAL OPERATING PROCEDURES

On September 21, 1992, the Council adopted <u>Financial Operating Procedures</u> (Procedures) to be used by the United States and State of Alaska Trustee Agencies in conducting restoration projects. The objective of the Procedures was to ensure public trust and accountability while maximizing the Council's ability to use settlement funds for approved restoration activities. On August 29, 1996, the Trustee Council adopted Procedures that supersede the Operating Procedures adopted by the Trustee Council September 21, 1992. On August 3, 2000, the Trustee Council adopted Procedures that supersede the Operating Procedures adopted by the Trustee Council August 29, 1996. The purpose of the adopted Procedures was to provide guidance regarding the authorities and responsibilities of agencies that receive Joint Trust Funds approved by the Trustee Council.

### NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 2000

### 3. FINANCIAL OPERATING PROCEDURES (Continued)

### Adjustments

The Procedures allow Trustee Agencies to transfer funds into or out of projects up to the cumulative amount of \$25,000 or up to ten percent of the authorized level of funding for each affected project, whichever is less, provided that such transfers will not alter the underlying scope or objectives of the project. The Council must approve transfers in excess of this amount. The budget amounts presented include transfers made between projects by the agencies, which were approved by the Executive Director or were made in accordance with the Procedures.

### Single Project Budget Transfers

The Procedures authorize Trustee Agencies to transfer, within a single project, budgeted funds between object classes (such as personnel, travel and contractual costs), and may change detailed items of expenditure, including specific personnel, to accommodate circumstances encountered during budget implementation, provided that such transfers will not alter the underlying scope or objectives of the project. The budget amounts presented do not include such transfers made by the agencies.

### General Administration

The Procedures include a provision for general administration costs to be included in the budgets of the restoration projects. Actual recovery of general administrative costs shall be in proportion to actual direct costs and is limited to:

- 1. Fifteen percent of each project's actual personnel costs; and
- 2. Seven percent of the first \$250,000 of each projects actual contractual costs, plus two percent of project's actual contractual costs in excess of \$250,000.

Amounts budgeted and expended on projects for general administration are included in the personnel and contractual lines as appropriate in the accompanying Schedules of Expenditures and Obligations - Budget and Actual.

### 4. SETTLEMENT TRUST RECONCILIATION

Total Current Operating Expenditures reflected in the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust), Statement of Revenues, Expenditures and Changes in Fund Balances reconcile to Actual Expenditures and Obligations reflected in the accompanying "Department Totals" Schedules of Expenditures and Obligations - Budget and Actual for each State Trustee Agency as follows:

Actual Expenditures and Obligations, "Department Totals"	
Schedules of Expenditures and Obligations - Budget and Actual,	
Alaska Department of Fish and Game	\$ 4,100,719
Alaska Department of Environmental Conservation	215,327
Alaska Department of Natural Resources	 922,101
Total	5,238,147
Add: Prior Years' Encumbrances Liquidated During Fiscal 2000	935,672
Less: Encumbrances Outstanding at September 30, 2000 Relating to Fiscal 2000 Restoration Projects	 (459,506)
Total Current Operating Expenditures, Settlement Trust Statement of Revenues, Expenditures and Changes in	
Fund Balances	\$ 5,714,313

### NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 2000

### 5. CURRENT STATUS OF 1999 WORK PLAN RESTORATION PROJECTS

Total expenditures and obligations relating to 1999 Work Plan Restoration Projects for each agency as of September 30, 2000 is presented on pages 31. This information is included in order to reflect any changes in expenditures and obligations from amounts previously reported.

The significant changes in the amounts previously reported, are due to encumbrances existing at September 30, 1999 which, during fiscal 2000, were liquidated due to incurring less expenditures under contracts than the amounts originally anticipated by the agencies.

### 6. INADEQUATE ACCOUNTING RECORDS

Beginning August 2000 and continuing through the completion of the fiscal 2000 audit, the United States Department of Agriculture, United States Forest Service's accounting system was unable to provide reliable actual expenditures and obligations reports for any Exxon Valdez Oil Spill projects. As a result, the Fiscal 2000 Schedule of Expenditure and Obligations — Budget and Actual does not include actual expenditure and obligation amounts for the USFS. (See page 25.) Fiscal year 1999 actual expenditures and obligations as of September 30, 2000 were also not available. Accordingly, amounts previously reported on page 31 for fiscal year 1999 have not been updated in the Schedule of Status of Prior Year Projects for the USFS.

ADDITIONAL REPORTS

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9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801 Phone: 907-789-3178 · FAX: 907-789-7128

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members, *Exxon Valdez* Oil Spill Trustee Council, Anchorage, Alaska:

We have audited the financial statements of the Exxon Valdez Oil Spill Trustee Council, Court Registry Investment System, Exxon Valdez Oil Spill Settlement Account as of and for the year ended September 30, 2000, and have issued our report thereon dated February 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Exxon Valdez Oil Spill Trustee Council, Court Registry Investment System, Exxon Valdez Oil Spill Settlement Account's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Exxon Valdez Oil Spill Trustee Council, in a separate letter dated February 9, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Exxon Valdez Oil Spill Trustee Council, Court Registry Investment System, Exxon Valdez Oil Spill Settlement Account's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Exxon Valdez Oil Spill Trustee Council in a separate letter dated February 9, 2001.

This report is intended for the information of the Exxon Valdez Oil Spill Trustee Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Elger, Rubfeld & front, LIC

February 9, 2001

9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801 Phone: 907-789-3178 · FAX: 907-789-7128

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members, Exxon Valdez Oil Spill Trustee Council, Anchorage, Alaska:

We have audited the financial statements of the Exxon Valdez Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund as of and for the year ended September 30, 2000, and have issued our report thereon dated February 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Exxon Valdez Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Exxon Valdez Oil Spill Trustee Council, in a separate letter dated February 9, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Exxon Valdez Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect U.S. Department of Agriculture, United States Forest Service's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Exxon Valdez Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund's financial statements. The reportable condition is as follows:

Condition: Beginning August 2000 and continuing through the completion of the fiscal 2000 audit, the United States Department of Agriculture, United States Forest Service's accounting system was unable to provide reliable actual expenditures and obligations reports for any Exxon Valdez Oil Spill projects.

Criteria: Proper internal controls dictate that manager be able to review the results of operations for areas under their responsibility on a regular basis.

Effect: USFS project managers were unable to monitor expenditures and availability of budgetary funds on any Exxon Valdez Oil Spill projects.

Recommendation: Procedures should be implemented to ensure that actual expenditure and obligation information is available on a timely basis.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the *Exxon Valdez* Oil Spill Trustee Council in a separate letter dated February 9, 2001.

This report is intended for the information of the Exxon Valdez Oil Spill Trustee Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

February 9, 2001



9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801

Phone: 907-789-3178 · FAX: 907-789-7128
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members, Exxon Valdez Oil Spill Trustee Council, Anchorage, Alaska:

We have audited the financial statements of the Exxon Valdez Oil Spill Trustee Council, State of Alaska, Exxon Valdez Oil Spill Settlement Trust as of and for the year ended September 30, 2000, and have issued our report thereon dated February 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Exxon Valdez Oil Spill Trustee Council, State of Alaska, Exxon Valdez Oil Spill Settlement Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Exxon Valdez Oil Spill Trustee Council, in a separate letter dated February 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Exxon Valdez Oil Spill Trustee Council, State of Alaska, Exxon Valdez Oil Spill Settlement Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Exxon Valdez Oil Spill Trustee Council in a separate letter dated February 9, 2001.

This report is intended for the information of the Exxon Valdez Oil Spill Trustee Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

Elgee, Nelsteld & Funk, LL

### Revised GEM Schedule March 27, 2001

Dates	Description of Task
4/30/01	Complete writing of Sections A (Introduction) & B (Scientific Background/Conceptual Foundation) of plan & submit to technical editor
6/1/01	Complete writing of Section C (Monitoring & Research Plan) & submit to technical editor
6/26/01 – 7/20/01	Post draft plan on web for public & agency review
7/18/01	PAG meet to discuss draft plan
8/6/01	Trustee Council considers draft plan
9/4/01	Send draft plan to NRC
12/31/01	Receive NRC review comments; respond and revise plan as necessary
1/31/02	Print final plan

### JAMIN, EBELL, SCHMITT & MASON

A PROFESSIONAL CORPORATION

AREN E. BENDLER
TTORNEY AT LAW
IMITED TO ALASKA
IND WASHINGTON BARS

E-MAIL: KBENDLER@JESMANC.COM

ATTORNEYS AT LAW
SUITE 201
1007 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501

TELEPHONE: (907) 278-6100 FACSIMILE: (907) 222-2760 REPLY TO ANCHORAGE OFFICE SEATTLE OFFICE: 605 FIRST AVENUE, SUITE 300 SEATTLE, WASHINGTON 98104 TELEPHONE: (206) 622-7634 FACSIMILE: (206) 623-7521

KODIAK OFFICE: 323 CAROLYN STREET KODIAK, ALASKA 9961S TELEPHONE: (907) 486-6024 FACSIMILE: (907) 486-6112

May 1, 2001

RECEIVED

MAY 0 1 2001

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Via Messenger

Ms. Molly McCammon Executive Director Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, AK 99501

Re:

Old Harbor Hydroelectric Project

Our File No. 3765-61

Dear Molly:

Further to our letter dated April 19<sup>th</sup>, we are enclosing a copy of a letter from AVEC with a conformed copy of the trust agreement referred to on page 2 of our letter.

If you have any questions, please contact us.

Best regards.

Very truly yours,

JAMIN, EBELL, SCHMITT & MASON

Karen F. Bendler

KEB/sm Enclosure

cc (w/encl): Old Harbor Native Corporation Alex Swiderski, Esq.

3765\611008.wpd



April 30, 2001

Karen Bendler Jamin, Ebell, Bolger and Gentry 1007 West 3<sup>rd</sup> Avenue, Suite 201 Anchorage, AK 99501

Dear Karen:

Enclosed is one copy of the conformed copy of the trust agreement among Alaska Village Electric Cooperative, U.S. Fish and Wildlife Service, National Marine Fisheries Service, and Alaska Department of Fish and Game relative to the Old Harbor Hydroelectric Project.

It has been a pleasure working with you on this project.

Sincerely,

Brent N. Petrie

Manager, Special Projects

cc: Dan Hertrich, Polarconsult

## TRUST AGREEMENT AMONG

ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
THE UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE;
AND THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT

	This	Agreemer	nt is made	this 3	oth	day	of A	mil		_, 2001	, by
Alaska	Village El										
Interior	, Fish and	Wildlife	Service ('	'FWS");	the Un	ited S	States 1	Departm	ent of (	Comme	rce,
Nationa	l Marine Fi	isheries Se	rvice ("Ni	MFS"); a	and the S	tate c	of Alasl	ca, Depa	artment o	of Fish	and
Game (	"ADFG").		•	, ,				_			

In explanation, the parties recite the following:

- A. AVEC has applied to the Federal Energy Regulatory Commission ("FERC") for a license pursuant to the Federal Power Act, 16 U.S.C. § 797, to construct and operate the Old Harbor Hydroelectric Project (FERC Project No. 11690).
- B. Project No. 11690 will be partially located on lands within the Kodiak National Wildlife Refuge, Alaska. It will also be partially located on lands owned by the City of Old Harbor and the Old Harbor Native Corporation. The State of Alaska has a conservation easement on lands which have been deeded from the Old Harbor Native Corporation to the Fish and Wildlife Service.
- C. The construction of the Old Harbor Hydroelectric Project will be in the interest of the people of the State of Alaska.
- D. In order to facilitate and achieve the mutual objectives of conservation and encourage the development of fish and wildlife resources, the parties are entering into this Trust Agreement. The purpose of the Trust is to provide funds to investigate and mitigate project operation and maintenance related potential or unforeseen impacts to Old Harbor area habitat(s) and its fish and wildlife resources.

Now, therefore, the parties hereto agree as follows:

1. Trust Fund. Within thirty (30) days after AVEC water enters the penstock in continuous flow from the East Fork Mountain Creek for purposes of power production, AVEC will establish a Trust Fund for the purpose of funding, out of principal and income from the Trust Fund, programs approved by the trustees of the fund for wildlife and natural resource research and other activities determined by the trustees of the fund to be of benefit to fish and wildlife resources. AVEC will make an initial contribution of Five Thousand Dollars (\$5,000) to the Trust Fund upon establishment of the Fund, and will make additional contributions of Five

Thousand Dollars (\$5,000) every twelve (12) months until AVEC's capital contributions total Twenty-five Thousand Dollars (\$25,000). Monitoring activities required by the FERC license shall not be funded from the Trust; rather, they shall be considered as AVEC operating expenses. Likewise, repair of facilities damaged by catastrophic events (e.g., Acts of God) shall be the responsibility of the licensee. The trustees shall be governed by the following:

- (a) There shall be four (4) trustees; one to be named by AVEC; one to be named by the FWS; one to be named by the NMFS; and one to be named by the ADFG;
- (b) The trust must be established so as to be an interest-bearing account;
- (c) Meetings of the trustees shall be held annually or as deemed necessary by at least two of the trustees;
- (d) All decisions by the trustees regarding fund expenditures shall be made by majority vote of a duly convened meeting of the trustees at which at least three trustees are present;
- (e) AVEC shall consult with the other parties hereto in establishing the trust account; and
- (f) Trust funds shall not be used to pay for expenses of the trustees in attending meetings or conducting business of the trust including management of the trust.
- 2. <u>Contingent Nature of Trust Obligation</u>. AVEC's obligation to fund the trust is contingent upon the occurrence of the following conditions precedent:
  - (a) AVEC must receive a FERC license; and
- (b) AVEC must receive from FWS, NMFS, ADFG, Old Harbor Native Corporation, and the City of Old Harbor all approvals and easements necessary to proceed with construction.
  - 3. <u>Duration of the Trust Fund</u>. The \$25,000 and accumulated interest, less any expenditures authorized under 1(d), will remain in the Trust for the FERC license term, unless jointly determined by unanimous vote of the trustees that the account may be closed and any remaining funds returned to the licensec.

TRUST AGREEMENT AMONG
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE; AND
THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT
Page 2

- 4. <u>Amendments.</u> This Agreement may be amended from time to time by the unanimous vote of the Trustees whenever, in their opinion, it is necessary or advisable in order to carry out the purposes of the Trust. Every Amendment shall be in writing and shall be signed by all of the Trustees.
- 5. This Agreement may be executed in counterparts, each of which will constitute an original, and all of which together shall be deemed a single document.

ALASKA VILLAGE ELECTRIC COOPERATIVE, INC. ("AVEC")

By:	Vara Idely
	Meera Kohler
Title:	President and Chief Executive Officer
Date:	4/30/01
	TATES DEPARTMENT OF THE INTERIOR WILDLIFE SERVICE
Ву:	David B. Allen
Title:	Regional Director
•	MAR 7 2001

TRUST AGREEMENT AMONG
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE; AND
THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT
Page 3

UNITED STATES DEPARTMENT OF COMMERCE NATIONAL MARINE FISHERIES SERVICE ("NMFS")

By: M	
James Balanger	
Title: Regional Administrator	
Date:	
STATE OF ALASKA DEPARTMENT OF FISH AND GAME ("ADFG")	
By:Frank Rue	
Title: Commissioner, Alaska Department of Fish and Gar	me
Date:	

UNITED STATES DEPARTMENT OF COMMERCE NATIONAL MARINE FISHERIES SERVICE ("NMFS")

By:		
	James Balsiger	
Title:	Regional Administrator	****
Date:		٠.
STATE OF DEPARTM ("ADFG")	ALASKA ENT OF FISH AND GAME	
By: 7/4	uli/Viv	
	Frank Rue	
Title: <u>Regio</u>	umi 551000 ADF & Restoration Divis	sion,
Date:	2-22.01	

**PUBLIC TESTIMONY** 

To:

**EVOS Trustee Council** 

From:

John S. French, Ph.D.

PEGASUS ENTERPRISES

P.O.Box 1470

Seward, AK 99664-1470

Date:

May 3, 2001

Re:

Amendment to Project 01190: Pink Salmon Genome Project.

I was formerly with the Fishery Industrial Technology Center, and the School of Fisheries and Ocean Sciences. I was the Science/Academic Representative on the EVOS-Public Advisory Group from 1991-1995. I was present during formative discussions for the Alaska SeaLife Center Fish Pass which ultimately became EVOS Project #97197. I am currently the sole proprietor of PEGASUS ENTERPRISES and the representative for the City of Seward on the Cook Inlet Aquaculture Association Board of Directors. The general consensus is that I know something about salmon.

I wish to support Dr. Allendorf's request for \$4,000 in supplemental funds to increase the collection efforts for his Pink Salmon Genome Project (#01197). I certainly support continued efforts to assure the successful collection of observations and data for projects where multiple years of funding and effort have spent, but where projects which may take further years to fully bear fruition.

While I believe that the modifications proposed for the operation of the fish pass this year may result in greater numbers of naturally returning fish, I think it is highly unlikely that even the most aggressive harvest techniques will result in the harvest of the necessary 20% of marked fish (Spies, memo to McCammon, 04/23/01). Still after the \$1.5 million spent already it is worth \$4,000 of extra effort.

Furthermore, I encourage you to consider approaches for future years to complete the task started in Project #97197, to build a sustained run of pink salmon returning to the Alaska SeaLife Center as a research and public education asset. Even if Dr. Allendorf's project succeeded to the greatest expectations, there would still be much research needing to be done on salmon. There are several reasons why pink salmon are the most appropriate choice for this location.

One of the original over-arching justifications for building the Center was to provide the in state research infrastructure necessary to conduct the necessary research and monitoring projects in close proximity to the injured resources. The fish pass is an important part of that infrastructure, for all the reasons stated by Jim Seeb in his original proposal and several more less focused on genetics. It is not reasonable to expect individual research projects to bare the brunt of correcting the design deficiencies in the original fish pass and to stock the development of the initial runs. Once there is an established research run of pink salmon at the SeaLife Center, I am confident that there will be plentiful research projects to support its operation. Otherwise, each new project will face the same daunting task Dr. Allendorf has. In this case it is unlikely other investigators risk the consequences.

## Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451

907/278-8012 fax:907/276-7178

#### REVISED AGENDA

#### EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

**MEETING** 

May 3, 2001 10:00 a.m.

645 G STREET, Suite 401, ANCHORAGE

**DRAFT** 

#### Trustee Council Members:

**CRAIG TILLERY** 

Assistant Attorney General

State of Alaska

DAVID ALLEN

Director, Alaska Region

U.S. Fish and Wildlife Service

MICHELE BROWN

Commissioner

Alaska Department of Environmental

Conservation

**DAVE GIBBONS** 

U.S. Department of Agriculture

**Forest Service** 

JAMES W. BALSIGER

Director, Alaska Region

National Marine Fisheries Service

FRANK RUE

Commissioner

Alaska Department of Fish & Game

Teleconferenced in Anchorage, Restoration Office, 645 G Street State Chair

- 1. Call to Order 10:00 a.m.
  - Approval of Agenda
  - Meeting notes

April 3, 2001

- 2. Public comment period 10:00 a.m.
- 3. Executive Director's Report Molly McCammon
  - -March 2001 Investment Reports
  - -PAG April 4, 2001 meeting
  - -FY 2000 audit
- 4. Amendment to Project 01190 (Pink Salmon Genome Project)\*
- Old Harbor Hydroelectric Project\*
   Waiver of Covenants
- 6. Small parcels\*
  - -KAP 2069 (Johnson)

National Oceanic and Atmospheric Administration

-KEN 294 (Elliot)

Federal Trustees

U.S. Department of the Interior U.S. Department of Agriculture

State Trustees

Alaska Department of Fish and Game Alaska Department of Environmental Conservation

Alaska Department of Law

7. Project 99514\*
-Lower Cook Inlet Waste Management

Adjourn 12:00 p.m.

\* indicates tentative action items

Meeting Notes April 3, 2001

,

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178

#### TRUSTEE COUNCIL MEETING ACTIONS

April 3, 2001

By Molly McCammon Executive Director

#### **Trustee Council Members Present:**

Dave Gibbons, USFS
Dave Allen, USFWS
\*James Balsiger, NMFS

Frank Rue, ADF&G

•Michele Brown, ADEC

Craig Tillery, ADOL

\* Chair

In Anchorage: Gibbons, Allen, Balsiger, See, Brown, Tillery, Rue.

Alternates:

Marianne See served as an alternate for Michele Brown from 10:04 a.m. until 1:23 p.m.

Meeting convened at 10:04 a.m., April 3, 2001

1. Approval of the Agenda

APPROVED MOTION: Approved the Agenda with a change by removing small

parcels as a possible action item under the habitat issues.

Motion by Rue, second by Tillery.

2. Approval of the Meeting Notes

**APPROVED MOTION:** Approved January 16, 2001 Trustee Council meeting notes.

Motion by Rue, second by Tillery.

3. Investments

Off record 10:15 a.m. (Technical difficulties) On record 10:20 a.m.

**APPROVED MOTION:** Approved a motion to participate in the Department

of Revenue's securities lending program.

Motion by Rue, second by See.

#### 4. Habitat issues

Discussion of Karluk IRA proposal.

Public comment period began at 11:00 a.m.

Public comments received from 10 individuals in Anchorage. Public comments received telephonically from 9 individuals in Kodiak, 1 individual in Cordova and 1 individual in Juneau.

Public comment period closed at 12:10 p.m.

Adjourned to lunch 12:40 p.m.

Off record at 12:43 p.m. On record at 1:13 p.m.

#### 4. GEM - Discussion with Public Advisory Group

National Research Council's interim report on the Gulf Ecosystem Monitoring program by Mike Roman, Chairman, and Don Bowen, review committee members.

BREAK Off record 2:40 p.m. On record 2:57 p.m.

Meeting adjourned 4:20 p.m.

Motion by Rue, Second by Gibbons.

Executive Director's Report

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



#### **MEMORANDUM**

TO:

**Trustee Council** 

FROM:

Molly McCammon

DATE:

April 24, 2001

RE:

FY 2000 Audit

Attached is your copy of the FY 2000 external audit. Consistent with the previous years, the audit included a review of the internal control structure used to administer the Trust Funds and a review of the financial statements.

The document titled EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL, Internal Control and Operation Comments, February 9, 2001, is often referred to as the management letter. The management letter summarizes the auditor's comments and suggestions regarding opportunities to strengthen internal controls and operate more efficiently. Incorporated in the document are responses from the agencies which received comments.

The document titled EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL TRUST FUNDS FINANCIAL STATEMENTS and SUPPLEMENTARY RESTORATION PROJECTS INFORMATION, Fiscal Year Ended September 30, 2000, TOGETHER WITH INDEPENDENT AUDITORS' REPORT, is often referred to as the financial statements. This document is organized into three sections. The first section is a presentation of the cash balance associated with the individual Trust Funds. The second section is organized by agency and includes the Schedule of Expenditures and Obligations (by project) – Budget to Actual, for the Fiscal Year ending September 30, 2000. The third section includes the Independent Auditors' Report on Compliance and Internal Control.

If you have any questions regarding the external audit, please do not hesitate to give me a call.

cc: Agency Liaisons

#### Revised GEM Schedule March 27, 2001

Dates	Description of Task
4/30/01	Complete writing of Sections A (Introduction) & B (Scientific Background/Conceptual Foundation) of plan & submit to technical editor
6/1/01	Complete writing of Section C (Monitoring & Research Plan) & submit to technical editor
6/26/01 - 7/20/01	Post draft plan on web for public & agency review
7/18/01	PAG meet to discuss draft plan
8/6/01	Trustee Council considers draft plan
9/4/01	Send draft plan to NRC
12/31/01	Receive NRC review comments; respond and revise plan as necessary
1/31/02	Print final plan

Investment Report

## Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



#### **MEMORANDUM**

TO:

Trustee Council

THROUGH:

Molly Macampon

Executive Director

FROM:

Debbie Hennigh

Special Assistant

DATE:

April 19, 2001

RE:

March Investment Reports

Attached are Department of Revenue's Investment Fund reports for activity ending March 31, 2001 and the graphs detailing assets, earnings, and benchmark comparisons.

If you would prefer to receive these reports electronically, please let Debbie Hennigh know and she will be glad to provide the information to you via email.

**Attachments** 

cc: Investment Working Group

#### **MEMORANDUM**

TO:

**Trustee Council** 

THROUGH:

Molly McCammon

**Executive Director** 

FROM:

Debbie Hennigh

Special Assistant

DATE:

April 19, 2001

RE:

March Investment Reports

Attached are Department of Revenue's Investment Fund reports for activity ending March 31, 2001 and the graphs detailing assets, earnings, and benchmark comparisons.

If you would prefer to receive these reports electronically, please let Debbie Hennigh know and she will be glad to provide the information to you via email.

#### Attachments

cc: Investment Working Group

# STATE OF ALASKA DEPARTMENT OF REVENUE TREASURY DIVISION

#### Exxon Valdez Oil Spill Investment Fund

#### STATEMENT OF INVESTED ASSETS

#### March 31, 2001

Investments (at fair value)	2001			
Cash and cash equivalents				
Short-term Fixed Income Pool	\$	94,350		
Marketable debt and equity securities				
Broad Market Fixed Income Pool		61,209,483		
Non-retirement Domestic Equity Pool		46,126,312		
SOA International Equity Pool	_	20,493,757		
Total invested assets	\$_	127,923,902		

# STATE OF ALASKA DEPARTMENT OF REVENUE TREASURY DIVISION

#### Exxon Valdez Oil Spill Investment Fund

# STATEMENT OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS

#### For the period ended March 31, 2001

Investment Income		RRENT IONTH		YEAR TO <u>DATE</u>
Cash and cash equivalents		•		y
Short-term Fixed Income Pool	\$	504	\$	93,861
Marketable debt and equity securities				
Non-pooled investments		0		61,799
Broad Market Fixed Income Pool		356,932		4,501,483
Non-retirement Domestic Equity Pool	(	(3,202,866)		(8,873,688)
SOA International Equity Pool		(1,653,762)		(2,506,243)
Total income from marketable debt and equity securities		(4,499,696)		(6,816,649)
Total investment income (loss)	(	(4,499,192)		(6,722,788)
Total invested assets, beginning of period	13	2,423,094		0
Net contributions (withdrawals)		0		134,646,690
Total invested assets, end of period	\$12	27,923,902	s_	127,923,902

# STATE OF ALASKA DEPARTMENT OF REVENUE - TREASURY DIVISION

# Exxon Valdez Oil Spill Investment Fund Asset Allocation Policy (effective 4/24/00) with Actual Investment Holdings as of March 31, 2001

	Asset A	llocation	Fair value	Current Allocation	Varianc
	Policy	Range			
Cash and cash equivalents					
Short-term Fixed Income Pool	0.00%		93,846	0.07%	-0.07%
Total cash and cash equivalents	0.00%		93,846	0.07%	-0.07%
Marketable debt and equity securities					
Broad Market Fixed Income Pool	42.00%	35% - 49%	61,209,483	47.85%	-5.85%
Non-retirement Domestic Equity Pool	41.00%	34% - 48%	46,126,312	36.06%	4.94%
SOA International Equity Pool	17.00%	12% - 22%	20,493,757	16.02%	0.98%
Total marketable debt securities	100.00%		127,829,551	99.93%	0.07%
Total holdings	100.00%		127,923,397	100.00%	0.00%
Short-term Fixed Income Pool Interest Receivable			504		
Total Invested Assets at Fair Value			127,923,902		

# Exxon Valdez Oil Spill Investment Fund Period Ending March 31, 2001

	Mkt Value (\$M)	Monthly <u>Return</u>	3 Mo. Return	YTD	Fiscal <u>YTD</u>	Inception to <u>Date*</u>
AY02 EVOS Investment Fund	127,924	-3.40	-5.52	-5.52	-	- <b>6.73</b>
EVOS Investment Fund Index		-3.60	-6.17	-6.17	-8.25	-7.33
Short-term Fixed Income Pool	94	0.54	1.64	1.64	-	2.91
91 day T-Bill		<i>0.46</i>	1.51	1.51	4.71	2.62
Broad Market Fixed Income Pool	61,210	0.59	3.24	3.24	-	7.27
Lehman Brothers Aggregate Index		<i>0.50</i>	3.03	3.03	10.61	6.66
Non-Retirement Domestic Equity Pool	46,126	-6.49	-12.20	-12.20	-	-18.91
Russell 3000 Index		-6.52	-12.15	-12.15	-19.47	-18.90
SOA International Equity Pool  Morgan Stanley Capital Intl. (EAFE)	20,494	-7.47 -6.67	-12.71 -13.71	-12.71 -13.71	- -22.80	-11.29 -13.99

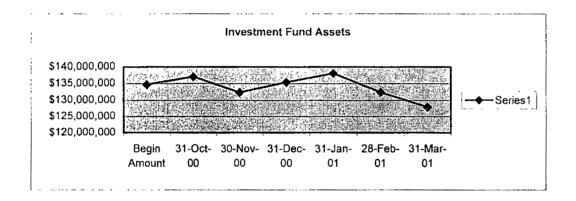
Source: State Street Bank, Insight.

<sup>\*</sup> Since October 31, 2000

#### FY 01 October 2000 - March 2001 Investment Fund Earnings

 Begin Amount
 31-Oct-00
 30-Nov-00
 31-Dec-00
 31-Jan-01
 28-Feb-01
 31-Mar-01

 \$134,708,489
 \$137,058,521
 \$132,354,734
 \$135,397,150
 \$138,049,186
 \$132,423,094
 \$127,923,902



### Investment Fund Earnings (Loss) as of March 31, 2001



\$2,000,000

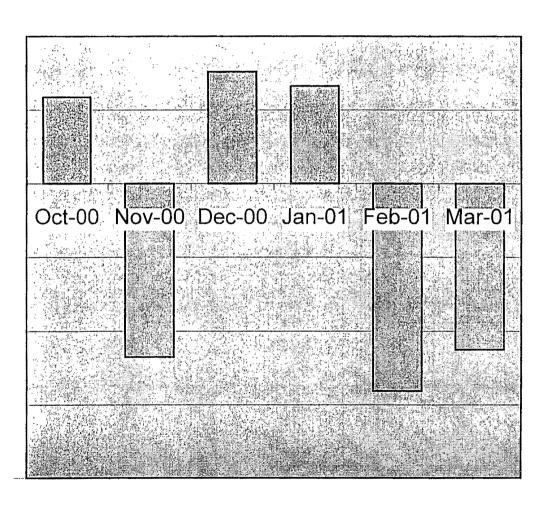
\$0

-\$2,000,000

-\$4,000,000

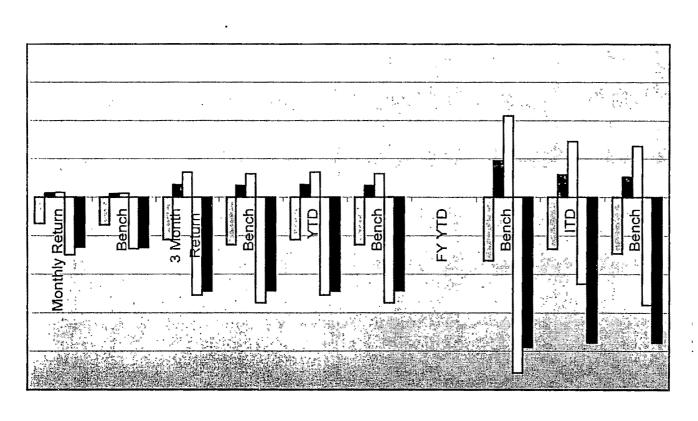
-\$6,000,000

-\$8,000,000



Series 1

# March 2001 Performance Measurement



□EVOS Fund

Short -term Fixed Income Pool

☐Fixed Income

□ International Equities

■ Domestic Equities

PAG Meeting 4/4/2001

1

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- 1

#### **Meeting Summary**

A. GROUP:

Exxon Valdez Oil Spill Public Advisory Group (PAG)

B. DATE/TIME:

April 4, 2001

C. LOCATION:

Anchorage, Alaska

#### D. MEMBERS IN ATTENDANCE:

Name

Principal Interest

Torie Baker

Commercial Fishing

Chris Beck

Public-at-Large

Chris Blackburn
Dave Cobb

Public-at-Large

Gary Fandrei

Public-at-Large Public-at-Large

Brett Huber

Sport Hunting & Fishing

Dan Hull

Public-at-Large

Chuck Meacham, Chair

Science/Academic

Pat Norman

Native Landowner Commercial Tourism

Gerry Sanger

Environmental

Stan Senner Stacy Studebaker

Recreation Users

Martha Vlasoff

Subsistence

Ed Zeine

Local Government

Loren Leman (via telecon AM only) Alaska State Senate (ex officio)

#### E. NOT REPRESENTED:

Name

Principal Interest

James King

Conservation

Bud Perrine

Aquaculture

Chuck Totemoff

Forest Products

John Harris Alaska State House of Representatives (ex officio)

#### F. OTHER PARTICIPANTS:

Name

Organization

Ken Adams

ixen Adams

Jerry Rusher

Dick Kasper

Christiane Derby

Patton Boggs

Molly McCammon

Trustee Council Staff

Phil Mundy

Trustee Council Staff

Doug Mutter

Designated Federal Official, Dept. of the Interior

Sandra Schubert

Trustee Council Staff

Bob Spies

Chief Scientist for Trustee Council

Trustee Council Staff
Trustee Council Staff

#### G. SUMMARY:

The meeting was convened April 4 at 9:05 a.m. by Chuck <u>Meacham</u>. Roll call was taken, a quorum was present. Public Advisory Group (PAG) members and staff each introduced themselves with some background information. The January 12, 2001 meeting summary was approved.

Molly <u>McCammon</u> provided an orientation for PAG members by reviewing the history of the program and the sections of the PAG Notebook sent to members: the Exxon Valdez oil spill (EVOS), the settlement with Exxon and the governments, Trustee Council makeup and staffing, the Alaska Resources Library and Information Services, the restoration reserve, the overall and PAG budget, the Restoration Plan and updates of injured/recovering resources.

Cherri Womac reviewed PAG member travel rules and responsibilities.

Jeff Short and Pat Harris (of the National Oceanic and Atmospheric Administration) gave a summary, via teleconference, of the upcoming Prince William Sound shoreline survey to estimate the amount of residual oil. They will survey sites at 120 beaches to determine the extent and weathering condition of any oil found. They also discussed the results of recent pink salmon research, which indicate that very small levels of oil-related contaminants has adverse effects on exposed eggs and subsequent life stages. It also appears to hold true with herring. Also, weathered oil appears to remain toxic.

Sandra Schubert outlined the annual Work Plan process. The general schedule is that an annual EVOS workshop is held in January, solicitation of proposals goes out mid-February, proposals are due mid-April. a draft Work Plan is available mid-June, a final Work Plan is approved by the Trustee Council in August. The year follows the federal fiscal year of October 1-September 30. The Trustee Council sets spending caps for projects: in 1996 it was \$18 million, in 2001 it was \$5 million. Last year 113 proposals were received-about ½ were funded. Proposals go through a technical/scientific review, legal review, staff review, a public review (with recommendations included from the Executive Director and the Chief Scientist), and an agency and PAG review.

The session was opened for public comment. Jerry Rusher asked if oil still remains in the Sound, would there be a cleanup project launched? He is concerned about the possible amount of oil at Horseshoe Bay State Marine Park. McCammon said that the Trustee Council indicated that there would be no more cleanup projects; there may be additional restoration projects, however. She will pass the site of concern along to the researchers. Ken Adams voiced support of the National Research Council (NRC) comments on the Gulf Ecosystem Monitoring (GEM) plan. He said public involvement was important and that PAG members serve as the eyes and ears of the public. He also supports involving local fishing fleets in information gathering efforts, as exemplified by the Canadian Sentinel project.

McCammon reviewed the habitat protection component of restoration. The large-parcel portion is essentially completed. The small-parcel (under 1,000 acres) portion will continue past 2002. The habitat protection program has been somewhat controversial in the past. Most purchases have been from Native corporations. The plan for the post-2002 program has \$55 million in a fund for habitat protection, \$30 million of which is for conclusion of the Koniag/Karluk easement in 10 years, and \$25 million for continuing small parcel acquisition. A demonstration grant with The Conservation Fund and The Nature Conservancy is underway for administering habitat protection.

Torie <u>Baker</u> raised a question about the status of herring projects, noting that there remains concern over the current situation with the resource. Bob <u>Spies</u> stated that herring populations crashed in 1993-94 and have been studied as part of the Sound Ecosystem Assessment project, among other projects. A fall workshop looked at the state of knowledge about herring and identified gaps for research: determining stock size, determining how many stocks there are, and examining health of young age classes. Two projects are being wrapped up and a new project with the Alaska Department of Fish and Game was funded.

McCammon, Phil Mundy, and Spies discussed the status and direction of the long-term GEM program. The \$115-plus million restoration reserve supporting GEM will be managed as though it were an endowment. The program covers the northern Gulf of Alaska. Currently GEM is a work in progress. The NRC has been contracted to assist with an independent review. Mundy noted that lots of offshore work was going on in other programs, so nearshore would be the focus of GEM. Chris Blackburn said that synthesis of information was needed for both. McCammon said they were going to hire a data manager this summer to assist. Chris Beck asked that the data manager also look at managing broader "information."

Stan <u>Senner</u> said that it was important not to underspend on administrative items when getting a new program set up. He suggested the PAG focus its attention on recommendations for GEM science advice, public involvement, and administrative support. Brett <u>Huber</u> supported incorporating NRC recommendations and said that some high-tech business supported these kinds of efforts with grants. Dave <u>Cobb</u> suggested looking at the University of Alaska Consortium Library as a possible data manager. <u>McCammon</u> said that they would need a more extensive "web-based" program.

<u>Mundy</u> discussed the archiving of samples. Many EVOS samples are at a storage lab in South Carolina; others are at the University of Alaska, Fairbanks. <u>McCammon</u> noted that this was still a legal proceeding under court scrutiny, so most samples must be retained.

<u>Meacham</u> stated that Jim <u>King</u> asked that he present some ideas about how to present information and findings to the public. His suggestion was to use something like NOAA's environmental sensitivity index maps as a synthesis tool. <u>McCammon</u> noted that the EVOS program has recently helped fund the updated maps in PWS.

Dan <u>Hull</u> expressed concern that the GEM concept and foundation be understood by the public, and how the program would then relate to specific projects and key species. <u>Mundy</u> and <u>McCammon</u> both voiced that they want to make sure the conceptual foundation of GEM is clearly understood. <u>Hull</u> suggested that a field trip might be to visit resource managers to

discuss application of GEM. <u>Baker</u> suggested boards and groups that help define policy might be visited, as well.

Blackburn said that it was important to integrate with all the new sea lion information being collected. Senner agreed and said that scrambling to collect data and do synthesis when their was a crises, like with sea lions, was what GEM could help avoid. Pat Norman asked if current management practices were part of the gap analysis. Mundy said they were not. Huber said GEM should look for the biggest "pothole" to fill and not try to do everything for everyone. He wonders if the PAG should be changed. McCammon said it would help to have the PAG's thoughts on public involvement. The PAG can respond to Trustee Council requests and proposals, but it could also be proactive with suggestions.

<u>Cobb</u> said he likes the NRC suggestions and wonders if PAG subcommittees should be formed to get more involved and address specific components of GEM.

There was general agreement that the PAG focus for commenting on GEM should be the following program elements:

- -science advice, public involvement, and administration
- -data and information management
- -community-based involvement

The meeting adjourned at 4:05 p.m.

#### H. FOLLOW-UP:

- 1. <u>Meacham</u> will get with <u>McCammon</u> to determine which PAG members will participate in the annual Work Plan work group. Volunteers include: <u>Blackburn</u>, <u>Norman</u>, <u>Meacham</u>, <u>Huber</u>, and <u>Fandrei</u>.
- 2. McCammon asks that PAG members provide feedback on the draft GEM program.
- 3. PAG members are to consider possible suggestions for a PAG field trip.
- 4. Womac will query the PAG for a July meeting date.

#### I. NEXT MEETINGS:

- -Work Plan review session June 6 in Anchorage
- -PAG meeting sometime around July 19 in Anchorage

#### J. ATTACHMENTS: (Handouts, for those not present)

- 1. Draft Model for Chugach Regional Resources Commission Outreach prepared by Martha Vlasoff
- 2. Resolution of the EVOS Trustee Council concerning the Restoration Reserve and Long-Term Restoration needs

PowerPoint slides: Gulf Ecosystem	Monitoring briefing
ERTIFICATION:	
PAG Chairperson	Date
	ERTIFICATION:

## Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



#### **MEMORANDUM**

TO:

Trustee Council

FROM:

Molly McCammon

Executive Divector

RE:

Additional Funding for Project 01190 / Construction of a Linkage Map for

the Pink Salmon Genome

DATE:

April 24, 2001

Dr. Fred Allendorf, the principal investigator for Project 01190, has requested an additional \$4,000 in FY 01 funds to allow for an increased effort to collect marked pink salmon from upper Resurrection Bay. As described in the attached memo from the Chief Scientist, such an extensive collection effort was not originally envisioned. The Chief Scientist recommends approval of the additional funds, and I concur.

The \$4,000 would be used for travel and lodging for additional personnel to assist in the collection effort. ADF&G's general administration costs on this amount would be an additional \$300. The amount already approved by the Trustee Council for this project in FY 01 is \$400,900 (of which \$161,800 is Alaska SeaLife Center bench fees).

#### Proposed Motion:

Move that an additional \$4,300 be approved for Project 01190, Construction of a Linkage Map for the Pink Salmon Genome.

NOTE: This brings amount spent under FY 01 Work Plan cap of \$6 million to \$5,950,000.

#### **MEMORANDUM**

To:

Molly McCammon

**Executive Director** 

From:

**Bob Spies** 

Chief Scientist

Date:

April 23, 2001

Subject:

01190/ Construction of a Linkage Map for the Pink Salmon

Genome

The pink salmon genome project (-190) is in its sixth year. Reviewers had directed the project towards examining the survival value of various genetic combinations. The spawning manipulations to produce fish of various genetic makeups took place in the Alaska SeaLife Center in 1998 and 1999, with the fish returning in the summers of 2000 and 2001. The 2000 return was problematical in that the volume of water flowing out of the SeaLife Center was not sufficient to attract the returning fish. Last minute efforts were made to capture fish from a number of streams but only 37 fish were captured. This is too small a sample to draw many conclusions about the survival value of various gene combinations.

It is expected that with average survival value 1,000 fish from crosses carried out in 1999 could be returning to Resurrection Bay this summer. At least 200 of these fish would be needed to draw meaningful conclusions from this culminating experiment, but to capture 20% of the marked fish will necessitate a larger field effort. The extra funds (4,000) are being requested to facilitate a more comprehensive collection effort. The small amount of money being requested is well justified in terms of the Trustee Council's investment in this project of over \$1.5 million so far. I strongly recommend that the requested funds be granted.

Old Harbor ConservationEasement

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#### JAMIN, EBELL, SCHMITT & MASON

A PROFESSIONAL CORPORATION

AREN E. BENDLER TTORNEY AT LAW DUTTED TO ALASKA NO WASHINGTON BARS

E-MAIL: KBENDLER@JESMANC.COM

ATTORNEYS AT LAW Surre 201 1007 WEST THIRD AVENUE ANCHORAGE, ALASKA 99501

TELEPHONE: (907) 278-6100 FACSIMILE: (907) 222-2760 REPLY TO ANCHORAGE OFFICE

SEATTLE OFFICE: 605 FIRST AVENUE, SUITE 300 SEATTLE, WASHINGTON 98104 TELEPHONE: (206) 622-7634 FACSIMILE: (206) 623-7521

KODIAK OFFICE: 323 CAROLYN STREET KODIAK, ALASKA 99615 TELEPHONE: (907) 486-6024 FACSIMILE: (907) 486-6112

May 1, 2001

MAY 0 1 2001

**EXXON VALDEZ OIL SPILL** TRUSTEE COUNCIL

Via Messenger

Ms. Molly McCammon **Executive Director** Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, AK 99501

Re:

Old Harbor Hydroelectric Project

Our File No. 3765-61

Dear Molly:

Further to our letter dated April 19th, we are enclosing a copy of a letter from AVEC with a conformed copy of the trust agreement referred to on page 2 of our letter.

If you have any questions, please contact us.

Best regards.

Very truly yours,

JAMIN, EBELL, SCHMITT & MASON

KEB/sm

Enclosure

cc (w/encl): Old Harbor Native Corporation

Alex Swiderski, Esq.

3765'611008 wpd



ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.

April 30, 2001

Karen Bendler Jamin, Ebell, Bolger and Gentry 1007 West 3rd Avenue, Suite 201 Anchorage, AK 99501

Dear Karen:

Enclosed is one copy of the conformed copy of the trust agreement among Alaska Village Electric Cooperative, U.S. Fish and Wildlife Service, National Marine Fisheries Service, and Alaska Department of Fish and Game relative to the Old Harbor Hydroelectric Project.

It has been a pleasure working with you on this project.

Sincerely,

Brent N. Petrie

Manager, Special Projects

cc:

Dan Hertrich, Polarconsult

# TRUST AGREEMENT AMONG

ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
THE UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE;
AND THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT

This Agreement is made this 20th day of Ayro 2001, by Alaska Village Electric Cooperative, Inc. ("AVEC"); the United States Department of the Interior, Fish and Wildlife Service ("FWS"); the United States Department of Commerce, National Marine Fisheries Service ("NMFS"); and the State of Alaska, Department of Fish and Game ("ADFG").

In explanation, the parties recite the following:

- A. AVEC has applied to the Federal Energy Regulatory Commission ("FERC") for a license pursuant to the Federal Power Act, 16 U.S.C. § 797, to construct and operate the Old Harbor Hydroelectric Project (FERC Project No. 11690).
- B. Project No. 11690 will be partially located on lands within the Kodiak National Wildlife Refuge, Alaska. It will also be partially located on lands owned by the City of Old Harbor and the Old Harbor Native Corporation. The State of Alaska has a conservation easement on lands which have been deeded from the Old Harbor Native Corporation to the Fish and Wildlife Service.
- C. The construction of the Old Harbor Hydroelectric Project will be in the interest of the people of the State of Alaska.
- D. In order to facilitate and achieve the mutual objectives of conservation and encourage the development of fish and wildlife resources, the parties are entering into this Trust Agreement. The purpose of the Trust is to provide funds to investigate and mitigate project operation and maintenance related potential or unforeseen impacts to Old Harbor area habitat(s) and its fish and wildlife resources.

Now, therefore, the parties hereto agree as follows:

1. Trust Fund. Within thirty (30) days after AVEC water enters the penstock in continuous flow from the East Fork Mountain Creek for purposes of power production, AVEC will establish a Trust Fund for the purpose of funding, out of principal and income from the Trust Fund, programs approved by the trustees of the fund for wildlife and natural resource research and other activities determined by the trustees of the fund to be of benefit to fish and wildlife resources. AVEC will make an initial contribution of Five Thousand Dollars (\$5,000) to the Trust Fund upon establishment of the Fund, and will make additional contributions of Five

Thousand Dollars (\$5,000) every twelve (12) months until AVEC's capital contributions total Twenty-five Thousand Dollars (\$25,000). Monitoring activities required by the FERC license shall not be funded from the Trust; rather, they shall be considered as AVEC operating expenses. Likewise, repair of facilities damaged by catastrophic events (e.g., Acts of God) shall be the responsibility of the licensee. The trustees shall be governed by the following:

- (a) There shall be four (4) trustees: one to be named by AVEC; one to be named by the FWS; one to be named by the NMFS; and one to be named by the ADFG;
- (b) The trust must be established so as to be an interest-bearing account;
- (c) Meetings of the trustees shall be held annually or as deemed necessary by at least two of the trustees;
- (d) All decisions by the trustees regarding fund expenditures shall be made by majority vote of a duly convened meeting of the trustees at which at least three trustees are present;
- (e) AVEC shall consult with the other parties hereto in establishing the trust account; and
- (f) Trust funds shall not be used to pay for expenses of the trustees in attending meetings or conducting business of the trust including management of the trust.
- 2. <u>Contingent Nature of Trust Obligation</u>. AVEC's obligation to fund the trust is contingent upon the occurrence of the following conditions precedent:
  - (a) AVEC must receive a FERC license; and
- (b) AVEC must receive from FWS, NMFS, ADFG, Old Harbor Native Corporation, and the City of Old Harbor all approvals and easements necessary to proceed with construction.
  - 3. <u>Duration of the Trust Fund</u>. The \$25,000 and accumulated interest, less any expenditures authorized under 1(d), will remain in the Trust for the FERC license term, unless jointly determined by unanimous vote of the trustees that the account may be closed and any remaining funds returned to the licensee.

TRUST AGREEMENT AMONG
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE; AND
THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT
Page 2

- 4. <u>Amendments.</u> This Agreement may be amended from time to time by the unanimous vote of the Trustees whenever, in their opinion, it is necessary or advisable in order to carry out the purposes of the Trust. Every Amendment shall be in writing and shall be signed by all of the Trustees.
- 5. This Agreement may be executed in counterparts, each of which will constitute an original, and all of which together shall be deemed a single document.

ALASKA VILLAGE ELECTRIC COOPERATIVE, INC. ("AVEC")

By:	Vava Colle
·	Meera Kohler
Title:	President and Chief Executive Officer
Date:	4/30/01
	ATES DEPARTMENT OF THE INTERIOR VILDLIFE SERVICE
Ву:	a CB. All
	David B. Allen
Title:	Regional Director
<b>~</b> .	WAR 7 2001

TRUST AGREEMENT AMONG
ALASKA VILLAGE ELECTRIC COOPERATIVE, INC.;
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
FISH AND WILDLIFE SERVICE;
UNITED STATES DEPARTMENT OF COMMERCE,
NATIONAL MARINE FISHERIES SERVICE; AND
THE STATE OF ALASKA, DEPARTMENT OF FISH AND GAME
RELATIVE TO THE OLD HARBOR HYDROELECTRIC PROJECT
Page 3

UNITED STATES DEPARTMENT OF COMMERCE NATIONAL MARINE FISHERIES SERVICE ("NMFS")

By:
Title: Regional Administrator
Date:
STATE OF ALASKA DEPARTMENT OF FISH AND GAME ("ADFG")
Ву:
Frank Rue
Title: Commissioner, Alaska Department of Fish and Game
Date:

UNITED STATES DEPARTMENT OF COMMERCE NATIONAL MARINE FISHERIES SERVICE ("NMFS")

By:	
	James Balsiger
Title:	Regional Administrator
Date:_	
DEPAR ("ADFG	auli Nu
( *	Frank Rue
Title: Rea	DESCONO ADESTINATION DIVISION,
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	(1-77.0)

Letter

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# JAMIN, EBELL, SCHMITT & MASON

A PROFESSIONAL CORPORATION

WALTER EBELL TORNEY AT LAW
MITTED TO ALASKA
D WASHINGTON BARS

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TELEPHONE: (907) 278-6100 FACSIMILE: (907) 222-2760 REPLY TO ANCHORAGE OFFICE

SEATTLE OFFICE: 605 FIRST AVENUE, SUITE 300 SEATTLE, WASHINGTON 98104 TELEPHONE: (206) 622-7634 FACSIMILE: (206) 623-7521

KODIAK OFFICE: 323 CAROLYN STREE: 323 CAROLYN STREE KODIAK, ALASKA 99615 TELEPHONE: (907) 486-6024 FACSIMILE: (907) 486-6112

**EXXON VALDEZ OIL SPILL** 

TRUSTEE COUNCIL

April 19, 2001



Ms. Molly McCammon **Executive Director** Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, AK 99501

Re:

Old Harbor Hydroelectric Project

Our File No. 3765-61

Dear Molly:

The Old Harbor Hydroelectric Project ("Project"), which is being designed and will be constructed by the Alaska Village Electric Cooperative ("AVEC") is located near the community of Old Harbor, on the southeastern coast of Kodiak Island. The Project involves collecting water from Mountain Creek, a tributary of Barling Bay Creek, and transporting it across a basin boundary to Lagoon Creek just west of the City of Old Harbor.

The City of Old Harbor relies on a small set of diesel generators and barged-in diesel fuel for power. Currently, fuel must be barged in 2-3 times per year during periods of extremely high tides, limiting deliveries by the time of tide and the small pipe size. The City's high fuel costs are currently subsidized by the State of Alaska, but this subsidy is likely to end in the future. The Project will supply nearly all of Old Harbor's power needs. It will reduce substantially the amount of nonrenewable fossil fuel that is burned, thus reducing the amount of noxious byproducts released to the atmosphere.

The Federal Energy Regulatory Commission ("FERC") has determined that the Project will not have a significant impact on the environment, and issued a license in December, 2000, authorizing construction of the Project. A copy of the license is enclosed for your information. The FERC license incorporates NEPA requirements. FERC found that the Project should have negligible impacts on wildlife resources, except for fisheries where the impacts are still expected to be insignificant but possibly measurable. Monitoring has been proposed to mitigate potential impacts and a mitigation fund will be established as described below.

Ms. Molly McCammon April 19, 2001 Page 2

The Project has been reviewed by appropriate local, state and federal agencies and land holders. The Kodiak Island Borough Land Use Permit was issued in February 2001. The Corps of Engineers permit application is pending while the Corps determines whether it is required to make any additional findings to comply with ANILCA. Both the City of Old Harbor and Old Harbor Native Corporation have approved the Project.

The Federal Right of Way Permit is in the final stages of completion, but cannot be issued until an amendment is made to the conservation easement granted in connection with the May 23, 1995 agreement for the sale, purchase and donation of lands and interests in lands between Old Harbor Native Corporation and the United States. The conservation easement prohibits certain activities on the conveyed lands, which include land on which the Project will be constructed. Prohibited activities include construction of buildings or fences and manipulation or alteration of natural water courses. The attached map shows the location of the Project, which will traverse land in the Kodiak National Wildlife Refuge that is subject to the conservation easement (sections 7, 18 and 19), land owned by Old Harbor Native Corporation and land owned by the City of Old Harbor. The U.S. Fish and Wildlife Service and the Alaska Department of Fish and Game have been working with Old Harbor Native Corporation to draft an amendment to the conservation easement that would allow the Project to proceed.

As noted above the State of Alaska required establishment of a mitigation fund, to pay for wildlife and natural resource research that may be needed as a result of the Project. To this end, a trust agreement has been approved by AVEC, the U.S. Fish and Wildlife Service, the National Marine Fisheries Service and the Alaska Department of Fish and Game, providing that AVEC will make an initial contribution of \$5,000 to the fund, and four annual contributions of \$5,000 each thereafter.

In drafting the amendment to the conservation easement, the State indicated that it would not agree to release the covenants in the conservation easement unless the release was effective only to the extent necessary to construct, operate and maintain the Project; that is, in the event the Project ever ceased to exist, the covenants would again be in effect on the Project land. The Department of Interior changed the language slightly to read that the covenants would be released only to the extent reasonably needed for the construction, operation and maintenance of the Project. These concerns were addressed in the draft amendment, which provides that the restrictive covenants and conservation easement on lands conveyed to the federal government under the 1995 agreement do not apply to the lands on which the Project will be situated, to the extent such lands are used or are reasonably needed for the construction, maintenance and operation of the Project. Pursuant to the amendment, the State would release its right to enforce restrictive covenants on the Project lands and Old Harbor Native Corporation would release its reversionary rights and right to enforce the restrictive covenants on those lands.

The State is required to treat this amendment to the conservation easement and release of some of its rights thereunder as a disposal of land, which can be approved only if it is in the best

Ms. Molly McCammon April 19, 2001 Page 3

interests of the State. Consequently, the Department of Natural Resources prefers not to move forward with the necessary amendment without review and approval by the Trustee Council.

We request the review and concurrence of the Trustee Council with respect to the amendment to the conservation easement. If you have any questions or require further information, please do not hesitate to contact us.

Best regards.

Very truly yours,

JAMIN, EBELL, SCHMITT & MASON

C. Walter Ebell

CWE/sm

Enclosures

cc:

Old Harbor Native Corporation Alex Swiderski, Esq.

3765\611006.wpd

Resolution

# RESOLUTION OF THE EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL REGARDING OLD HARBOR CONSERVATION EASEMENT HYDROELECTRIC PROJECT

We, the undersigned, duly authorized members of the Exxon Valdez Oil Spill Trustee Council ("Council"), after extensive review and after consideration of the views of the public, find as follows:

- 1. By Resolutions dated November 2, 1994 and March 31, 1995 the Council authorized the expenditure of *Exxon Valdez* oil spill settlement funds for the purchase of lands in fee simple by the United States and a conservation easement on additional lands by the United States and the State of Alaska ("State") on Kodiak Island from the Old Harbor Native Corporation ("OHNC").
- 2. Pursuant to those Resolutions OHNC, via two separate transactions, conveyed fee simple title to certain lands to the United States, acting through the Fish and Wildlife Service ("Service"), and conservation easements on the same lands to the State. OHNC also conveyed a separate conservation easement to the Service and the State on other lands. The conservation easements generally prevent development of the lands.
- 3. The Alaska Village Electric Cooperative, Inc. ("AVEC") has proposed to construct a hydroelectric project (the "Project") to provide power to the residents of the village of Old Harbor, Alaska, which project would be located on the lands acquired in fee simple by the Service. The Project would violate the terms and conditions of one of the conservation easements held by the State.
- 4. The Project would also take water from a stream upstream from where the stream crosses land that is subject to the conservation easement conveyed to the State and the United States.

Resolution 01-11

As approved by the Federal Energy Regulatory Commission ("FERC"), the Project does not violate the terms and conditions of that conservation easement.

- 5. The Project has been subjected to extensive public, governmental agency, and environmental review as required by the National Environmental Policy Act, and a copy of the final Environmental Assessment ("EA") is attached to this Resolution (Attachment A). The EA concludes that, because of the small area affected and the abundance of undisturbed similar habitat within the surrounding refuge, vegetation and habitat impacts are considered to be minor. Impacts on salmon and wildlife are also considered to be minimal.
- 6. The Project was also subject to public, governmental agency, and environmental review as required by the FERC licensing process. A copy of the FERC license is attached to this Resolution (Attachment B). It concludes that the Project will not interfere with or be inconsistent with the purposes for which the Kodiak National Wildlife Refuge was created. It also requires that AVEC prepare and implement the following plans: erosion and sediment control plan, channel geomorphology and habitat monitoring plan, plan to monitor water temperature, adult and juvenile fisheries monitoring plans, hazardous spill prevention and minimization plan, and a bear safety plan. In addition the FERC license restricts the dates for instream construction, requires that the Project operate as run-of-river with a maximum diversion of 13.2 cubic feet per second with a constant discharge regardless of power demand, provide flow continuation, require ramping rates, and comply with restrictions on scheduled maintenance.
- 7. The Project has been reviewed by the Service, Fish and Game, and the National Marine Fisheries Service of the United States Department of Commerce ("NMFS") as part of NEPA compliance and the FERC licensing process. Although not required by the FERC license, AVEC has

also agreed to fund a Trust with \$25,000 for future environmental mitigation for the Project. The Trust will be administered jointly by AVEC, the Service, Fish and Game, and NMFS.

- 8. The Project also has the benefit of reducing the dependence upon and consumption of fuel by the village of Old Harbor for production of electricity, which will reduce air pollution and the likelihood of fuel spills.
- 9. Because the Project would violate the provisions of one of the conservation easements held by the State, OHNC and AVEC have asked the State to amend the terms and conditions of that conservation easement to the extent necessary to construct, operate, and maintain the Project on the proposed site as shown on the attached map and in accordance with the FERC application. The State can amend the conservation easement only upon a finding by the Commissioner of the Department of Natural Resources that the amendment is in the best interests of the State, and the Commissioner of the Alaska Department of Fish and Game must concur in the determination. Because the conservation easement in question was acquired with funds provided by the Council, the State has inquired as to whether the Council supports amending the easement solely to the extent necessary to permit the construction, operation, and maintenance of the Project.
- 10. The Project may cause water temperature changes that would require that a pond be constructed at some future date to allow the water discharge temperatures to equalize. The pond would be constructed outside the footprint for the Project shown on the attached map. The amendment to the State's conservation easement would require that the size and location of the pond be approved by Fish and Game.

THEREFORE, be it resolved that we support an amendment to the conservation easement conveyed by OHNC to the State of Alaska solely to permit the construction, operation, and maintenance of the Project as licensed by FERC, so long as the Project is constructed in accordance with the terms and conditions of the FERC license at the location on the attached map (Attachment C), except that if a pond is necessary to equalize water temperatures, the location and size of the pond must be approved by Fish and Game.

Approved by the Council at its meeting of May 3, 2001 held in Juneau and Anchorage, Alaska, as affirmed by our signatures affixed below:

DAVE GIBBONS
Supervisor, Chugach National Forest
USDA Forest Service

CRAIG TILLERY
Assistant Attorney General
State of Alaska

DAVID B. ALLEN
Director, U.S. Fish and Wildlife Service
U.S. Department of the Interior

JAMES BALSIGER Director, Alaska Region National Marine Fisheries Service

FRANK RUE Commissioner Alaska Department of Fish and Game MICHELE BROWN Commissioner Alaska Department of Environmental Conservation

Attachments: Final Environmental Assessment dated June 26, 2000 (Attachment A) FERC license dated December 12, 2001 (Attachment B) Site map (Attachment C)

Attachment A
Environmental Assessment

# UNITED STATES OF AMERICA FEDERAL ENERGY REGULATORY COMMISSION

Alaska Village Electric Cooperative, Inc.

Project No. 11690-001, Alaska

# NOTICE OF AVAILABILITY OF FINAL ENVIRONMENTAL ASSESSMENT

(June 26, 2000)

In accordance with the National Environmental Policy Act of 1969 and the Federal Energy Regulatory Commission's (Commission) regulations, 18 CFR Part 380 (Order No. 486, 52 F.R. 47897), the Office of Energy Projects has reviewed the application for an original license for the Alaska Village Electric Cooperative, Inc.'s (AVEC) proposed Old Harbor Hydroelectric Project, and has prepared a Final Environmental Assessment (FEA). The project would be located near the city of Old Harbor, Alaska on Kodiak Island, predominantly on the Kodiak National Wildlife Refuge.

On January 19, 2000, the Commission staff issued a draft environmental assessment (DEA) for the project and requested that comments be filed with the Commission within 45 days. Comments on the DEA were filed by the National Marine Fisheries Service, Alaska Department of Fish and Game and polarconsult alaska, inc and are addressed in the FEA.

The FEA contains the staff's analysis of the potential environmental impacts of the project and concludes that licensing the project, with appropriate environmental protective measures, would not constitute a major federal action that would significantly affect the quality of the human environment.

Copies of the FEA are available for review in the Commission's Public Reference Room, Room 2A, at 888 First Street, N.E., Washington, D.C. 20426, and may also be viewed on the web at http://www.ferc.fed.us/online/rims.htm (please call (202) 208-2222 for assistance).

David P. Boergers Secretary

# UNITED STATES OF AMERICA FEDERAL ENERGY REGULATORY COMMISSION

June 26, 2000

To the Agency/Party Addressed:

In accordance with the National Environmental Policy Act of 1969 and the Federal Energy Regulatory Commission's regulations, 18 CFR Part 380 (Order No. 486, 52 F.R. 47897), the Office of Energy Projects staff has reviewed the application for, and prepared the enclosed Final Environmental Assessment (FEA) on licensing the proposed Old Harbor Hydroelectric Project. The project would be located near the city of Old Harbor, Alaska on Kodiak Island, predominantly on the Kodiak National Wildlife Refuge.

This FEA contains the Commission staff's analysis of the environmental impacts of the proposal and concludes that licensing the project, with appropriate environmental protective measures, would not constitute a major federal action significantly affecting the quality of the human environment.

Copies of the FEA are available for review in the Commission's Public Reference Room, Room 2A, at 888 First Street, N.E., Washington, D.C. 20426, and on the web at http://www.ferc.fed.us/online/rims.htm [please call (202) 208-2222 for assistance].

Enclosure: Final Environmental Assessment

# FINAL ENVIRONMENTAL ASSESSMENT FOR HYDROPOWER LICENSE

# Old Harbor Hydroelectric Project

FERC No. 11690-001

Alaska

Federal Energy Regulatory Commission Office of Energy Projects Division of Licensing and Compliance 888 First Street, NE Washington, D.C. 20426

and

U.S. Department of the Interior Fish and Wildlife Service Region 7 1011 East Tudor Rd. Anchorage, AK 99503

June 2008

# TABLE OF CONTENTS

Section	on Page
SUM	MARY iv
ı.	APPLICATION 1
ĮĪ.	PURPOSE AND NEED FOR ACTION         1           A. Purpose of Action         1           B. Need for Power         3
111.	PROPOSED ACTION AND ALTERNATIVES       3         A. AVEC's Proposal       3         1. Project Facilities       3         2. Project Operation       7         3. Proposed Environmental Measures       7         B. Federal Land Management Conditions       10         C. Fish and Wildlife Agency Recommendations       10         D. Staff's Modification of AVEC's Proposed Project       22         E. No-Action Alternative       24         F. Alternatives Considered but Eliminated from Detailed Study       24
IV.	CONSULTATION AND COMPLIANCE       24         A. Agency Consultation       24         B. Interventions       25         C. Scoping       25         D. Comments on Draft Environmental Assessment       26         E. Water Quality Certification       26         F. Coastal Zone Management Act       26         G. Section 18 Fishway Prescription       27         H. Essential Fish Habitat       27         I. Alaska National Interest Lands Conservation Act       29         J. Land Covenants       30
٧.	ENVIRONMENTAL ANALYSIS

	B. Scope of Cumulative Impacts Analysis       33         C. Proposed Action and Other Action Alternatives       33         1. Geology and Soil Resources       35         2. Aquatic Resources       37         3. Terrestrial Resources       62         4. Threatened and Endangered Species       72         5. Recreation and Other Land Uses       74         6. Cultural Resources       76         7. Socioeconomics       76         D. No-Action Alternative       79
VI.	DEVELOPMENTAL ANALYSIS
VII.	COMPREHENSIVE DEVELOPMENT AND RECOMMENDED ALTERNATIVE
VIII.	RECOMMENDATIONS OF FISH AND WILDLIFE AGENCIES
IX.	CONSISTENCY WITH COMPREHENSIVE PLANS99
X.	FINDING OF NO SIGNIFICANT IMPACT
XI.	LITERATURE CITED
XII.	LIST OF PREPARERS
	LIST OF FIGURES
Eigur	Page Page
Fig. 2 Fig. 3 Fig. 4 Fig. 5	Turbine Bypass System and Tailrace
Cio 7	Ctreamflows at the Proposed Powerhouse Cite

# LIST OF TABLES

Table	Page
Table 1. Corresponding sections of the Commission staff's Environmental	
Assessment and the Essential Fish Habitat Assessment for the Old Harb	10
Project	28
Table 2. Status and Location of Hydroelectric Projects on Kodiak Island	34
Table 3. Water Quality at the Proposed Intake and Powerhouse Sites	38
Table 4. Economic Parameters Used in AVEC's Analysis	80
Table 5. Economic Parameters Used in Commission Staff's Analysis	82
Table 6. Cost of Staff's Recommended Environmental Measures	83
Table 7. Cost Summary of AVEC's Proposal and Staff's Recommended Alternati	ve 83
Table 8. Summary of Fish and Wildlife Agency Recommendations	· 91

# APPENDIX A

RESPONSE TO COMMENT LETTERS ON THE DRAFT ENVIRONMENTAL ASSESSMENT

#### SUMMARY

The Alaska Village Electric Cooperative (AVEC) proposes to construct and operate the 500-kilowatt (kW) Old Harbor Hydroelectric Project on the southeastern coast of Kodiak Island, near the city of Old Harbor, Alaska. The project would be located predominantly on lands within the Kodiak National Wildlife Refuge, including lands recently sold by the Old Harbor Native Corporation (OHNC), now owned by the United States in fee and subject to use restrictions on development, including hydro. The project would also occupy lands owned by the OHNC and Old Harbor.

The environmental analysis documented in this final environmental assessment (FEA) is a cooperative effort between the U.S. Fish and Wildlife Service (FWS) of the U.S. Department of the Interior (Interior) and the Federal Energy Regulatory Commission (Commission). Reference in this document to "we" should be understood to be the two agencies' collective statements or conclusions, unless otherwise stated.

This final environmental assessment considers the effects of issuing an original hydropower license for this project and recommends conditions the Commission staff believe should be a part of any license issued. We considered the recommendations of resource agencies and others in the preparation of this final Environmental Assessment (DEA). We analyze the effects of AVEC's proposed project construction and operation and two alternative actions: (1) AVEC's proposal with our recommended environmental measures, and (2) no action.

The proposed Old Harbor Project would affect two basins whose dividing boundary is near Old Harbor. The project intake would be located on the East Fork of Mountain Creek, a headwaters tributary of the Barling Bay Creek Basin. This basin flows to saltwater at Barling Bay. The remainder of the project would be located on the Lagoon Creek Basin, and flows from the powerhouse would discharge into Lagoon Creek. Lagoon Creek flows to a saltwater lagoon and into Sitkalidak Strait.

Our analysis shows that our preferred alternative would be to issue an original license for the project, as proposed by AVEC, with our recommended modifications, that include the following environmental protective and mitigative measures: (1) prepare and implement a final erosion and sediment control plan; (2) operate the project as run-of-river; (3) prepare and implement a plan to monitor compliance with the run-of-river operation; (4) prepare and implement a biotic monitoring program; (5) report project

outages that reduce flows in Lagoon Creek to fish and wildlife resource agencies; (6) prepare and implement a final tailrace design; (7) conduct annual project review meetings with resource agencies; (8) employ an environmental compliance monitor during construction; (9) prepare and implement a hazardous spill prevention plan; (10) allow site access to agency fish and wildlife personnel; (11) prepare and implement a revegetation plan using native species; (12) use only preservative-free or pressure-treated wood timbers in wetland areas; (13) prepare and implement a bear safety plan; (14) prepare and implement an access control plan for the trail to the intake; (16) prepare and implement a recreation plan; and (17) if unknown archeological deposits are uncovered at the project, cease construction and consult with the State Historic Preservation Officer and the OHNC.

On the basis of our independent analysis, we conclude that issuing an original license for the Old Harbor Project, with the environmental measures that we recommend, would not be a major federal action significantly affecting the quality of the human environment.

#### FINAL ENVIRONMENTAL ASSESSMENT

FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF ENERGY PROJECTS
DIVISION OF ENVIRONMENTAL AND ENGINEERING REVIEW

and
U.S. DEPARTMENT OF THE INTERIOR
FISH AND WILDLIFE SERVICE
REGION 7

Old Harbor Hydroelectric Project FERC No. 11690-001, Alaska

# 1. APPLICATION

On May 14, 1999, Alaska Village Electric Cooperative, Inc. (AVEC) filed with the Federal Energy Regulatory Commission (Commission) an application for a license to construct, operate, and maintain the 500-kilowatt (kW) Old Harbor Hydroelectric Project (Old Harbor Project or project). AVEC also filed with their application an applicant-prepared environmental assessment for the proposed project. The project would be located on Mountain Creek and Lagoon Creek watersheds on the southeastern coast of Kodiak Island, near Old Harbor, Alaska (figure 1). The project would be located predominantly on lands within the Kodiak National Wildlife Refuge (refuge), including lands recently sold by the Old Harbor Native Corporation (OHNC) for inclusion in the refuge, now owned by the United States in fee, and subject to development restrictions, including hydropower. The project would also occupy lands owned by the OHNC and Old Harbor. The project would generate up to 3.427 megawatthours (MWh) of electrical energy per year at full capacity.

#### II. PURPOSE OF ACTION AND NEED FOR POWER

# A. Purpose of Action

The Commission must decide whether or not to issue a hydropower license to AVEC for the project, and what conditions should be placed on any license

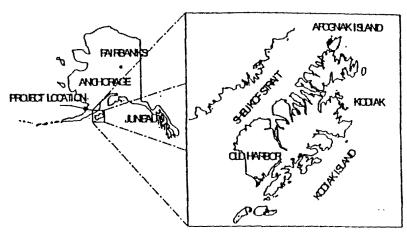


Figure 1. Location of the Old Harbor Project. (Source: AVEC 1999)

issued. Issuing a license would allow AVEC to construct and operate the project for a term of up to 50 years, making available electric power from a renewable resource. The FWS must decide whether or not to issue a right-of-way permit for the project to occupy refuge lands, and what conditions are needed to ensure adequate protection and utilization of the refuge if the Commission grants a new license.

In deciding whether to issue any license, the Commission must determine that the project would be best adapted to a comprehensive plan for improving or developing a waterway. In addition to the power and development purposes for which licenses are issued, the Commission must give equal consideration to the purposes of energy conservation, the protection, mitigation of, damage to, and enhancement of, fish and wildlife (including related spawning grounds and habitat), the protection of recreational opportunities, and the preservation of other aspects of environmental quality. This EA reflects the above considerations.

The environmental and economic effects of construction and operation of the project, as proposed by AVEC, are assessed in this EA. The effects of a no-action alternative are also considered.

# B. Need for Power

Old Harbor, like most rural Alaskan communities, is isolated from major power producing centers and thus relies on a small set of diesel generators and barged-in diesel fuel to supply its power needs. Currently, fuel must be barged in 2-3 times per year during periods of extremely high tides. Due to these constraints, the amount of fuel delivered is limited by the time of tide and the small pipe size. Larger barges would not be any more effective in fuel delivery. This causes higher fuel costs because of the additional handling, time constraints, planning, and preparation required. When a shipment is missed, usually because of weather or suppliers not being available at high tide, any remaining supply is restricted to generators and public buildings, and residents must bring in fuel in 55 gallon drums on their fishing boats from the city of Kodiak to heat their homes. This added fuel handling can increase the amount spilled.

For these reasons, there is a need to provide a more economical and reliable source of power than the current system. Without this project, Old Harbor would continue using diesel generation. Additionally, the project would lessen the community's use of non-renewable fossil fuels, lessen air emissions from burning diesel, and give the community the opportunity to lower the cost of electricity over time.

The small amount of power generated and the city's isolation equates to high power costs for the community. Fuel is one of the biggest expenditures. Currently the cost of power is partially subsidized by the State of Alaska. This subsidy is likely to end in the future. Old Harbor would benefit greatly from this project as it would isolate the community from fuel price increases and, in the long term, reduce the overall cost of power.

The utility currently generates an average of about 86 kW throughout the year (751,000 kWh). Peak loads are about 195 kW, and occur in the winter. Load growth has been 2.1 percent annually from 1992 - 1996. A recent economic analysis (Locher 1998) predicted load growth to continue at a rate of 2.0 percent. A detailed discussion of the proposed project's economics is found in Section VI, Developmental Analysis.

#### III. PROPOSED ACTION AND ALTERNATIVES

# A. AVEC's Proposal

1. Project Facilities

3

1.

AVEC proposes to construct the following project structures (figure 2):

- (a) an 86-foot-long by 7-foot-high uncontrolled diversion structure, constructed with galvanized steel frames with Ekki wood stop logs, at elevation of 840 feet above mean sea level (finsi);
- (b) an intake structure with a trash rack;
- (c) a 30-foot-long by 8-foot-wide by 6-foot-high steel, wood and concrete desander box, with screens to catch suspended debris and a bypass gate for flushing the screens and accumulations of sand and gravel;
- (d) a 9,800-foot-long penstock made up of 3,200 feet of 20- to 18-inch-diameter high density polyethylene pipe and 6,600 feet of 16-inch-diameter steel pipe;
- (e) a bypass system, joining the penstock just upstream of the turbine, with a separate tailrace, parallel to the turbine tailrace, to direct water in the penstock, not needed for power generation, to a submerged container to dissipate dissolved gases and moderate daily flow fluctuations (figure 3);
- (f) a 625-square-foot metal powerhouse on concrete footing and slab, with one 500-kW impulse turbine;
- (g) a deflector plate system for flow continuation during rapid shutdowns;
- (h) a 5,500-foot-long buried transmission line;
- (i) a 5.500-foot-long access road; and
- (j) related appurtenances.

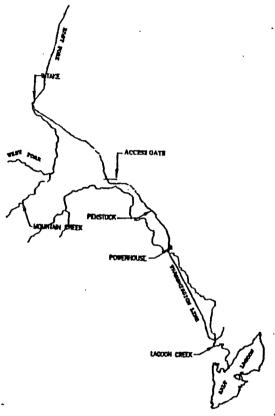


Figure 3. Proposed project facilities. (Source: AVEC 1999 as modelfied by Commission staff)

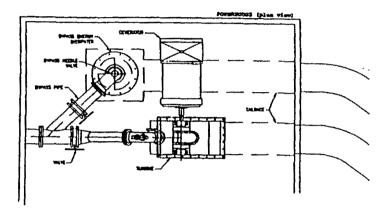


Figure 3. Turbine bypost system and talkraces. (Source: AVEC 1999 at modified by Commission staff)

# 2. Project Operation

AVEC proposes a run-of-river operation. Flows up to 13.2 cubic feet per second (cfs) would be continuously diverted, regardless of power demand, from the East Fork of Mountain Creek (East Fork), a tributary of Barling Bay Creek (figure 4), transported across a basin boundary, and discharged into Lagoon Creek about 3,500 feet from the diversion. Old Harbor would withdraw 0.2 cfs from the penstock upstream of the powerhouse to supply residents with potable water. Within the powerhouse a bypass system would be installed several feet upstream of the turbine to direct any flows not needed for power generation into a tailrace leading to Lagoon Creek. Flows used for generation would discharge from the turbine, through a second tailrace to Lagoon Creek.

Flows in the East Fork in excess of 13.2 cfs would overflow the diversion, flowing through Mountain Creek and Barling Bay Creek to Barling Bay.

During periods of low flows, or excess demand, the hydro project would be augmented by the existing diesel generating facility. Automated project controls would signal the start and stop of the diesel generators, so that the project would always displace diesel power generation. When projected peak loads for the day are expected to meet or exceed the output of the project, a diesel generator would start. When flows are projected to meet short term (about 6 hours) peak loads, the project would signal for the shutdown of diesel generation.

# 3. Proposed Environmental Measures

AVEC proposes to: 1

- install a gate to hinder unauthorized all terrain vehicle (ATV) access to the refuge (figure 2);
- construct a tailrace to dissipate energy, slow velocity and prevent migrating fish from entering the tailrace;

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From AVEC's application for license and modifications made at a meeting conducted by Commission staff with the resource agencies and AVEC (Commission 2000).

- increase fish habitat in Lagoon Creek by diverting water from the East Fork to Lagoon Creek;
- operate the project as a run-of-river facility which follows natural hydrologic fluctuation;
- avoid daily flow fluctuations by installing a bypass system to re-regulate and dissipate penstock discharges not needed to meet power demand;
- install water temperature gages to monitor water temperatures;
- install a stream gage in Lagoon Creek to monitor water flows;
- conduct salmon surveys to assess the project's impacts;
- ramp flows at 2 inches per hour (in/hr) during scheduled shutdowns
- conduct spring maintenance between mid-May and mid-June, after ice out, when the natural flows in Lagoon Creek at the powerhouse are at least 10 cfs;
- conduct fall maintenance between mid-October and the end of November prior to ice formation;
- conduct channel and habitat monitoring using the protocol developed by the U.S.
   Forest Service (USFS) for National Forests in Alaska;
- include the results of aerial surveys conducted by ADF&G's commercial fisheries staff of two nearby streams with AVEC's fisheries monitoring reports of Lagoon Creek;
- install silt barriers at various sites during construction;
- build bridges over streams and construct other soil erosion prevention measures:
- install a de-sander box to return gravel to the East Fork;
- bury the transmission line for avian protection;

- locate project facilities to avoid any disturbance to archeological sites; and
- use local labor for construction and maintenance.

# B. Federal Land Management Conditions

Because the project would occupy lands within the Kodiak National Wildlife Refuge, the U.S. Department of the Interior has the authority to issue mandatory conditions under Section 4(e) of the Federal Power Act (FPA). In addition, Section 4(e) of the FPA prohibits the Commission from licensing a project that interferes or is not consistent with the purpose for which the refuge was created. Interior states that mandatory terms and conditions pursuant to Section 4(e) have not been developed at this time; however, the U.S. Fish and Wildlife Service (FWS) would evaluate the need for Section 4(e) terms and conditions during the preparation of the NEPA document fulfilling Title XI of the Alaska National Interest Lands Conservation Act (ANILCA). If deemed appropriate, the FWS would submit Section 4(e) terms and conditions to the Commission at that time. ANILCA is discussed in Section IV.H, Consultation and Compliance.

# C. Fish and Wildlife Agency Recommendations

National Marine Fisheries Service (NMFS) Recommendations. By letter dated August 10, 1999, NMFS filed recommendations pursuant to Section 10(j) of the FPA. Modified recommendations were filed by letter dated February 29, 2000, and submitted at a meeting conducted by Commission staff with resource agencies on April 26, 2000 (Commission 2000). Summarized, NMFS recommends that AVEC:

Develop and submit for review and comments at least 60 days before project implementation: A comprehensive erosion control and revegetation plan that includes silt fences; procedures to limit erosion; revegetation on all impacted ground with native plant species; monitoring to ensure revegetation reaches 50 percent of natural vegetation densities within one year; monitoring and fixing any drainage or erosion problems and replanting if densities are not met; time restrictions for in-water work and stream crossings to meet the Alaska Department of Fish and Game (ADF&G) recommendations; and repairing any stream bank damage using biorehabilitation techniques that mimic native vegetation densities and species.

<sup>2 16</sup> USC, 791a-825t

- Develop and submit for approval and review 6 months before plant operation begins, a comprehensive monitoring plan that includes, but need not be limited to:
  - A stream gage to be operated for a minimum of 5 years just below the powerhouse.
  - 2. Continuously recording temperature gages for up to 5 years, depending on results, at 6 sites: (a) the diversion site on the East Fork; (b) just upstream of the powerhouse on Lagoon Creek; (c) downstream of the powerhouse at the beginning of adequate spawning habitat; (d) just upstream of the confluence of Lagoon Creek and the Lake tributary (Lake Fork) of Lagoon Creek; (e) the Lake Fork just above its confluence with Lagoon Creek; and (f) downstream of the confluence of Lagoon Creek and the Lake Fork.
  - 3. Fish surveys as follows: (a) spawning surveys of three reaches: (I) Lagoon Creek upstream of its confluence with the Lake Fork, (ii) the Lake Fork, and (iii) Lagoon Creek downstream of its confluence with the Lake Fork. Identify by species and count live and dead fish. Conduct surveys for 5 years twice per month during August, September and October or, depending on periodicity and typical life history of fish present, as recommended by the ADF&G; (b) juvenile fish trapping at times recommended by the ADF&G, in the same three segments as the spawning surveys, to quantify changes in juvenile fish numbers, using standard soak times, consistency of placement, and standard methodology; and (c) two streams in the immediate area, surveyed by the ADF&G annually, with similar characteristics to Lagoon Creek as control streams to compare Lagoon Creek fish production.
  - 4. Conduct channel and habitat monitoring using the protocol developed by the for national forests in Alaska, in project years 0, 3, and 5, using tier 2 for the survey measures, except for riparian vegetation and undercut banks where tier 3 would be used. Methods to include photos and wetted area, calculation of any post-project increase in wetted area downstream of the powerhouse, and identification of abnormal erosion or changes in channel morphology.
  - Annual reviews of monitoring results with the applicant and agencies to interpret results and adjust the monitoring. Monitoring results to be provided 30 days prior to the meeting.

- Require mitigation to address problems identified by monitoring.
- Divert no more than 13.2 cfs from Mountain Creek into Lagoon Creek.
- Divert a constant amount of water through a bypass system regardless of power demand.
- Schedule maintenance that reduces water flow to meet ADF&G time restrictions.
- For any unscheduled maintenance, report to the agencies the date, duration of reduction, volume of cfs reduction, reason for occurrence, and measures for prevention of reoccurrence.
- Ramp flows at a rate of 2 inches per hour (in/hr) during scheduled shutdowns.

NMFS further recommends that any interested party may petition the Commission to add new conditions or amend these terms and conditions as necessary to protect, mitigate, and enhance fish, wildlife, and their habitat pursuant to Section 10(j) of the FPA.

Interior Recommendations. By letter dated September 10, 1999, the U.S. Fish and Wildlife Service (FWS), representing Interior, filed recommendations pursuant to Section 10(j) of the FPA. Modifications were submitted at a meeting conducted by Commission staff with the resource agencies on April 26, 2000 (Commission 2000). Summarized, Interior recommends that AVEC:

- Operate the project as run-of-river, defined as instantaneous outflows from the
  impoundment (as turbine discharge, spillage, direct releases, and/or leakage) equal
  to the instantaneous inflow to the impoundment, up to 13.2 cfs, allowing an active
  storage of up to 0.4 acre-feet above the diversion dam.
- Prepare and implement a biotic monitoring plan, after consulting and obtaining approval from the fish and wildlife agencies, and file it with the Commission at least 6 months before the start of any land-disturbing or land-clearing activities. Allow the agencies at least 30 days lead time, by written notification, to comment and reach agreement with the applicant before filing with the Commission. Implement study designs approved in advance by the fish and wildlife agencies and convene an annual meeting with the agencies to review study results and project operations. Submit final plans, approved by the fish and wildlife agencies.

lommission for approval at least 30 days before the scheduled date to initiate the planned activities. Include in the biotic monitoring plan:

- 1. Continuously recording temperature gages operated for at least 1 year prior to project construction and for up to 5 years after the start of project operations, depending on results, to measure pre- and post-project intergravel water temperatures at a minimum of 6 locations (see NMFS recommendation No. 2). Summarize and submit temperature data to the fish and wildlife agencies annually, and if the agencies determine that the temperatures during project operations vary from the range of measured pre-project temperatures and pose a potential negative affect on the spawning, incubation, and/or rearing of anadromous fishes, develop and implement a mitigation plan, approved by the fish and wildlife agencies. On a scheduled basis, at least once a year, the applicant and agencies shall meet to review study results and identify courses of action. If fish production is significantly reduced as a result of project operations, reopen and amend the license to construct facilities or modify operations as needed to release water at temperatures that do not impact fish production in Lagoon Creek.
- 2. Conduct channel and habitat monitoring using the protocol developed by the USFS for national forests in Alaska, in project years 0, 3, and 5, using tier 2 for the survey measures, except for riparian vegetation and undercut banks where tier 3 would be used. Include photos of each cross section site and measurements of the wetted area. Calculate any post-project increase in the wetted area of Lagoon Creek from the tailrace outfall downstream to its confluence with the Lake Fork. Identify abnormal erosion or changes in channel morphology. Bioremediate excessive streambank or channel erosion as a result of increasing flow in Lagoon Creek to stabilize streambanks and channel.
- 3. Conduct adult fish escapement counts in Lagoon Creek for each anadromous species at least once per period during each of seven sampling periods to enumerate runs of spawning coho, pink and chum saimon (July 16-31, Aug 1-15, Aug 16-31, Sept 16-30, Oct 1-15, and Oct 16-30). Conduct surveys at least 7 days apart. Follow ADF&G protocols for standardization and indexing of peak foot survey counts. Prepare a study design for approval by the fish and wildlife agencies. Submit reports to the agencies annually. In the survey results, document numbers of live and dead fish by species by stream segment as follows:

  (a) Lagoon Creek upstream of its confluence with the Lake Fork; (b) Lake Fork upstream of its confluence with Lagoon Creek; and Lagoon Creek downstream of its confluence with the Lake Fork to the ocean.

Conduct juvenile fish sampling using non-lethal techniques, identifying fish by species, fork length, and numbers captured. Record and summarize the results according to the same three stream segments used for the adult spawning surveys. Use standardized sampling methods, times, and locations. Design sampling to identify any increase in rearing habitat made available by the project and fish utilization of such habitat. After identification, measuring and enumeration, release the fish unharmed at their point of capture. The study design shall be approved by the fish and wildlife resource agencies in advance. Submit reports to the agencies annually.

Continue adult spawning and juvenile monitoring for at least a 5-year period after the first phase of the project becomes operational. If different project operations are implemented that modify the flow regime, require continued studies for up to an additional 5 years after the second phase or new flow operations are implemented.

- Divert no more than 13.2 cfs from the East Fork into Lagoon Creek at any given time. Install and maintain a continuously recording flow device to monitor flows within the anadromous fish reaches in Lagoon Creek during and following construction phases for a period of up to 5 years, depending on results. Measure discharge in compliance with standards established by the U.S. Geological Survey (USGS) and record data at each site at a frequency of not less than 15 minute intervals. After construction of the project, record, summarize and submit streamflows monthly for the first year of operation and annually thereafter to the fish and wildlife resources agencies. If a rating curve or any other regression relationship is used to calculate discharge, submit to the agencies annually or whenever a shift in the rating curve occurs, whichever occurs first, the data used to build this regression relationship.
- Provide fail-safe and redundant backup provisions in project design and operation
  to insure that instantaneous instream flows are provided during powerhouse
  outages, including routine maintenance periods, emergency project shutdowns, and
  interruptions in the power grid. Provide the capacity for indefinite flow
  continuation during powerhouse outages. Include remote monitoring and
  operation of all project components in the project design and operations.
- Consult with fish and wildlife agency representatives on the need for an annual project review meeting, if any one of the agencies deem the meeting necessary, schedule a meeting on a date mutually agreed upon to review study results,

evaluate the need for continued studies and study modifications, review project operations that affect fish and wildlife, and identify courses of action based on those results. Provide reviews of reports and compliance with all license stipulations. Record the minutes of these and related meetings, and circulate the draft of the minutes to attendees for review comments, and approval within 14 days following a meeting. Submit the final minutes and other evidence of the consultation, along with any recommendations and comments by the fish and wildlife agencies and the licensee to the Commission. If a new or modified course of action is proposed as a result of the annual meeting, further review may be required. Hold additional meetings if unforseen effects of project operations warrant such meetings.

- At least 6 months before the start of any land-disturbing or land-clearing activities, file a detailed plan for establishing an interest-bearing escrow account to mitigate for currently unforseen impacts on fish, wildlife and water quality associated with construction and operation of the project. Allow the fish and wildlife resource agencies at least 30 days, by written notification, to comment and reach agreement with the applicant, before the plan is submitted to the Commission. Determine jointly with the ADF&G, FWS and NMFS the amount of money to be placed in the account. Establish a resource agency council composed of representatives from the ADF&G Habitat and Restoration Division, FWS and NMFS, which would determine the type, cost, and location of mitigation projects. Make the funds available to the council. The council would notify the licensee before any funds are withdrawn from the account and the licensee would have the right to audit expenditures to ensure compliance with its purpose. The principal and accumulated interest would remain in escrow for the term of the license, unless unanimously determined by the council members and the licensee that the account may be closed and any remaining funds returned to the licensee.
- Employ a qualified environmental compliance monitor (ECM) during project
  construction, with authority to ensure strict compliance with the provisions of the
  license, cease work and change orders in the field as deemed necessary; and make
  pertinent and necessary field notes on environmental compliance monitoring by
  the licensee. Write jointly with the agencies the position description of the ECM,
  including qualifications, duties, and responsibilities.
- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain written approval from the agencies regarding the licensee's final plan to control erosion and slope instability, revegetate disturbed areas,

particularly the area of the penstock crossing the state's conservation easement, minimize the quantity of sediment introduced into Lagoon Creek from project construction and operation, and limit instream construction to between May 15 and July 15 in the East Fork and between early June and July 15 in Lagoon Creek. Allow the agencies at least 30 days, by written notification, to comment and reach agreement with the applicant before the plans are submitted to the Commission. Base the plan on the actual site geological, soil and groundwater conditions and on the project design, and include at a minimum: (a) a description of the actual geological, soil and groundwater site conditions related to various project features: (b) final preventative measures based on the licensee's draft ESCP; (c) detailed descriptions, functional design drawings, and specific topographic locations of all control measures and methods, stream setback distances, and stabilization methods for spoil material and temporary construction access trail; and (d) a revegetation plan for all disturbed areas to include locations of treatment areas, plant species and planting methods to be used, planting densities, fertilizer formulations, seed test results, application rates, and a specific implementation schedule and details for monitoring and maintenance programs. Submit the final plan, approved by the agencies, to the Commission at least 30 days before the scheduled date to initiate activities related to the plan.

- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain approval from fish and wildlife resource agencies regarding the licensee's final fuel and hazardous spill plan to help prevent and minimize any impacts associated with the handling of hazardous substances during project construction and operations. Allow the agencies 30 days by notification in writing to enable them to comment and reach agreement with the applicant before the plans are submitted to the Commission. Submit the final plan, approved by the agencies, to the Commission at least 30 days before the scheduled date to initiate activities related to the plan.
- Allow fish and wildlife resource agency representatives, who show proper credentials, to have free and unrestricted access to, through, and across access routes leading to project lands, all project lands and all project works.
- At least 6 months before the start of any land-disturbing or land-clearing activities, file with the Commission a bear safety plan to avoid possible conflicts between bears and humans in the project area during construction and operation. Include, at a minimum: (a) instructions that minimize possible conflict; (b) instructions to minimize encounters and avoid areas often used by bears, if possible; (c)

instructions for keeping construction sites and refuse areas clean; (d) installing bear-proof garbage receptacles and other measures during construction periods to prevent bears from obtaining food or garbage; and (e) procedures to deal with problem bears. Allow at least 30 days for the fish and wildlife resource agencies to comment and make recommendations prior to filing the plan. Include the reasons, based on site-specific information for any recommendation the licensee does not adopt.

<u>ADF&G Recommendations.</u> By letter dated August 20, 1999, ADF&G filed recommendations pursuant to Section 10(j) of the FPA. Modified recommendations were filed by letter dated March 3, 2000, and submitted at a meeting conducted by Commission staff with resource agencies on April 26, 2000 (Commission 2000). Summarized, ADF&G recommends that AVEC:

- Operate the project as run-of-river where the instantaneous outflow from the
  impoundment (as turbine discharge, splllage, direct release, and/or leakage) is
  equal to instantaneous inflow into the impoundment, up to 13.2 cfs, with an active
  storage volume of up to 0.4 acre-feet of water above the diversion dam.
- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain approval from ADF&G and other fish and wildlife resource agencies for a final biotic monitoring plan. Formulate and implement the agency-approved plan to address any or all of the project's potential effects on biological resources. Allow ADF&G at least 30 days, by written notification, to comment and reach agreement with the applicant before submitting the plan to the Commission. Obtain advance approval from ADF&G and the other agencies. Convene an annual meeting to review annual study results and project operations. Submit final plans to the Commission at least 30 days before the scheduled date to initiate activities related to the plan. Provide funds for the design, implementation, and monitoring/maintenance and place the funds in an independent interest bearing escrow account as a license requirement. Determine, jointly with the ADF&G, FWS and NMFS, the amount of money to be placed in the account. Include in the monitoring plan:
  - 1. Water temperature monitoring to determine long-term project effects on fish production in Lagoon Creek. Operate continuously recording temperature gages for at least 1 year prior to construction and up to 5 years after project operation begins, depending on results, to measure stream water intergravel temperature at a minimum of 6 locations ( see NMFS recommendation No. 2).

Summarize temperature data and submit to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist and the Division of Habitat and Restoration office in Anchorage annually. Formulate and implement an ADF&G-approved mitigation plan to address any or all potential effects, in consultation with ADF&G, FWS and NMFS, if ADF&G determines that during project operations, water temperatures in Lagoon Creek spawning areas vary from the range of measured pre-project values and pose a potential negative effect on the spawning, incubation, and/or rearing of anadromous fishes. Meet on a scheduled basis, at least once a year, with the agencies to review study results and identify courses of action (see below). If fish production is significantly reduced as a result of project operations, construct the necessary facilities or modify operations to release water at temperatures that do not impact fish production in Lagoon Creek. The Commission shall re-open and amend the license if fish production is significantly reduced as a result of project operations.

- 2. Conduct channel and habitat monitoring using the protocol developed by the USFS for national forests in Alaska, in project years 0, 3, and 5, using tier 2 for the survey measures, except for riparian vegetation and undercut banks where tier 3 would be used. Include photos of each cross section site and measurements of the wetted area. Calculate any post-project increase in the wetted area of Lagoon Creek from the tallrace outfall downstream to its confluence with the Lake Fork. Identify abnormal erosion or changes in channel morphology. Bioremediate excessive streambank or channel erosion as a result of increasing flow in Lagoon Creek to stabilize streambanks and channel.
- 3. Conduct adult fish escapement counts in Lagoon Creek of each anadromous species, to enumerate runs of spawning coho, pink and chum salmon, at least once per period during each of seven sampling periods (Jul 16-31, Aug 1-15, Aug 16-31, Sep 1-15. Sep 16-30, Oct 1-15, and Oct 16-30). Conduct the surveys at least 7 to 10 days apart. Follow ADF&G protocols for standardization and indexing of peak foot survey counts. Obtain advance approval from ADF&G for a study design. Submit a report to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist and the Division of Habitat and Restoration office in Anchorage annually. Continue monitoring for at least 5 years after the first phase of the project becomes operational. Continue studies for an additional 5 years after the second phase or new flow operations are implemented, if different project operations are implemented that modify the flow regime. Document the numbers of live and dead fish by species and by three stream segments (Lagoon Creek upstream of its confluence with the Lake Fork, Lake Fork of Lagoon Creek

upstream of its confluence with Lagoon Creek, Lagoon Creek downstream of its confluence with the Lake Fork all the way to the ocean).

Sample juvenile fish using non-lethal capture techniques and identify by species, fork length and numbers captured. Record and summarize the results according to the three stream reaches used to document adult spawning data. Use standardized sampling methods, times and locations. Design sampling to identify any increase in rearing habitat made available by the project and fish utilization of such habitat. Release the captured juvenile fish unharmed at the point of capture. Obtain advance approval from ADF&G for a study design. Submit a report to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist and the Division of Habitat and Restoration office in Anchorage annually. Continue monitoring for at least 5 years after the first phase of the project becomes operational. Continue studies for an additional 5 years after the second phase or new flow operations are implemented, if different project operations are implemented that modify the flow regime.

- Divert no more that 13.2 cfs of water from the East Fork into Lagoon Creek at any given time. Monitor and evaluate erosion and fish production in Lagoon Creek as specified above, as well as any mitigative actions determined to be needed by ADF&G and other fish and wildlife resource agencies. Install and maintain continuously recording stream flow devices to monitor flows within the anadromous fish reaches in Lagoon Creek during and following construction phases. Continue flow measurements for up to 5 years, depending on results. Record stage/flows at each site at a frequency of no less than 15-minute intervals, in compliance with standards established by the USGS. Record, summarize, and submit monthly for the first year of operation and annually thereafter to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist. Submit to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist the data used to build any rating curve or regression relationship annually and whenever a shift in the rating curve is observed, whichever occurs first.
- Provide fail-safe and redundant backup provisions in project design and operation to insure that instantaneous instream flows are provided during powerhouse outages, including routine maintenance periods, emergency project shutdowns, and interruptions in the power grid. Provide the capacity for indefinite flow continuation during powerhouse outages. Include remote monitoring and operation of all project components in the project design and operations.

- Coordinate and consult with the fish and wildlife agency representatives, including ADF&G, regarding the need for annual project review meetings. If any of the fish and wildlife agencies deem a meeting is necessary, hold a meeting at least 60 days preceding the anniversary date of the license, or other annual date mutually agreed upon by the parties. At the meeting, review the study results, need for continued studies and study modification, project operations that affect fish and wildlife, and identify courses of action required based on those results. Review reports and compliance with all license stipulations. Record the minutes of these and related meetings. Circulate the draft minutes to attendees, within 14 days following a meeting, for review comments, and approval. Include in or with the final minutes editorial and other comments received within 14 days after receipt of the draft minutes. Within 60 days following a meeting, submit the final minutes and other evidence of the consultation, along with any recommendations and comments made by ADF&G and other fish and wildlife agencies to the Commission. Hold additional meetings if project operations require such meetings. If a new or modified course of action is proposed as a result of an annual meeting, obtain written approval of the plan from resource agencies and submit the plan to the Commission for its written approval. Approval from the Commission must be received at least 30 days before the scheduled date for the licensee to initiate activities related to the plan. Implement the plan upon written approval by the Commission. The Commission will halt project implementation if agreement is not reached.
- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain approval from fish and wildlife resource agencies for a final plan for establishing an interest-bearing escrow account to mitigate for fish, wildlife, and water quality impacts associated with construction and operation of the project. Make the funds in the account available to a resource agency council composed of representatives for the ADF&G Habitat and Restoration Division, FWS and NMFS. Determine jointly with the agencies the amount of money to be placed in the account. Allow the ADF&G and other agencies at least 30 days, by written notification, to comment and reach agreement with the applicant before submitting the plans to the Commission. Submit the plans to the Commission at least 30 days before the scheduled date to initiate activities related to the plan. Implement the plan upon written approval of the Commission. The Commission will halt project implementation if agreement is not reached.
- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain approval from ADF&G and other fish and wildlife resource

agencies for a final plan to adhere to the ESCP and fuel and hazardous substances spill plan (see below) during construction. Include in the plan: (a) provisions and resources to employ a qualified ECM during construction with the authority to ensure strict compliance with the provisions of the license, cease work and change orders in the field as deemed necessary, and make pertinent and necessary field notes on monitoring compliance by the licensee; (b) a position description for the ECM, including qualifications, duties, and responsibilities; and (c) provisions to hold a meeting between the licensee and agencies annually to review and evaluate results of all monitoring activities and reports, make necessary adjustments of project monitoring to meet resource needs, and decide on continuation of monitoring. Allow the ADF&G and other fish and wildlife resource agencies at least 30 days, by written notification, to enable us to comment and reach agreement with the applicant before submitting the plans to the Commission. If agreement is not reached the Commission will halt project implementation.

At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain written approval from fish and wildlife resource agencies for a final plan to control erosion and slope instability, revegetate disturbed areas, particularly in the area of the penstock crossing of the state's conservation easement, minimize the quantity of sediment introduced into Lagoon Creek from project construction and operation, and limit instream construction to between May 15 and July 15 in the East Fork and between early June and July 15 in Lagoon Creek. Allow the ADF&G and other fish and wildlife resource agencies at least 30 days, by written notification, to comment and reach agreement with the applicant before the plans are submitted to the Commission. Base the plan on actual-site geological, soil and groundwater conditions and on the project design, and include, at a minimum, the following: (a) a description of the actual geological, soil and groundwater site conditions related to the project features: (b) final preventative measures based on the licensee's draft ESCP; (c) detailed descriptions, functional design drawings, and specific topographic locations of all control measures and methods, stream set back distances, and stabilization methods for spoil material and temporary construction access trails; and (d) a revegetation plan for all disturbed areas including the locations of treatment areas. plant species and planting methods to be used, planting densities, fertilizer formulations, seed test results, application rates, and a specific implementation schedule and details for monitoring and maintenance programs. Submit the agency-approved plan to the Commission at least 30 days before the scheduled date to initiate activities related to the plan. Implement the plan commencing written approval by the Commission. If agreement is not reached, the Commission will halt project implementation.

- At least 6 months before the start of any land-disturbing or land-clearing activities, consult and obtain approval from the fish and wildlife resource agencies for a final fuel and hazardous spill plan to help prevent and minimize any impacts associated with the handling of hazardous substances during project construction and operation. Allow the ADF&G and other agencies 30 days, by written notification, to comment and reach agreement with the applicant before the plans are submitted to the Commission. Submit to the Commission for approval at least 30 days before the scheduled date to initiate activities related to the plan. Implement the plan when approved by the Commission. If agreement is not reached, the Commission will halt project implementation.
- Allow free and unrestricted access to, through, and across access routes leading to
  project lands, all projects lands and project works to ADF&G employees who
  show proper credentials.

# D. Staff's Recommended Modifications of AVEC's Proposal

Based on agency and other comments that have been filed, and our analysis in Sections V, VI and VII, we are recommending some modifications and additions to AVEC's proposed project and mitigations, which are summarized below:

- prepare and implement a final ESCP;
- prepare and implement a plan to monitor compliance with a run-of-river operation;
- prepare and implement a plan to monitor intergravel temperatures in Lagoon Creek for 1 year prior to construction and up to 5 years after the start of operations;
- prepare and implement a channel and habitat monitoring plan using the protocol developed by the USFS for national forests in Alaska to monitor the project's effects on salmonid habitat in Lagoon Creek;
- prepare and implement a plan to conduct spawning surveys of coho, pink and chum salmon in Lagoon Creek for up to 5 years after the start of operations;
- prepare and implement a plan to conduct annual juvenile fish surveys in Lagoon Creek for up to 5 years after the start of operations;

- prepare and implement a plan for continuously recording flows in Lagoon Creek for up to 5 years after the start of operations;
- report all project outages that result in a flow reduction in Lagoon Creek to the fish and wildlife agencies;
- design and install a tailrace screen that reduces attraction and prevents injury to migrating salmonids;
- conduct annual meetings with resource agency personnel for the duration of postlicense biotic monitoring studies to evaluate the results and need for continued monitoring;
- prepare and implement a hazardous spill prevention plan;
- employ an ECM during construction with the authority to ensure compliance with the ESCP and hazardous spill prevention plan and cease work and change orders in the field if needed;
- allow site access to agency fish and wildife personnel;
- prepare and implement a revegetation plan using native species to the greatest extent practical;
- use only preservative-free or pressure-treated wood timbers or planks in wetland areas;
- prepare and implement a bear safety plan;
- prepare and implement an eagle protection plan;
- prepare and implement an access control plan for the trail to the intake;
- prepare and implement a recreation plan; and
- if unknown archeological deposits are uncovered at the project, cease construction and consult with the State Historic Preservation Officer and the OHNC.

# E. No Action Alternative

Under the no-action alternative, the Commission would deny a license for the proposed Old Harbor Project. The project would not be built, and no change to the existing environment would occur. No energy from the proposed project would be generated. The no-action alternative is the benchmark from which we compare the proposed action and any action alternatives.

# F. Alternatives Considered but Eliminated from Detailed Study

AVEC considered the following alternatives, which represent various configurations of the project features, but eliminated them from detailed study. The alternatives, and the reasons they were eliminated from more detailed evaluation, are as follows:

#### Dual intakes

A project using one intake on the East Fork and a second intake on the West Fork of Mountain Creek, was considered and rejected because diverting and conveying water from both forks of Mountain Creek would require extensive tunneling and/or rock excavation that would be too costly. A second intake on Midway Creek, a small stream west of Old Harbor, was found to cost more than the proposed project and produce less power.

# Big Creek Basin

Running the penstock to Big Creek Basin, east of the Lagoon Creek Basin, was evaluated and rejected because the cost of connecting the Old Harbor water system to the project would be much more expensive.

#### Smaller turbine

Installing a maximum turbine capacity of 330 kW, instead of 500 kW, was evaluated and rejected because a 500 kW project could provide more power without much additional cost.

#### IV. CONSULTATION AND COMPLIANCE

# A. Agency Consultation

lowing entities responded to the public notice requesting comments, final terms and conditions, recommendations and prescriptions, issued by the Commission on June 15, 1999, and extended on August 19, 1999.

ENTITY	DATE OF LETTER
Kodiak Island Borough	July 19, 1999
National Marine Fisheries Service	August 10, 1999
Old Harbor, Alaska	August 12, 1999
Old Harbor Native Corporation	August 18, 1999
Alaska Department of Fish and Game	August 20, 1999
U.S. Department of the Interior	September 10, 1999

By letter dated October 25, 1999, AVEC responded to the comments and recommendations of the above entities.

# B. Interventions

In addition to filing comments, Commission regulations allow that organizations and individuals may petition to intervene and become a party to the licensing proceedings. The deadline for filing motions for intervention for the project was August 31, 1999. The following entitles filed for intervener status:

ENTITY	FILING DATE
National Marine Fisheries Service	August 16, 1999
U.S. Department of the Interior	August 17, 1999
Alaska Department of Fish and Game	August 19, 1999

Interior's motion for intervention stated that it was in opposition to the project, but an amended motion filed on September 17, 1999, clarified that Interior does not oppose the project.

# C. Scoping

Scoping Document I (SD1), which requested comments on issues to be addressed in the EA, was distributed to concerned agencies and individuals on April 8, 1998. The Commission issued a notice that the project was ready for scoping on April 14, 1998. A public scoping meeting was held in Old Harbor, Alaska on May 12, 1998, following a site visit; and an interagency meeting was held in Anchorage, Alaska on May 14, 1998. The following letters were received during the scoping period:

ENIITY		
National Marine F	isheries	Service
LASER		

DATE OF LETTER May 15, 1998 June 1, 1998

Based on the discussions during the meetings and the written comments, there were no revisions to SD1, and no second Scoping Document was issued. We address their environmental concerns in appropriate sections of the EA.

# D. Comments on the Draft Environmental Assessment

On January 19, 2000, Commission staff issued a draft environmental assessment (DEA) for the project. Comments were received from the following entities:

ENTITY	DATE OF LETTER
National Marine Fisheries Service	March 2, 2000
Alaska Department of Fish and Game	March 3, 2000
polarconsult alaska, inc.	April 14, 2000

Appendix A contains the comments and our responses. This FEA includes the changes made as a result of our considerations of these comments.

# E. Water Quality Certification

By letter dated May 20, 1999, AVEC requested water quality certification under Section 401 of the Clean Water Act by submitting to the Alaska Department of Environmental Conservation (ADEC) a copy of their application for a U.S. Army Corps of Engineers (Corps) permit to discharge dredged or fill material into navigable waters under Section 404 of the Clean Water Act. By agreement between the Corps and the ADEC, an application for the Corps permit may also serve as application for water quality certification. The ADEC received this request on May 20, 1999. The ADEC has waived water quality certification of Commission-licensed hydroelectric projects (letter from Michele Brown, Commissioner, Alaska Department of Environmental Conservation, Juneau, Alaska; August 2, 1999).

# F. Coastal Zone Management Act (CZMA)

The Alaska Division of Governmental Coordination (ADGC) notified AVEC that it initiated a review of the project for the Alaska Coastal Management Program on July 2, 1999 (letter to Daniel Hertrich, polarconsult alaska, inc., Anchorage, Alaska; from

Jennifer Nolan Wing, Project Review Coordinator, Division of Environmental Coordination, Anchorage, Alaska; July 23, 1999).

# G. Section 18 Fishway Prescription

Section 18 of the FPA states that the Commission shall require construction, maintenance and operation by a licensee of such fishways as the Secretaries of Commerce and Interior may prescribe. Interior states that currently, upstream and downstream passage of fish past the project is not a management objective for Mountain Creek. Should management objectives change and subsequently require fish passage, Interior states that the licensee should provide appropriate upstream and/or downstream fishways. Interior further states that it reserves the authority to prescribe the construction, operation and maintenance of fishways pursuant to Section 18 of the FPA. Interior requests that its reservation be acknowledged in any license issued for the project.

Although fishways have not been prescribed by Interior at this time, it is appropriate for the Commission to include a license article which reserves the Commission's authority to require any fishways Interior may prescribe in the future. We recognize that future fish passage needs and management objectives cannot always be predicted when the license is issued.

# H. Essential Fish Habitat

Section 305(b)(2) of the Magnuson-Stevens Fishery Conservation and Management Act (Magnuson-Stevens Act) requires federal agencies, such as the Commission, to consult with the Secretary of Commerce regarding any action or proposed action authorized, funded, or undertaken by the agency that may adversely affect Essential Fish Habitat (EFH) identified under the Magnuson-Stevens Act. On April 22, 1999, the Fishery Management Plan for the Salmon Fisheries for Alaska was amended to designate freshwater EFH as waters currently or historically accessible to five salmon species. Three of the five salmon species (coho, chum and pink salmon) are found in Mountain Creek and Lagoon Creek, the two streams affected by the proposed project. By letter dated February 11, 2000, we requested that NMFS, representing the Secretary of Commerce, submit any recommendations regarding EFH for the Old Harbor Project. No recommendations were received.

As required by the Magnuson-Stevens Act we identify (see table 1) the sections of our EA that incorporate the EFH assessment.

Table 1. Corresponding sections of the Commission staff's Environmental Assessment and the Essential Fish Habitat Assessment for the Old Harbor Project. (Source: Commission staff)

Essential Fish Habitat Assessment	Final Environmental Assessment
Description of proposed action	Sections III(A)(1) and III(A)(2)
Analysis of cumulative effects	Section V(B)
Analysis of project-specific effects	Sections V(C)(1) through (7)
Commission staff's view of the effects	Sections V(C)(1) through (7), VII, VIII, IX, and X
Proposed mitigation	Sections III(A)(3) and III(D), Sections V(C)(1) through (7), and VII.

# I. Alaska National Interest Land Conservation Act (ANILCA) 3

ANILCA seeks to preserve units of federal lands in Alaska that contain nationally significant natural, scenic, historic, archaeologic, geologic, scientific, wilderness, cultural, recreational, and wildlife values. The refuge is a designated conservation system unit pursuant to ANILCA. Recognizing that the state's transportation and utility systems are largely undeveloped. Title XI of ANILCA provides for an orderly decision making process whereby the existing authorities would approve or disapprove applications for these systems within conservation system units and minimize adverse impacts of any approved system. To ensure the effectiveness of this decision making process, all federal agencies with jurisdiction to grant authorization without which the project could not be established or operated, are required to cooperate to prepare and issue an EA evaluating the impacts of the proposed project within nine months from the date AVEC applied to Interior for a right of way 4 permit for the project (May 20, 1999). Within four months from the date of a Finding of No Significant Impact or, if significant impacts are found, a final environmental impact statement, each appropriate federal agency shall make an

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<sup>3 16</sup> USC. 3101

<sup>&</sup>lt;sup>4</sup> FWS right-of-way permits are issued for 30 years (letter from Pamela Bergmann, Acting Regional Environmental Officer, Office of the Secretary, Anchorage, Alaska; September 10, 1999).

indep: decision to approve or disapprove the project.

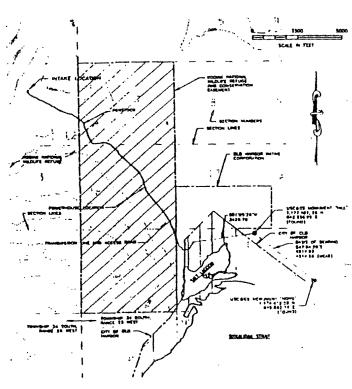
We have identified the Commission, Corps and Interior as the federal agencies that would cooperate on a joint environmental document. The Corps, however, opted not to participate in the EA (confirmation letter to Don P. Kuhle, Regulatory Branch, U.S. Army Corps of Engineers, Anchorage, Alaska; March 1, 2000).

# J. Land Covenants

The project site includes lands within the refuge that were purchased by the Exxon Valdez Oil Spill Trustee Council (Trustee Council) in 1995 from the OHNC, as part of a comprehensive federal and State of Alaska program to restore natural resources injured by the Exxon Valdez oil spill (letters from Paul Gates, Regional Environmental Officer, U.S. Department of the Interior, Anchorage, Alaska, February 22, 1996; C. Wayne Dolezal, Habitat Biologist, Alaska Department of Fish and Game, Anchorage, Alaska, August 20, 1999; Pamela Bergmann, Acting Regional Environmental Officer, U.S. 40Department of the Interior, Anchorage, Alaska, September 10, 1999). These lands are now owned in fee by the United States. Restrictions on the use of these lands are contained in a warranty deed from the OHNC to the United States, and a conservation easement from the OHNC to the State of Alaska (figure 5). These covenants generally prohibit activities such as the construction of buildings or fences and the manipulation or alteration of natural water courses.

After consultation with the U.S. Department of Justice, the state and Interior agree that the parties to the land transaction (OHNC, State of Alaska and United States), have the discretion to jointly modify the covenants for a particular project if it is compatible with the restoration and conservation purposes of the covenants (letter to C. Walter Ebeil, Esq., Jamin, Ebeil, Bolger, and Gentry, Seattle, Washington; from (jointly signed) Craig J. Tillery, Assistant Attorney General, Alaska Department of Law, and Barry N. Roth,

Attorney-Advisor, Conservation and Wildlife Division, Office of the Solicitor, U.S. Department of the Interior; December 1996). The state and Interior request that the Trustee Council concur with any modifications to the covenants as long as the Trustee Council remains in existence. Any decision to modify the covenants by the state and United States, would be dependent on the results of studies that assess the proposed project's impact and the outcome of the Commission's licensing process.



Pigurs S. Ownership of project lands (Source: AVEC 2000)

AVEC filed a complete description of the easement for the project's transmission line, powerhouse site, and penstock route with the Commission (letter from Daniel Hertrich, P.E., polarconsult alaska, inc., Anchorage, Alaska; April 14, 2000). This letter and the easement description may be viewed on the web at http://www.ferc.fed.us/online/rims.htm (please call (202) 208-2222 for assistance).

#### V. ENVIRONMENTAL ANALYSIS 5

In this section, we first describe the general environmental setting of the project area. We then discuss the cumulative and site-specific effects of the resources affected by the project including effects of the proposed action, action alternatives, and no action.

In our detailed assessment of each relevant resource, we first describe the affected environment — which is the existing condition and the baseline against which to measure anticipated changes of the proposed project and any action alternative — and then we discuss environmental effects of the project including proposed protection, mitigation, and enhancement measures. In this section we also make recommendations for measures that do not have a substantial economic effect on the project. Our recommendations for the measures that have effects on other power or non-power resources are found in Section VII, Comprehensive Development and Recommended Alternatives.

# A. General Description of the Old Harbor Project Area

Old Harbor, Alaska, is a small community on the southeast coast of Kodiak Island, 70 miles southwest of the city of Kodiak and 322 miles southwest of Anchorage.

The climate of the Kodiak Islands is dominated by a strong marine influence. There is little or no freezing weather, moderate precipitation, and frequent cloud cover and fog. Temperatures generally remain within 24 to 60 degrees Fahrenheit (° F). Severe storms are common from December through February. Annual precipitation is 60 inches.

The proposed project would affect two basins with a dividing boundary near Old Harbor. The project intake would be located on the East Fork, a headwaters tributary of the Barling Bay Basin. Most of the penstock and other project facilities would be located in the Lagoon Creek Basin, and flows from the powerhouse would discharge into Lagoon

The East and West Forks of Mountain Creek, converge at an elevation of about 500 finst. The total drainage area for Mountain Creek is approximately 8,024 square miles (sq mi). The East Fork and West Fork drainage areas are 1.79 and 2.60 sq mi, respectively, and together account for 55% of the total drainage area of Mountain Creek. Because they occupy high mountain valleys, however, they receive more precipitation as snow than the remainder of the drainage. There is a small glacier at the far end of the East Fork near the intake site.

After the confluence of the East and West Forks, Mountain Creek drops about 450 fmsl, over about 2 miles, through a very steep-walled and rugged canyon. Below the canyon, it flows another 1.5 miles over a nearly flat alluvial fan consisting of large amounts of permeable gravel. During mid to late summer in most years all of the surface water flowing out of the canyon becomes subsurface though this alluvial fan, resulting in a dry channel surface. The stream often changes course in immense spring floods. Mountain Creek joins Barling Bay Creek near its confluence with the tide water at Barling Bay. This is a high energy deposition area where the channels are unstable and migrate during major flood events. Depending on tide level, and the current course of Mountain Creek, the mouth of Mountain Creek empties from 0 to 3,000 feet upstream of the mouth of Barling Bay Creek. Barling Bay Creek is a river that has a drainage area of about 16 sq mi.

Lagoon Creek begins at about 700 finst and drains from a mountain behind Old Harbor. Its drainage area is about 1.44 sq mi, and it flows about 2 miles to the powerhouse site. From the powerhouse site the stream flows through cottonwood and alder stands in a relatively flat expanse along the talus of the mountain. In late summer and fall, streamflows in this reach often flow subsurface through permeable gravel deposits. About 4,200 feet downstream of the powerhouse, a spring fed tributary, Lake Fork, Joins Lagoon Creek and contributes year-round flows.

Lagoon Creek empties into a 82-surface acre tidally influenced lagoon called Salt Lagoon. The Salt Lagoon is fed by Lagoon Creek and another small spring creek, not in the Lagoon Creek drainage. The Salt Lagoon drains through a road culvert into Sitkalidak Strait. During low tides the water level in Salt Lagoon is higher than the tide and the Lagoon drains fairly rapidly through the culvert. During high tides the level of the Lagoon matches the level in the strait and water flows into the lagoon through the culvert.

<sup>&</sup>lt;sup>5</sup> Unless otherwise indicated, the source of our information is AVEC's application for license, and supplemental filings by the applicant.

# B. Scope of Cumulative Effects Analysis

According to the Council on Environmental Quality's regulations for implementing NEPA, an action may cause cumulative impacts on the environment if its impacts overlap in time and or space with the impacts of other past, present and reasonably foreseeable future actions, regardless of what agency or person undertakes such other actions. Cumulative effects can result from individually minor but collectively significant actions taking place over a period of time to include hydro power and other land and water development activities.

### Public use

In SD1, we identified recreation as a resource that could be cumulatively affected because project construction could allow increased access to the refuge. Based on our review of use of the refuge, however, we have concluded that recreation would not be cumulatively affected. Rather, we believe that the project could increase public access to refuge land, which could result in indirect effects to wildlife and vegetation on refuge land. We discuss the project's effects on wildlife and vegetation in Section V.C.3, Terrestrial Resources.

Under the current refuge management designation, "minimal management " (FWS 1987), local residents can access refuge lands, including the project site, for subsistence activities that include hunting, fishing, trapping, and berry picking. Local residents are also permitted to use traditional camping areas in the refuge. Public use of the refuge is allowed for hunting, fishing, and trapping; wildlife observation; and environmental education (FWS 1987). Public access to the refuge is by boat, airplane and foot, but ATV use is not authorized on the refuge. If the proposed project is permitted, lands within the right-of-way would be designated as the Old Harbor Hydroelectric Site, and management designation would be changed to "moderate management". Specific limitations would authorize only the activities necessary to allow development and operation of the hydroelectric facility. The authorized uses for the public would not change, and no additional public facilities would be developed on the site.

As required by Section 810 of ANILCA, FWS prepared an evaluation of the effects of the proposed project on subsistence. Based on this analysis, no foreseeable and significant decreases in the abundance or distribution of harvestable resources, and no foreseeable limitations on harvester access are expected to result from the issuance of a right-of-way permit for the proposed project.

# Hydropower development

The ADF&G asked us to address concerns about the cumulative socioeconomic and environmental impacts of this and other existing and proposed hydropower projects on Kodiak Island and how they may impact one another if connected by an intertie.

Table 2 lists the status and location of other hydropower projects on Kodiak Island.

Table 2. Status and Location of Hydroelectric Projects on Kodiak Island. (Source: Commission staff)

Commis	sion staff)			
PROJECT	FERC NO.	LOCATION	CAPACITY (KW)	STATUS
Old Harbor	11690	Barling Bay Basin and Sitkalidak Strait	500	Proposed
Terror Lake	2743	Terror and Kizhuyak River Basins	20,000	License in effect
Dry Spruce	1432	Spruce Bay Basin	75	License in effect
Twin Basins	11611	Kizhuyak River Basin	500,000	Preliminary permit in effect
One Mile	1299	Uganik River Basin	8	Non-operational - license expired
Uganik	2026	Uganik River Basin	30	Non-operational - license expired
Terror River	11139	Terror River Basin	3,000	Preliminary permit expired - no application filed
Leanne Lake	11497	Kizhuyak River Basin	2,800	Preliminary permit expired - no , application filed
Parks	None	Spiridon Bay Basin	3	Existing - not under Commission jurisdiction
Port Lions	None	Kizhuyak River Basin	200	Proposed - not under Commission jurisdiction

At present, Kodiak Island has three operating hydropower projects, (Terror Lake, Dry Spruce, and Parks); and two proposed projects (Old Harbor and Port Lions). One

preliminary permit is in effect (Twin Basins). Of the six active sites, five are located in the northern half of the island. The sixth, Old Harbor, is located on the southeastern part of the island. There are no other projects, existing or proposed for the Barling Bay and Lagoon Creek Basins.

We find that the environmental effects of the Old Harbor Project, combined with the effects of the other licensed projects on the island, would still be minor because of the limited affected area and distance from other projects. We are unaware of any proposal for a Kodiak Island intertie, so we are unable to evaluate any specific impacts.

## C. Proposed Action and Other Action Alternatives

In this section, we discuss the effects of the proposed project alternatives on environmental resources. For each resource, we first describe the affected environment, which is the existing condition and baseline against which we measure effects. We then discuss and analyze specific environmental issues.

# 1. Geology and Soil Resources

# a. Affected Environment

The upper portion of the project area (from the powerhouse to the Intake) is typical of the mountainous regions of Kodiak Island. Active erosion is evident at the base of the steep talus slopes. The soils are shallow (1 to 2 feet deep) over slate and sandstone. The small depressions and valleys in the area fill with water and peat to form wetlands (U.S. Department of the Interior, Map MF 674). In the lowlands, beginning at the access trail to the powerhouse, the area consists of alluvial deposits overlain by several feet of a mixed organic and gravel soil. Wetlands are also common in these areas with moss and peat overlying soil and gravel. Active erosion is not evident in these areas.

Most of the streams appear to meander rather quickly in the low lying areas and streambanks exhibit erosion. Where the streams are in wooded areas there are lots of uprooted and fallen trees lying in or across the stream due to the eroding banks.

# b. Environmental Impacts and Recommendations

Land-disturbing activities associated with construction of the project could cause erosion and sedimentation.

AVEC proposes to develop an ESCP to prevent erosion and sedimentation during construction.

Interior and the ADF&G recommend that AVEC consult and obtain approval from the fish and wildlife agencies for a final ESCP to control slope instability, revegetate disturbed areas, and minimize the quantity of sediment introduced into Lagoon Creek resulting from project construction and operations. The agencies recommend that the final ESCP include a description of actual geological, soil and groundwater site conditions related to the project features; final preventative measures based on AVEC's draft ESCP; detailed descriptions, functional design drawings, and specific topographic locations of all control measures and methods, stream set back distances, and stabilization methods for spoil material and temporary construction access trails; and a revegetation plan to include a complete prescription for revegetating all disturbed areas.

NMFS recommends that AVEC prepare a comprehensive erosion control and revegetation plan that includes silt fences to limit the project footprint and eliminate runoff to the stream; procedures to limit erosion of bare ground, such as matting or mulch; revegetation of all impacted ground using only native plant species; revegetation monitoring; fixing any drainage or erosion problems and replanting if 50 percent vegetation densities are not met; timing restrictions for in-water work and stream crossings that meet the ADF&G recommendations, and using bioremediation techniques that mimic native vegetation densities and species to repair any stream bank damage.

By letter dated March 3, 2000, ADF&G recommends that instream construction occur between early June, after fry have emerged, and mid-July, before spawning.

# Staff analysis

At a meeting held on April 26, 2000, ADF&G explained that they allow instream construction starting in mid-May where coho are not present because chum and pink salmon emerge earlier than coho. Where coho are present, however, no instream construction can occur until early June. Because no coho are present at the intake site, NMFS, FWS, ADF&G and AVEC agreed that instream construction in the East Fork of Mountain Creek could begin as early as May 15, with construction at Lagoon Creek beginning in early June.

Land-disturbing activities associated with construction of the proposed project could cause erosion and sedimentation, including increased erosion of streambanks along Lagoon Creek. We agree with the agencies that the steep slopes and amount of

precipitation could have potentially major impacts if a plan is not in place and properly implemented. Therefore, prior to land-disturbing activities, we recommend that AVEC develop a site-specific ESCP in consultation with the NMFS, FWS and ADF&G, including the measures recommended by the agencies. Because AVEC has already proposed a draft ESCP, we don't believe the preparation of a final ESCP, with our recommended measures, would be a significant cost. Fisheries resources could be harmed by sedimentation if instream construction occurred from spawning through emergence of salmonids. Because a restriction on instream construction dates would not significantly affect project economics, we recommend that AVEC restrict instream construction to between May 15 and July 15 at the intake site and between early June, after fry have emerged, and July 15 at Lagoon Creek for the protection of aquatic resources. We discuss the need for a revegetation plan in Section V.C.3, Terrestrial Resources, and make our recommendation regarding revegetation measures in Section VII Comprehensive Analysis and Recommended Alternative.

# c. Unavoidable Adverse impacts

With the development and implementation of an ESCP, construction impacts would be short term and minimal.

# 2. Aquatic Resources

# s. Affected Environment

# Water Quantity

From July 1993 through May 1996, the ADNR, Division of Mining and Water Management, maintained a stream gage on Mountain Creek about 150 feet downstream from the confluence of the East and West Forks. From this data and the proposed project's proportion of the drainage area, adjusted for higher than normal precipitation during the gaging period, the average flow at the proposed intake site is estimated to be 16 to 18 cfs (Carrick and Ireland 1996).

AVEC recorded streamflows in the East Fork, at the proposed intake site (figure 6), from June 15, 1998, through June 3, 1999; and in Lagoon Creek at the proposed powerhouse site (figure 7) from May 14, 1998, through June 3, 1999. AVEC estimates the average annual flow at the proposed powerhouse site to be 13.4 cfs, based on its gaging results.

As figures 6 and 7 show, flows from both the East Fork and Lagoon Creek are highly variable, and at times, may not have surface flows at the intake or powerhouse sites, respectively.

# Water Rights

On May 20, 1999, AVEC filed an application with the Alaska Department of Natural Resources for a water right of 8.5 million gallons per day (12.5 cfs) from Mountain Creek to operate the project.

### Water Quality

Table 3 shows water quality data from water collections taken at the intake and powerhouse sites on August 13, 1996.

Table 3. Water quality data from the proposed intake and powerhouse sites.

(Source: AVEC 1999)

Parameter	Mountain Creek (Intake)	(Powerhouse)	Delection Limit	Units
Calcium	1.95	1,48	0.2	mg/L
Magneslum	0,499	0.295	0.2	mg/L
Potassium	2.78	2.35	NA	mg/L
Silicon	2.09	1.84	0.5	mg/L
Sodium	1.61	2.13	0.5	mg/L
Nitrate-N	0.100	0.119	0.1	mg/L .
Total Kjeldahl Nitrogen	0.312	0.485	0.2	mg/L
Total Phosphorous	0.02	0.016	0.01	mg/L
Temperature	43	53.3	NA	*F
Conductivity	24	36.5	NA	µmhos
Dissolved Oxygen	6.1	7.5	NA.	ppm

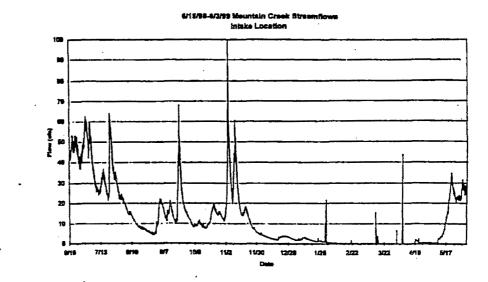
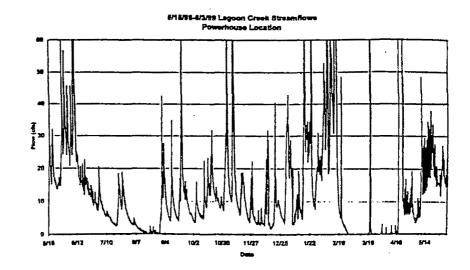


Figure 6. Streamflows at the proposed intake site (Source: AVEC 1999a).



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Figure 7. Steamflows at the proposed powerhouse site (Source: AVEC 1999a).

### **Fisheries**

The ADF&G <u>Catalog</u> (1999) does not identify the East or West Fork of Mountain Creek as anadromous streams, however, it shows that Mountain Creek supports coho, pink and chum salmon to a point near the center of section 22, about 2.5 miles downstream from the proposed intake site on the East Fork, and about 1 mile upstream from Mountain Creek's confluence with Barling Bay Creek. Lagoon Creek is identified in the <u>Catalog</u> (1999) as supporting coho, pink and chum salmon, and Dolly Varden upstream to the northwest corner of section 18 (about 3,200 feet upstream of the proposed powerhouse site).

AVEC's consultant conducted fisheries surveys on the East Fork <sup>6</sup> and Lagoon Creek on August 9, and September 3 and 23, 1996; and August 13 and 14 and October 6, 1998 (White 1996, 1996a, 1998). Methods included observations and counts from helicopter and foot, electrofishing and minnow traps. During all surveys, no fish were observed in the East Fork.

In 1996 spawning surveys counted a total of 11,200 adult pink and 80 adult coho salmon in Barling Bay Creek. In Mountain Creek, juvenile coho and Dolly Varden were observed about 2 miles downstream of the confluence of the East and West Forks. In 1996 and 1998, the most downstream 0.75 mile of Mountain Creek had only subsurface flows. Access during fall migration probably occurs during periods of precipitation because juvenite fish were observed above the dry section. The survey results for October 6, 1996, suggest that most migrating salmon bypass Mountain Creek to spawn in Barling Bay Creek. The usable spawning area of Mountain Creek was estimated at 119,715 sq ft (White 1996a), by measuring 28 cross sections upstream of its confluence with Barling Bay Creek and observing bed size and characteristics. Stream gaging also shows that, even during periods of average rainfall, water exiting the canyon goes subsurface from mid-July through the end of October.

Based on rainfall, stream gaging and runoff analysis it is likely that the lower reaches of Mountain Creek remain dry through the winter and early spring. Peak flows that occurred during flooding in June 1998 were estimated at 1,000 cfs at the exit of the canyon. The flooding uprooted large trees and changed the course of the stream between

In 1996, spawning surveys of Lagoon Creek, 118 adult chum and 2 <sup>7</sup> adult pink salmon were counted (White 1996a). Adult coho salmon were observed in the Salt Lagoon on September 23, 1996, but had not yet entered Lagoon Creek to spawn. Juvenile coho and Dolly Varden were also captured in Lagoon Creek. In 1998, four adult chum and 30 adult pink salmon were observed in Lagoon Creek. The Lake Fork tributary of Lagoon Creek supports chum salmon. In both years, a 1-mile reach in Lagoon Creek, including the proposed powerhouse site had no surface flows. The usable spawning area of Lagoon Creek was calculated as about 92,250 sq ft (White 1996a), by measuring 32 cross sections downstream of the powerhouse site and observing bed size and characteristics.

The June 1998 flooding caused some bank erosion, uprooting of trees, and some channel changes downstream of the powerhouse site totaling about 1,350 feet in length; but these changes were of a much smaller scale than the changes that took place at Mountain Creek. Peak flows at the powerhouse site during the flooding were estimated at about 100 cfs.

The Lake Fork joins Lagoon Creek about 3,800 feet upstream from the Salt Lagoon. It appears to be spring fed and have continuous surface flows. A frequently-used ATV trail crosses Lagoon Creek in two locations near the Lake Fork confluence.

## b. Environmental Impacts and Recommendations

### Project Operation

Sudden flow decreases can strand fish and invertebrates and dewater redds, resulting in mortality from dessication and increased predation. Sudden increases can flush aquatic organisms and detritus from the stream.

AVEC proposes a run-of-river operation that would continuously divert 13.2 cfs, or inflow to the project, if less; and continuously release through the powerhouse the

Past reports and drawings have referred to the East Fork of Mountain Creek as Mountain Creek, Hydro Creek, Barling Bay Creek tributary and Barling Bay Creek.

<sup>&</sup>lt;sup>2</sup> White (1998) reports this number as 20 adult pink salmon.

volume of water diverted, less 0.2 cfs withdrawn by Old Harbor for domestic use.

NMFS recommends that AVEC divert no more than 13.2 cfs from East Fork, and maintain a constant discharge into Lagoon Creek regardless of power demand. Interior, and ADF&G recommend that AVEC operate the project as run-of-river whereby outflow from turbine discharge, spillage, direct releases, and /or leakage is equal to the instantaneous inflow at the impoundment. Operating as they recommend, Interior and ADF&G have concluded that only 0.4 acre-feet of water would collect upstream from the diversion.

# Staff analysis

AVEC's proposal would operate the project as recommended by the agencies. We agree that a run-of-river operation would avoid sudden changes in the rate of flow in Lagoon Creek, protecting aquatic resources. Therefore, we recommend that AVEC operate the project as proposed. We also recommend that AVEC, in consultation with the NMFS, Interior, ADF&O, and USOS, prepare a plan to monitor compliance with the run-of-river proposal. We believe that the cost of this plan would be minimal because project inflows and discharges could be calculated from operational records.

We also considered whether a diversion of up to 13.2 cfs from the East Fork would adversely impact the anadromous fishery in Mountain Creek and Barling Bay Creek. Mountain Creek provides some rearing habitat for juvenile salmon in a 2,100-foot reach about 6,000 ft upstream from its confluence with Barling Bay Creek, but does not measurably contribute to fisheries production in Barling Bay Creek. Therefore, we conclude that the project diversion would not measurably affect anadromous fish in Barling Bay Creek.

# Biotic Monitoring

Flow increases can cause channel and habitat alterations. Local residents claim that the number of salmon in Lagoon Creek has declined noticeably since the installation of a road culvert between the Salt Lagoon and Sitkalidak Strait (Jim Nestic, Public Works Director, Old Harbor, Alaska; personal communication with polarconsult alaska, inc.; 1988).

AVEC and the resource agencies have agreed to cooperate on a four-part blotic monitoring program to document changes to Lagoon Creek from the project's diversion of 13.2 cfs from Mountain Creek. The four parts of the program include: (1) water

temperature monitoring; (2) geomorphology and erosion monitoring; (3) adult spawning surveys; and (4) juvenile fish surveys. In addition, they agree to gage streamflow in the anadromous reach of Lagoon Creek coinciding with the biotic monitoring program. Because of differences in the monitoring methods and duration between AVEC and the agencies, we discuss the four parts of the biotic and streamflow monitoring program individually. The costs of biotic and streamflow monitoring are discussed in Section VI, Developmental Analysis, and we make our final recommendations in Section VII, Comprehensive Development and Recommended Alternative.

### Water temperature monitoring

Natural selective pressures work to adjust the life histories of individual salmon populations to favor emergence at the optimum time for survival (Groot and Margolis 1991). If emergence is early, it may occur before enough food is available. With late emergence, their smaller size may result in fry being more susceptible to predation and competition for food from other species. Either early or late emergence, if realized, could affect the survival of the Lagoon Creek salmon. Changes in existing water temperature regimes, to which individual salmonid populations have adapted over time can change the timing of emergence, making fry populations susceptible to lower food availability and increased mortality.

AVEC proposes to develop a temperature monitoring plan that includes recording intergravel water temperatures for about 9 months prior to the start of construction and after construction for an unspecified period of time. The plan would specify the methods, sites, and duration of the post-construction monitoring. The 9 months of pre-construction data would be combined with ambient water temperatures of the tailwaters and Lagoon Creek and flow data to calculate a full year of pre-construction water temperatures.

NMFS, Interior and ADF&G recommend that water temperatures be continuously recorded at six sites for up to 5 years, depending on results, after the start of operations:

(1) the diversion site; (2) a short distance upstream of the powerhouse on Lagoon Creek;

(3) Lagoon Creek downstream from the powerhouse at the upstream reach of adequate spawning habitat; (4) Lagoon Creek a short distance upstream of the confluence of Lagoon Creek and the Lake Fork; (5) the Lake Fork a short distance upstream of its confluence with Lagoon Creek; and (6) Lagoon Creek downstream of the confluence of Lagoon Creek and the Lake Fork.

NMFS recommended that, if average temperatures in Lagoon Creek are lowered from pre-project average temperatures by more than 3 degrees Fahrenheit (\* F) and fish

production has declined, mitigation may be appropriate; for example, AVEC could construct a pond at the tailrace to raise discharge temperatures before entering Lagoon Creek. At an April 26, 2000, meeting conducted by Commission staff with AVEC and the resource agencies, NMFS modified their recommendation to withdraw the 3-degree criteria.

Interior and ADF&O further recommend that temperatures be recorded at all six locations for at least 1 year prior to project construction.

## Staff analysis

AVEC doesn't believe that the project would significantly affect the water temperature in Lagoon Creek, because any effect would occur at the powerhouse, in a reach that is generally dry during spawning season, and the flow from the Lake Fork would mitigate any temperature differences between the water temperature of the project discharge and the water temperature of Lagoon Creek. AVEC objects to collecting 1 year of pre-construction temperature data because it would delay construction and pre-construction ambient water temperatures can be derived from Lagoon Creek's natural temperatures in conjunction with streamflow data. As an alternative, AVEC proposes to install temperature gages in fall 1999 and collect up to 9 months of pre-construction temperature data.

. Water temperature data collected by AVEC showed that the water temperature at the proposed intake site was 10 °F colder than at the powerhouse site. As figures 6 and 7 show, the project's discharge to Lagoon Creek during the fall spawning period could exceed the natural flow in Lagoon Creek. Once the project is operational, Lagoon Creek could receive colder water in volumes equal to, or exceeding, natural flows. Lower water temperatures can work to lengthen the incubation period.

The accumulation of temperature units or degree days <sup>8</sup> from the time of egg fertilization determines the time of fry emergence from the gravel. Relatively small changes in the water temperature regime can cause significant variation in hatching and emergence times when accumulated over a period of months. Incubating salmon eggs have some ability to compensate for changes in temperature regimes (Groot and Margolis

1991). Such adaptations allow the fry to emerge at the same time each year even though the natural temperatures vary from year to year. It is unknown, though, to what extent the salmon in Lagoon Creek would be able to compensate for an altered temperature regime. If a 10 °F differential in water temperatures between Lagoon Creek and the discharge from the powerhouse is maintained, long-term effects of the temperature regime within the spawning gravels would be unavoidable.

Lagoon Creek supports spawning for coho, pink and chum saimon. Adult pink and chum were observed in August and September in Lagoon Creek. Coho saimon spawn later than the other two species, primarily in October and November. Emergence can vary from spring through mid summer depending on the climate and species. Coho saimon may not emerge until mid-July and could remain in Lagoon Creek to rear. Because the total spawning, incubation and emergence period for these species may span an 11-month period each year, water temperature impacts from the project could occur almost year round.

Salmonid incubation and emergence timing is dependent on intergravel temperatures, which can vary widely from ambient water temperatures. We know of no method of accurately calculating intergravel temperatures from ambient water temperatures.

AVEC's construction schedule allows for completion by fail 2000, based on a license issuance in January 2000. This schedule, however, would need to be revised if a license were issued to AVEC. Some post-license plans, such as the ESCP and hazardous spill prevention plan, would need to be consulted with resource agencies and submitted to the Commission for approval before the start of construction. These factors, combined with AVECs estimated time to obtain materials and equipment, indicate that I year's temperature data need not interfere with project construction.

During a meeting held on April 26, 2000, the Commission staff and resource agencies discussed the effects of introducing colder water from Mountain Creek to fish resources in Lagoon Creek. The seasonal effects on intergravel water temperatures, existing literature on the effects of temperature changes on salmon incubation, and whether these effects vary by species were considered. Participants concluded that long-term monitoring would be used to show differences of overwintering temperatures between at the intake and powerhouse sites. If temperatures are shown to be similar, project impacts to the salmon resources would be minimized. If water temperature at the intake is significantly lower than above the powerhouse, and the Lagoon Creek fish population shows a decline, measures to mitigate reduced water temperatures may be

<sup>&</sup>lt;sup>8</sup> A degree day represents the number of degrees above 0 degree Celsius (°C) for a 24-hour period. For example, if the water temperature for the first day of incubation is 8 °C, it would contribute 8 degree days.

needed. The agencies' representatives weren't able to conclude that a temperature change of 3 ° F, as recommended by NMFS, would be sufficient to need mitigation.

# Geomorphology and erosion monitoring

Because the average annual streamflow in Lagoon Creek is 13.4 cfs, additions of up to 13 cfs to Lagoon Creek would at times equal or exceed the flow in the channel below the powerhouse.

AVEC doesn't believe that the project would significantly alter the Lagoon Creek channel, except to potentially add surface flow in a reach that seasonally flows subsurface under existing conditions resulting in a less variable channel. To monitor any changes in the channel, AVEC initially proposed to select two cross section sites downstream of the powerhouse site, one site upstream and one site downstream of a bend, to survey, using standard land surveying equipment and techniques. AVEC would also document by photograph the channel at each survey and surveys would be conducted after runoff in the spring and in late fall. During a meeting held on April 26, 2000, with the resources agencies and Commission staff, AVEC modified their proposal in agreeing with NMFS, ADF&G, and Interior to survey channel and habitat using the protocol developed by the USFS for national forests in Alaska.

NMFS, Interior, and ADF&G initially recommended that AVEC document any channel and habitat changes to Lagoon Creek during operational years 3 and 5 by repeating the 32 of the cross section measurements taken in Lagoon Creek during AVEC's fisheries survey, when flows in Lagoon Creek are 13 cfs over the flows that occurred during the pre-project survey. The agencies also recommended that in years 3 and 5 of project operation, AVEC calculate the wetted area below the powerhouse and identify abnormal erosion or changes in channel morphology. NMFS, Interior and ADF&G modified their recommendation at the April 26, 2000, to recommend that AVEC conduct post-construction monitoring using the protocol developed by the USFS for national forests in Alaska. ADF&G suggests using tier 2 of the protocol, except that tier 3 would be used for riparian vegetation and under cut banks.

#### Staff analysis

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AVEC measured channel cross sections at the proposed powerhouse site when flows were 13 cfs and 25.5 cfs. This 100 percent increase in flow volume resulted in a 23-percent increase in wetted perimeter, indicating that increasing flows would not necessarily result in a corresponding increase in habitat or wetted channel. Because of

channel armoring, no increase in bed load movement was noticeable with the increased flows.

After flooding in June 1998, AVEC estimated peak flows in Lagoon Creek and used a representative cross section measurement to show that the addition of 13 cfs to peak flows would increase the average depth in Lagoon Creek by 1.3 inches, the average velocity from 4.2 to 4.3 feet per second (fps), and bed load transport by 3.0 percent, indicating that diverting an additional 13 cfs to Lagoon Creek would not cause a significant increase in erosion or channel shaping at peak flows. AVEC also states that because of channel alterations from the 1998 flooding, their 32 cross section measurements from 1996 do not represent present conditions. AVEC is concerned that channel changes resulting from post-license flooding could be erroneously attributed to the project If 1996 cross sections were replicated after the project starts operation.

While it's likely the diverted flows may not have significant effects when Lagoon Creek flows are very high or low, we believe there would be some flow range when the project flows could contribute to channel shaping or erosion. Bankfull flows, roughly estimated as 3 times the average annual streamflow, are characterized as channel-forming flows (Leopold 1994). For Lagoon Creek, this would be about 40 cfs, indicating that when Lagoon Creek flows are about 27 cfs, an additional inflow of 13 cfs could have some erosion or channel changing effects. These effects could continue until the natural Lagoon Creek flows are sufficiently high to control bed load movement regardless of whether the project is discharging additional flow into the reach. The relationship between the channel-forming flow and the average annual flow may vary by drainage area, however, there would be some range of flows in Lagoon Creek in which the diverted flows could affect the channel conditions, including salmonid habitat, in Lagoon Creek. Therefore, we agree that monitoring erosion and channel changes is necessary.

During the April 26, 2000, meeting, ADF&G explained that the USFS used their protocol to conduct rapid surveys of many streams, so it is designed to work through a stream survey relatively quickly. ADF&G estimates it could be completed in 2 days once the methodology is familiar and would include the substrate and riffle/pool frequency counts that are of special interest to the agencies. At the meeting, AVEC stated that they were familiar with the protocol and agreed it would be appropriate for determining project impacts. AVEC, ADF&G, NMFS and FWS agreed that AVEC would survey Lagoon Creek upstream and downstream of its confluence with Lake Fork in project years 0, 3, and 5, using tier 2 of the USFS protocol, that tier 3 would be used for riparian; vegetation and undercut banks.

## Fisheries Surveys

The addition of 13 cfs to Lagoon Creek could impact fisheries production and habitat use.

AVEC proposes to monitor adult fish during the year of construction and for 3 years following construction, and Juvenile fish during the year of construction and for 2 years following construction.

Interior and ADF&G recommend seven annual sampling periods to enumerate runs of spawning coho, pink and chum salmon: Jul 16-31, Aug 1-15, Aug 16-31, Sep 1-15, Sep 16-30, Oct 1-15, and Oct 16-30. The agencies recommend conducting surveys that are 7 to 10 days apart, following ADF&G protocols for standardization and indexing of peak foot survey counts. The survey results would include counts of live and dead fish, by species by three stream segments: (1) Lagoon Creek upstream of its confluence with the Lake Fork; (2) Lake Fork upstream of its confluence with Lagoon Creek; and (3) Lagoon Creek downstream of its confluence with the Lake Fork all the way to the ocean.

Interior and ADF&G recommend that AVEC sample juvenile fish using non-lethal capture techniques and record species, fork length, and numbers captured, in the same three stream segments as for the adult spawning counts. The agencies recommend using standardized sampling methods, times and locations to allow quantification of changes in juvenile fish numbers, any post-project increases in rearing habitat and fish use of such habitat made available by the project.

For adult and juvenile surveys, interior and ADF&G would have study designs approved in advance by the ADF&G, and the reports submitted to the fish and wildlife agencies annually. ADF&G also recommends separate annual reports for the ADF&G Statewide and Instream Flow Coordinator and Hydrologist and the Division of Habitat and Restoration office in Anchorage. The agencies further recommend that sampling continue for at least 5 years after the first phase 9 of the project becomes operational, and if different project operations are implemented that modify the flow regime, the studies would be conducted for at least 5 years after the new operations are implemented.

NMFS recommends adult spawning surveys for 5 years twice per month during August, September, and October, or as recommended by the ADF&O, if different

\* AVEC has not proposed a phased project.

# Staff analysis

AVEC and the resources agencies agree that monitoring water temperatures, channel erosion and geomorphology, and salmon numbers and habitat is needed to determine the project's effects to the salmon fishery. Of concern is whether the post-project monitoring should continue for 2 to 3 years as proposed by AVEC, or 5 years as recommended by the agencies. If adverse impacts are shown, or there is a change to project operations, the agencies recommend additional monitoring.

The first year of operation would include start-up testing and, potentially, adjustments to determine the best approach for synchronizing the operational components. Additionally, salmon may not return to Lagoon Creek for 3 or 4 years after emergence, so that emergents during the first year of operation would not be surveyed as adults unless post-project monitoring continued for longer than 3 years. We believe that a 5-year sampling period is appropriate because it would include at least one full life cycle for each of the salmonid species being monitored.

The agencies recommend methods that would allow comparison of survey results after the start of project operation to other surveys, and would use the results of such comparisons to recommend modifications to project facilities or operations, if the agencies conclude that the project negatively impacts the salmon fishery in Lagoon Creek. At a meeting conducted by Commission staff with the resource agencies and AVEC, held on April 26, 2000, the issue of using nearby streams as control streams was discussed. ADF&G explained that their commercial fisheries division conducts annual aerial surveys of Kodiak Island streams. The number of streams surveyed and survey timing varies from year to year depending on weather and funding. The same streams may not be surveyed each year and surveys may not be conducted during peak spawning periods. ADF&G described the aerial surveys as adequate only for showing gross trends in the numbers of spawning fish.

AVEC agreed to include the results of ADF&G's aerial surveys of two nearby

streams conducted by ADF&G's commercial fisheries staff with AVEC's annual fisheries monitoring report. AVEC, NMFS, ADF&G, and FWS agreed that ADF&G's aerial surveys of nearby streams would be used only as a gross indicator of trends in recruitment. The participants further agreed that comparisons of ADF&G's aerial surveys to AVEC's ground surveys of Lagoon Creek could not be used as a sole basis for determining the project's effects on fisheries. AVEC and the three agencies agreed that ADF&G's aerial surveys could be used only in conjunction with temperature, habitat, and other site specific monitoring when determining any project effects on fisheries production. AVEC's pre-filing and post-construction surveys would be compared to the aerial surveys of nearby streams for the same years and precipitation records would be used to identify if the surveys were conducted during a dry year.

We agree that monitoring conducted according to standardized protocols is necessary.

## Flow eaging

AVEC proposes to use a recording stream depth gage to collect depth and flow data for use in any biotic monitoring effort, but objects to a minimum period of time to keep the gage in place. AVEC believes that other sources of data, such as adjusted data from another USGS gaging station on Kodiak Island, would be used to monitor stream flows.

NMFS recommends that a stream gage be installed just below the powerhouse and operated for a minimum of five years to collect accurate flow measurements for assessing effects on water temperature, spawning area availability, incubation of eggs, and erosion.

Interior and ADF&G recommend that AVEC install and maintain a continuously recording gage to monitor flows within the anadromous reach of Lagoon Creek, to ensure that no more that 13.2 cfs are diverted from the East Fork at any given time. The agencies recommend that flows be monitored during and after construction for up to 5 years, depending on results. The agencies further recommend that discharge measurements comply with USGS standards and be recorded at 15-minute intervals or less; and discharge data be recorded, summarized, and submitted monthly for the first year of operation and annually thereafter to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist. If using a rating curve or any other regression relationship to calculate discharge, the agencies recommend that the data used to build this regression relationship be submitted to the ADF&G Statewide and Instream Flow Coordinator and Hydrologist annually, and whenever a shift in the rating curve is observed, whichever

occurs first.

Staff analysis

The agencies' recommendation for a recording gage to monitor flows corresponds with their recommended 5-year biotic monitoring period. A gage would incorporate the most reliable method of flow monitoring to be used in conjunction with any water temperature, geomorphology and erosion, and salmon surveys. A gage measuring flows in the anadromous reach in concert with other biotic monitoring would be beneficial in assessing the project's effects on salmonid habitat, including temperature and area, and channel changes. We do not believe that using adjusted data from a USGS gage on the island would provide an accurate estimate of flows in Lagoon Creek. A stream gage in the anadromous reach, though, could not ensure that only 13.2 cfs is diverted from Mountain Creek because it would record the flow at the gage, rather than the project discharge. We recommend that any gage used comply with USGS standards.

Compliance with the 13.2 cfs maximum flow requirement would be determined by implementation of the run-of-river operations monitoring plan discussed above in Section V.C.2, Aquatic Resources. Compliance monitoring would continue for the duration of any license issued.

We discuss the costs of using a stream gage with biotic monitoring in Section VI, Developmental Analysis, and make our final recommendation in Section VII, Comprehensive Development and Recommended Alternative.

# Flow continuation and ramping shutdowns for scheduled maintenance

When a project shuts down, flows to downstream resources can be interrupted.

For turbine outages, AVEC proposes to use jet deflectors to continue any required flows. As designed, the turbine and bypass system valves would be synchronized so that, if a long-term outage occurred at the turbine, flows would be simultaneously reduced at the jet deflectors and increased in the bypass system until all flow is exiting the powerhouse through the bypass system. If the bypass system is shut down, the reverse actions would occur and flows would continue at the deflectors. AVEC does not propose to continue flows if the penstock or intake require a shutdown, but would schedule maintenance to minimize impacts on fish. AVEC also proposes to automate operations and provide for remote monitoring.

At a meeting with the resource agencies held April 26, 2000, AVEC added the following provisions to their proposal: (1) clean debris and gravel from the desander between mid-May and mid-July, after ice out in the spring; (2) clean grass and debris from screens between mid-October and mid-November, prior to ice forming; (3) conduct maintenance during high flow periods; (4) limit maintenance periods to less than 8 hours in any given day; (5) consult with the agencies prior to conducting routine maintenance during other times; (6) decrease project discharge at a rate of 2 inches per hour (in/hr) when the project shuts down for scheduled maintenance and (6) not dewater the penstock during routine maintenance.

ADF&G and Interior recommend that AVEC provide a fail-safe and redundant backup system to ensure that any required instantaneous flows would be released throughout routine maintenance periods, emergency project shutdowns, and interruptions in the power grid. They also recommend that the project design and operations include remote monitoring and operation of all project components. ADF&G recommends a 2-in/hr ramping rate when the project is shut down for scheduled maintenance.

NMFS recommends that AVEC report to the agencies, any emergency maintenance or breakdown that reduces project flow to Lagoon Creek, including the date, duration of reduction, volume of reduction in cfs, reason for occurrence, method to prevent any future occurrence, and any other pertinent information. NMFS further recommends that AVEC ramp flow decreases over a 3-hr period when shutting down the project for scheduled maintenance.

# Staff analysis

In the DEA, we found that the agencies' recommendation for a fall-safe and redundant backup system could not be reasonably implemented because a second conveyance system would be needed to maintain the trans-basin diversion during intake and penstock outages. At the April 26, 2000, meeting, the agencies clarified that they intended their recommendation to apply to powerhouse outages only. ADF&G stated that the reach between the powerhouse site and Lake Fork confluence usually dewaters under existing conditions, but after the project begins operation, adult salmon would be moving into the reach to spawn. ADF&G's greatest concern is that fry would not be out of the gravel by June 1, and the reach downstream of the powerhouse must not be dewatered before the fry are out of the gravel.

AVEC explained that spring and fall maintenance is needed to avoid unscheduled outages. At the April 26, 2000, meeting, AVEC and the agencies agreed that, based on

data available to date, 10 cfs may be adequate to avoid dewatering the gravel and streambed. Therefore, any effects of interruptions for maintenance should be minimized if at least 10 cfs were flowing in Lagoon Creek, excluding project discharges. The participants further agreed that fall maintenance would be conducted from mid-October to the end of November with flows at or above 10 cfs.

Project discharges would provide additional wetted area for spawning and rearing salmonids in the reach between the powerhouse site and the Lake Fork confluence. A shutdown that interrupts discharges from the powerhouse would return these areas to preproject flow conditions, and depending on the season and precipitation, may eliminate surface flow. The result could dewater redds and strand fry and juveniles brought into the reach by project flows. Figure 7 shows that existing flows at the powerhouse site average above 10 cfs for the entire period of May 15 through July 15, and are lower during October and November.

We agree that a minimum flow of 10 cfs during maintenance is appropriate to protect fisheries and further, that providing a minimum flow of 10 cfs during the brief periods of maintenance, as proposed by AVEC, would not affect project economics. Therefore, in addition to AVEC's proposed measures for scheduled maintenance, we recommend, to protect fishery resources in Lagoon Creek, that: (1) spring and fall maintenance be conducted between May 15 and July 15, and mid-October to the end of November, respectively; (2) project shutdowns for maintenance be ramped at 2 in/hr; and (3) spring and fall maintenance occur when a minimum flow of 10 cfs is present in Lagoon Creek. We further recommend that AVEC continue during all scheduled and unscheduled powerhouse outages through their proposed bypass system and/or jet deflectors. Our recommendation is consistent with AVEC's proposal and would allow AVEC some flexibility in scheduling routine maintenance at the project, so we don't believe adopting measures to minimize the risk to aquatic resources would be a significant cost to AVEC.

NMFS's recommendation to ramp scheduled shutdowns over a 3-hr period would provide a downramping rate of 4.3 cfs per hour (cfs/hr). ADF&G said that criteria developed by the State of Washington (Hunter 1992) would require a rate of 1 in/hr during the spring maintenance period; however, because the species in Lagoon Creek are somewhat less sensitive than some of the species used to establish the Washington rates, ADF&G thinks a 2-in/hr rate would adequately protect aquatic resources during spring and fall maintenance periods. At the April 26, 2000, meeting, AVEC agreed that a 2-in/hr rate would be acceptable for project purposes.

Emergency shutdowns could reduce flows in Lagoon Creek below the powerhouse up to the amount being diverted at the time of the shutdown. We recognize that emergency shutdowns of the intake and penstock cannot be anticipated and that some losses could occur. We are unable to assess the level of any potential losses, however, because we are unable to assess the extent of fisheries' enhancements that may result of the diversion of additional flow into Lagoon Creek. Any impacts from an emergency shutdown would correspondingly reduce any enhancements from the project operation. The extent of any impacts would vary based on the volume of other surface flows in Lagoon Creek, time of year, and duration of the outage.

We agree with NMFS that AVEC should report any shutdowns resulting in reduced project flows to Lagoon Creek to the agencies, and recommend that AVEC's report include the date, duration of reduction, volume of reduction in cfs, reason for occurrence, method to prevent any future occurrence and any other pertinent information.

As proposed by AVEC nearly all of the project's operations would be controlled automatically. Logs and operating parameters would be stored on a computer in the powerhouse and accessible remotely over phone lines. Needle position sensors would control flows through the intake, bypass system, and turbine. The turbine would match power demand by maintaining a constant line frequency and the sensors would control the flow of water by opening or closing the needle valves. Only periodic maintenance items, equipment failure, and conditions exceeding the projects capacity to control would require an operator. Such items that would require an operator include:

- oiling, greasing, and changing the fluid of the mechanical components;
- replacement of failed controls and sensors; and
- cleaning of the intake and de-sander when debris loads are excessive.

We agree with Interior and ADF&G that AVEC should incorporate the automated and remote features for the project as proposed.

# Tailrace

AVEC proposes to design the dual tailraces incorporating boulders to dissipate energy and slow velocity, and a stainless steel fish screen with 1.5-inch maximum openings to prevent immigrating adults from entering the tailrace. AVEC estimates that the design would have a maximum tailrace velocity of 2 fps.

ADF&G is concerned because the proposed screen and tailrace design would

prevent fish from entering the tailrace, but may not reduce attraction to tailrace outflows. Consequently, ADF&G states that fish jumping at the screen could be injured or killed. ADF&G offers to work with AVEC, 10 on a final tailrace plan that, when implemented, would prevent salmon from entering or attempting to enter the tailrace.

## Staff analysis

At an April 26, 2000, meeting with the resource agencies, AVEC presented a detailed explanation of their proposed turbine bypass and dual tailrace system. ADF&G suggested that tailrace attraction flows could be minimized by installing a series of pickets in Lagoon Creek around the discharge point. AVEC agreed that ADF&G's recommended solution would be acceptable for project purposes.

We agree with AVEC and ADF&G that salmon entering the tailrace could be injured and/or delay spawning, and that a tailrace barrier or screen is appropriate. Because AVEC has included the tailrace plan in the construction costs of the project, we believe that modifications such as installing pickets around the discharge point could be made without a significant cost increase. Installing the pickets in Lagoon Creek could adequately reduce the discharge velocities without losing operating head. Therefore, we recommend that AVEC, FWS, NMFS and ADF&O work together to design tailrace components that reduces attraction and prevents injury to migrating salmonids and submit the design to the Commission for approval.

# Project review meetings

Interior and ADF&G recommend that AVEC consult with fish and wildlife agency representatives about the need for an annual review meeting. If any of the fish and wildlife agencles deem a meeting is necessary, they recommend that AVEC hold a meeting at least 60 days before the anniversary of the license, or other mutually agreeable date, to review study results, evaluate the need for continued studies and study modifications, review project operations that affect fish and wildlife, and identify courses of action required based on the results. Interior and ADF&G recommend that reports and compliance with all license stipulations be reviewed. They recommend that AVEC record the minutes of these and related meetings and circulate a draft of the minutes to attendees for review, comment and approval within 14 days following a meeting. Within

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<sup>19</sup> ADF&G's offer to jointly design a tailrace exclusion with AVEC was not made under Section 10(j) of the FPA.

60 calendar days of a meeting, AVEC would submit the final minutes and other evidence of the consultation, along with any recommendations and comments by the fish and wildlife agencies, and the licensee to the Commission.

NMFS also recommends annual project review meetings, with monitoring results provided to the agencies at least 30 days prior to the meeting.

AVEC has not responded to the agencies' recommendation for annual meetings.

# Staff analysis

The agencies state that an annual meeting is a beneficial forum for AVEC and the agencies to work together to review and interpret monitoring results and discuss potential project-related impacts and courses of action to further protect or enhance fisheries resources.

We agree that an annual meeting would allow AVEC and the resource agencies to jointly adapt monitoring programs according to resource needs. We, therefore, recommend that AVEC contact NMFS, FWS and ADF&G annually to determine if the agencies believe that a meeting is necessary. If so, we recommend that AVEC hold a meeting with the agencies to review the results of studies, evaluate the need for continued studies and study modifications, review project operations that affect fish and wildlife, and identify future courses of action based on the results. AVEC should use the agencies' recommended time frames for meetings and meeting reports, unless other time frames are mutually agreeable among the participants.

We're not clear if Interior and ADF&G's recommendation to review all license stipulations refers to stipulations in the context of the ACMP consistency review or stipulations in a broader context of license conditions. In any event, we do not agree that it would be necessary, or even appropriate, to review all license stipulations or conditions. Based on the agencies' rationale for recommending annual meetings, we would expect any annual meeting to focus on project-related fisheries issues and any ongoing monitoring. We envision that these meetings would review the results of any monitoring conducted during the prior year and evaluate any need for continued monitoring or protection and enhancement measures, if warranted based on monitoring results. Additional protection and enhancement measures and supporting documentation would be submitted to the Commission, and implemented only after approval by the Commission. After post-construction monitoring is completed and any measures based on monitoring results have been implemented, we recommend that annual meetings be

#### discontinued.

#### Escrow account

Interior and ADF&G recommend that an interest bearing escrow account be established. This account would be used to mitigate any unforseen impacts caused by project construction or operation which could not be alleviated by a change in operations. They also recommend that AVEC work with Interior and ADF&G to prepare a detailed plan for use of this fund. A resource management council including representatives from NMFS, FWS and ADF&G would be established to authorize expenditures. As recommended, AVEC and the agencies would jointly determine the amount of money to be placed in the account and the council would determine the type, cost and location of mitigation measures. The principal and accumulated interest would remain in escrow for the term of the license, unless unanimously determined by the council and AVEC that the account could be closed and any remaining funds returned to AVEC. The council would notify AVEC before any funds are withdrawn and allow AVEC to audit expenditures.

AVEC objects to an escrow account because the Commission would inspect the project on a regular basis and could impose a financial penalty for non-compliance with the license. AVEC further states that it is a non-profit cooperative and budgets annually for the operation and maintenance of 47 power plants and associated facilities. AVEC's annual revenues are approximately \$20,000,000 per year and are calculated to cover a wide range of operating costs. AVEC believes it has the resources to maintain the project in good order including any extraordinary response that might be needed to control erosion or stabilize slopes.

# Staff analysis

The agencies' recommendation to establish a fund was discussed at a meeting with the resources agencies held April 26, 2000. ADF&G pointed out that AVEC's proposed gate to bar all-terrain vehicles would be sited on refuge lands to utilize the location that would be most effective at preventing access around the gate. This location would result in general access to portions of AVEC's maintenance trail and the refuge. The agencies believe that funds should be available to manage the easement lands in the event that increased recreation or other factors resulted in misuse of the land. No consensus was reached by the meeting participants to establish such a fund.

The agencies make and we recommend a variety of prudent and viable measures to protect fish and wildlife resources during project construction and operation; including

preparation of a final ESCP, hazardous spill prevention plan, run-of-river operation, and monitoring measures to identify and remedy any effects of the project. We believe that our measures would be sufficient to protect fish and wildlife and mitigate any project impacts. If monitoring shows that the project is adversely affecting resources, the Commission may direct AVEC to modify project operations or facilities. Further, if during the term of a license documentation supporting additional measures is presented, the Commission could reopen the license, and after notice and opportunity for hearing, require additional measures of AVEC. We have no reason to believe that AVEC would not be able to fund any future measures as may be required by the Commission. Therefore, we do not see a need for the account and do not recommend that AVEC establish an escrow account.

### **Environmental Compliance Monitor**

AVEC proposes to hire personnel, of whom agencies would be notified, to be responsible for compliance with the provisions of the license, as well as safety and hazardous substance compliance, and have the authority to control the construction of the project.

To monitor the effectiveness of the final ESCP, adherence to the fuel and hazardous substances spill prevention plan, and protect natural resources during construction, Interior and ADF&G recommend that AVEC hire a qualified ECM with the authority to: (1) ensure compliance with the provisions of the license; (2) cease work and change orders in the field as deemed necessary; and (3) make pertinent and necessary field notes on environmental compliance monitoring by the licensee. The agencies further recommend that AVEC, in coordination with the fish and wildlife agencies, write the position description of the compliance monitor, including qualifications, duties, and responsibilities.

## Staff analysis

The Lagoon Creek watershed provides habitat for salmon, Kodiak brown bear, and other fish and wildlife resources that could be negatively affected during construction through noncompliance with environmental measures. Given the remoteness of the area, we believe that providing an ECM during project construction would help protect the resources of the area.

Before any construction activity could begin, AVEC would be required to comply with the Commission's Construction Quality Control Inspection Program (QCIP). The

QCIP requires a plan for inspecting and monitoring erosion control and other measures to protect the environment in the project area including, where appropriate, an onsite monitor for construction activities. Monitors may be given the authority to cease work and may be present part time or full time as justified by the QCIP plan. Requirements for the plan include a position description for any monitors, with a description of all duties, responsibilities, and authorities. AVEC's QCIP plan would be submitted to the Commission's Regional Director in Portland, Oregon for approval.

We discuss the costs of providing an ECM in Section VI, Developmental Analysis, and make our final recommendation in Section VII, Comprehensive Development and Recommended Alternative.

#### Hazardous substances

Interior and ADF&G recommend that AVEC consult, and obtain approval from, the fish and wildlife resource agencies for a fuel and hazardous substances spill prevention plan to help prevent and minimize any effects associated with the handling of fuel and other hazardous substances during proposed project construction and operation.

Spills of fuel and other hazardous substances during the construction and operation of projects can adversely affect aquatic resources. We agree that a plan would lessen the chance of a spill occurring and, should a spill occur, provide steps to prevent or minimize effects on aquatic resources. We, therefore, recommend that AVEC prepare and implement a fuel and hazardous substances spill prevention plan. The plan would be developed in consultation with NMFS, FWS and ADF&G. Procedures for handling hazardous substances are a necessary part of the project's construction costs, so we don't believe that developing a plan would significantly increase costs.

### Site Inspection

Interior and ADF&G recommend that fish and wildlife agency representatives, who show proper credentials, have free and unrestricted access to, through and across access routes leading to project lands, all project lands and all project works.

AVEC did not respond to the agencies' recommendation to allow agency representatives access to the project site and works.

Resource agencies manage fish and wildlife resources in the Mountain and Lagoon Creek watersheds. Therefore, we recommend that AVEC allow representatives of the

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NMF5, r wo and ADF&G, who show proper credentials, free and unrestricted access to project lands and works in the performance of their official duties, to the extent that AVEC has authority from any land holders to allow access. For safety and liability reasons, however, we recommend that advance notification be required.

### Consultation

NMFS recommends that AVEC submit their draft revegetation plan to NMFS at least 60 days before project implementation and their biotic monitoring plans 6 months before plant operation begins. NMFS recommended revegetation plan is discussed in V.C.3, Terrestrial Resources.

Interior and ADF&G recommend that: (1) AVEC initiate consultation on their recommended plans with the resource agencies at least 6 months prior to land-disturbing activities; (2) resource agencies be able to approve plans; (3) resource agencies be allowed 30 days lead time, in writing, for agency comment and consultation; (4) plans be submitted to the Commission at least 30 days before the scheduled date to initiate activities related to the plan; (4) plans be implemented after written approval is received from the Commission; and (5) if agreement on the plan is not reached, project implementation be halted.

## Staff analysis

We recommend that the Commission's standard consultation requirements, which include most of those recommended by the agencies, be included in any license issued to AVEC. That is AVEC would: (1) develop a plan in consultation with specified resource agencies; (2) prepare a draft plan, after consultation with the agencies; (3) submit the draft plan to resource agencies, allowing agency personnel a minimum of 30 days to provide comments and recommendations; (4) prepare a final plan based on the agencies' input; (5) file the final plan with the Commission, for approval, along with agencies' comments and recommendations on the draft plan, including an explanation of how the agencies' comments and recommendations have been accommodated by the final plan; and (6) implement the plans after being notified by the Commission that they have been approved.

Construction-related plans must generally be filed with the Commission 90 to 180 days prior to any ground-disturbing or land-clearing activities. We do not recommend that AVEC be required to routinely initiate consultation 6 months before an activity because plans may vary in depth and subject. We do not recommend that the

Commission halt construction if an agreement on a plan is not reached through the consultation process, because the Commission would determine whether or not a license violation exists, and if so, any measures that may become necessary to establish compliance. We don't recommend that the agencies have approval authority over plans because their concerns would be submitted with AVEC's filing and addressed by Commission staff when a plan is approved or modified. In any event, the Commission reserves the right to modify and finally approve any plan submitted.

## Amendment of license articles

NMFS recommends that any interested party may petition the Commission to add new conditions or amend the terms and conditions submitted as necessary to protect, mitigate and enhance fish, wildlife and their habitat pursuant to FPA Section 10(j).

This is a legal issue which would be addressed by the Commission in any license issued to AVEC for the project.

# C. Unavoidable Adverse impacts

The diversion of up to 13.2 cfs into Lagoon Creek could cause long-term temperature changes and/or erosion in Lagoon Creek that could affect salmon and salmonid habitat downstream of the powerhouse. With our recommended operational and biotic monitoring plans, however, these affects should be minimal. During emergency outages of the intake or penstock, some salmon could be stranded and redds dewatered downstream of the powerhouse. We are unable to accurately estimate any potential effects, however, because we won't know to what extent, if any, the diversion would enhance salmon and salmon habitat below the powerhouse. We recommend scheduling maintenance during times that would minimize any adverse affects on salmon and salmon habitat below the powerhouse. We also recommend continuing flows during any powerhouse outages, scheduled or unscheduled.

### 3. Terrestrial Resources

### a. Affected Environment

Open black cottonwood/Kenai birch forest with an understory of willow and alder dominates the riparian vegetation at lower elevations near the powerhouse and along the access route. The black cottonwood forest transitions to a dense tall alder/willow shrub community as the penstock moves out of the riparian zone of the Lagoon Creek and up

11

the mountain, which gradually thins with Increasing elevation to a subalpine grass/moss/lichen dominated midslope habitat, intermixed with willows and alders along the upper portions of the penstock and at the project intake (about 1,000 finsl).

Wetlands in the project area are small, generally Isolated, and scattered depressions and valleys that fill with water and peat. At the higher elevations, the wetlands are dominated by moss overlying peat to the depth of solid bedrock. In the low-lying areas near the powerhouse, they are mostly grass and peat overlying soil and gravel. Wetlands are also associated with a few active springs emerging from talus slopes above Lagoon Creek. Lagoon Creek empties into a salt lagoon dominated by various grasses and other emergents.

Habitats in the project area support a diverse array of wildlife. Over 250 species of fish, birds, and mammals have been recorded on the refuge and adjacent areas (FWS 1987). Common mammals in the project area include Kodiak brown bear, Sitka blacktailed dear, mountain goat, and others. Surveys for brown bear, black-tailed dear, and mountain goats have not been conducted. However, most of the refuge is considered optimum brown bear habitat (FWS 1987). Intensive aerial surveys in the Kiliuda Bay (located about 2 miles east of the project) and Shearwater Peninsula areas found a relatively high density of brown bears (270 bears/1,000 sq kilometers; Barnes and Smith 1997). Brown bear densities in the Old Harbor Project area are expected to be similar to those found at Shearwater Peninsula and Killuda Bay areas of Kodiak Island. The midslope habitat, through which most of the penstock would traverse, contains bear dens at or near 1,000 feet elevation and is habitat prevalently used for denning by brown bears on the southwest side of Kodiak Island (Van Daele et al. 1990). The Big Creek, east of Lagoon Creek and within I mile of construction activities, is a good tributary for salmon spawning and, thus, is prime habitat for brown bears. Brown bears also feed on subalpine vegetation within the proposed construction zone and fish in Lagoon Creek during the autumn cohe salmon run. Habitats along the penstock are also important summer habitat for black-tailed deer does and fawns and are used by both sexes in the winter. Mountain goats are primarily found on the high peaks above the project, but traverse the project area when traveling between peaks.

Over 160 species of birds have been recorded on the refuge, 80 of which may nest on the refuge (FWS 1997). Thirty species of birds were observed in habitats adjacent to the project or nearby during site surveys conducted in August 1996 and June 1998. The most common birds observed were the fox sparrow, Wilson's sparrow, and savannah sparrow. Bald eagles, an abundant nesting species on the refuge (over 200 nesting pairs; FWS 1997), nest in the large cottonwoods adjacent to Lagoon Creek near the

powerhouse. One active nest and three old nests were observed in this area. The active eagle nest is about 380 feet from the access road. Two young were observed in the nest on August 9, 1996. The closest inactive nest to the powerhouse is about 600 feet away from the access road.

Other birds of particular concern in the project area include the marbled murrelet, Kittliz's murrelet, and harlequin duck. None of these species were observed during limited site surveys conducted on August 9, 1996 (MacIntosh 1996) and June 15 and 16, 1998 (Eskelin 1998). No surveys of Mountain Creek were conducted. However, Eskelin concluded that elevation and habitat conditions along Mountain Creek and Lagoon Creek were not suitable for Kittliz's murrelet, and not typical of nesting habitat of the marbled murrelet. No harlequin ducks were observed in Lagoon Creek or in Sitkalidak Strait, suggesting that their use of the area may be limited. However, given the limited survey effort caution must be applied in interpreting these results. Suitable habitat, which includes remote mountainous streams, may be present for the harlequin duck in both Mountain and Lagoon Creeks.

During the scoping process, we received a letter from LASER, an organization that includes members who work, live, hunt, fish, and seek recreation with their families in the vicinity of the proposed project. LASER urged that a Habitat Evaluation Procedure (HEP) analysis be conducted under appropriate FWS criteria to calculate the Habitat Units (HU) at the project site, both before and after project construction and operation. LASER urges no net loss of HUs. We did not require AVEC to conduct a HEP analysis because the procedure is model-driven and requires a significant amount of data—collection and management. We felt that the expense of data collection and modeling was not commensurate with the size of the project. Further, no resource agency commented that a HEP was needed. Our recommended mitigation for land disturbances is found in Section VII, Comprehensive Development and Recommended Alternative.

# b. Environmental Impacts and Recommendations

#### Vegetation Impacts

Project construction would result in the loss or disturbance of about 16 acres of vegetation. Activities resulting in that disturbance include using heavy equipment (backhoe, buildozer) to dig a trench and bury the penstock, to construct the powerhouse, to construct and grade the access trail, to bury the transmission line and phone line within the access trail, and to transport equipment. Vegetation disturbance would also result from driving four-wheel ATVs within the penstock right-of-way during construction to

trans| ipment and personnel. Disturbed sites would also include spoil deposits along me penstock, presumably within the penstock right-of-way. Estimates of vegetation disturbance along the penstock and access road conservatively assumes a 60-foot right-of-way, not all of which would require complete clearing in all areas. During operation, vegetation disturbance would be primarily limited to within the access trail during trips to the intake for maintenance.

AVEC originally proposed a 30-foot-wide right-of-way for the penstock, transmission line and phone line. AVEC submitted a revised request for a 60-foot-wide right-of-way to allow the construction and maintenance trail to follow the natural land contour as much as possible and avoid the need to cut and fill areas that a 30-foot right-of-way would require. AVEC stated the maintenance trail would not be widened beyond the initial proposal, but the full 60-foot corridor could be used when turning around construction equipment. During a meeting held with the resource agencies on April 26, 2000, FWS stated that FWS engineers have reviewed AVEC's plans for the project and concluded that a 30-foot right-of-way would be too narrow to meet construction and maintenance needs. ADF&G, USFWS and NMFS agreed with AVEC that a 60-foot right-of-way is reasonable because it would allow the construction and maintenance trail to follow natural land contours, which would not be as disruptive to the landscape. Therefore, we conclude that a 60-foot-wide right-of-way would minimize vegetation disturbance by allowing greater flexibility in routing the construction corridor.

AVEC would also prepare and implement a soil erosion control plan that includes burying as much exposed penstock as possible and re-seeding all disturbed areas with a mixture of 60 percent Bering hair grass, 30 percent arctic red fescue, and 10 percent annual rye, applied at 1.5 pounds per 1000 square feet. A 20-20-10 fertilizer formula would be applied at 475 pounds per acre to promote growth. <sup>11</sup>

Interior and ADF&G recommend a revegetation plan as part of the soil erosion control plan that includes (a) location of treatment areas, (b) plant species and planting methods to be used, (c) planting densities, (d) fertilizer formulations, (e) seed test results, (f) application rates, and (g) a specific implementation schedule and details for monitoring and maintenance programs.

NMFS recommends that AVEC prepare as part of its soil erosion control plan a

revegetation plan that includes (a) using only native plant species, (b) monitoring with a goal of achieving 50 percent of natural vegetation densities within one year, and (c) rehabilitating any stream bank damage using biorehabilitation techniques that mimic native vegetation densities and species.

Because of the small area affected (16 acres) and abundance of undisturbed similar habitat within the surrounding refuge, vegetation and habitat impacts are considered to be minor. Measures proposed to minimize clearing and site disturbance effects would avoid impacts to surrounding habitat to the greatest extent possible and reduce unavoidable adverse impacts. AVEC's proposed seeding mixture is not composed of only native species. The mixture would assist in controlling erosion which may retard revegetation, be readily available, be tolerant of moist sites and adapted to a wide range of conditions. and tolerate flooding and foot traffic; but provide low to moderate wildlife/fishery habitat value (Muhlber and Moore 1998). Other native grasses and sedge species (Muhlber and Moore 1998) may be available or salvaged and subsequently used that would provide higher habitat value and better restore the disturbed areas to a more ecologically natural. self-sustaining condition, similar structurally and functionally to the surrounding "undisturbed" ecosystem. For example, vegetative mats, plugs, or sprigs may be used to provide sources of native plants that would otherwise be unavailable (Muhlber and Moore 1998). Cottonwoods, birch and alder provide important habitat components for fish and wildlife. Cottonwoods and birch readily colonize disturbed sites and should revegetate the penstock naturally. Cottonwoods, alder, and birch are also readily available and could be used effectively, if necessary, to stabilize streambank or channel erosion (Muhlber and Moore 1998).

Monitoring and maintenance of site rehabilitation efforts is also necessary to ensure success of vegetation planting. AVEC's proposal does not include vegetation monitoring efforts.

We believe the use of native plant materials for revegetation would benefit wildlife and fish resources and would assist in recovering and maintaining a natural appearance in the area of the penstock. We discuss the costs of the revegetation plan in Section VI, Developmental Analysis, and make our final recommendation in Section VII, Comprehensive Development and Recommended Alternative.

#### Wetland Impacts

Project facilities were sited and designed to minimize wetland and riparian crossings and to limit disturbance to these communities. Nonetheless, project

<sup>&</sup>lt;sup>11</sup> AVEC's proposal was developed in consultation with the Alaska Plant Materials Center.

construction activities would result in the filling and clearing of about 1.3 acres of wetlands. Wetlands and riparian habitats would be permanently lost within the footprint of the access trail, powerhouse, and intake structure. In other areas, AVEC would allow the wetland and riparian vegetation to reestablish naturally (i.e. over the penstock and access-trail). AVEC would also implement the following measures to ensure that hydrological flow patterns important to maintaining wetlands are not significantly altered: (a) install drains where the penstock is not completely buried; (b) construct all weather wooden timber bridges across wetland; along the access trail in a manner that would allow water to continue to flow unimpeded; (c) construct low water crossings along the access trail that would allow nun-off water to run over the trail; (d) install small bridges and/or culverts across continuously flowing streams so that the water flows under the trail; and (e) locate the bridges, powerhouse and access road high enough to be outside of the flood plain of I agoon Creek.

No additional measures were recommended by the agencies. Interior requests 12 that AVEC commit to not using wood timbers or planks that are treated with any preservative containing creosote or pentachlorophenol where these planks or timbers would come in contact with wetlands or water bodies. If preservatives are used, only pressure treated application should be employed. Interior also requests that preservatives not be painted on, sprayed, or otherwise applied by surface application. These measures are suggested to prevent leaching of toxic chemicals that could be harmful to fish and wildlife. We agree with Interior and recommend that specifications in the final ESCP include stipulations that contractors not use in wetland areas lumber treated with preservatives containing creosote or pentachlorophenol or surface applied preservatives.

We also agree with AVEC that wetland areas have been avoided to the greatest extent practical. No additional measures are recommended.

# Brown Bears

Brown bears are important and prized resources (for both consumptive and nonconsumptive purposes) of the refuge and are important in the culture and subsistence of native people of Old Harbor. Project construction and operation would adversely affect brown bears by altering or eliminating potential denning and foraging habitat, through disturbance, and by increasing potential interaction with humans. Project construction would result in a small loss (16 acres) of potential denning and foraging habitat through vegetation removal - less than 0.007 percent of the Kiliuda Bay geographic unit studied by Barnes and Smith (1997). Construction-related activities would have a greater effect on an unquantified area by disturbing feeding bears along Lagoon Creek during the salmon spawning runs (August through October: Barnes and Smith 1997), by disturbing denning bears during winter construction activities, by disturbing foraging or other activities in surrounding areas through the use of low-flying helicopters, blasting, and/or drilling, and by temporarily altering movement patterns. Brown bears are particularly sensitive to low-flying helicopters (Smith and Van Daele 1990). Disturbances can result in increased energy expenditures, reduced food intake, altered behavior, and den abandonment.

Construction-related effects would be short-term and limited in that: (a) AVEC's project construction activities would be completed in about 9 months if started in early January: (b) construction activities would be confined to a small area adjacent to Lagoon Creek and the East Fork (except noise from helicopters, blasting, and drilling would extend further); (c) helicopter use would be intense on a short-term basis (8 to 9 days for 10 hours around June or July to transport the penstock) and sporadic during the remainder of the year (0.5 to 1 day at a time to deliver miscellaneous items); (d) blasting and drilling would be isolated occurrences and may not be needed at all; (e) bears may be habituated to a certain level of low-impact disturbance due to the proximity of the project (primarily the powerhouse) to Old Harbor; and (f) normal behavioral, feeding, and denning patterns would return following construction because disturbance during operation would occur infrequently and would be localized, associated primarily with maintenance activities at the intake and powerhouse. Periodic maintenance activities would result in less than optimal use of available resources by brown bears for the life of the project. However, the effects should be minor given the limited affected area, abundance of surrounding resources, and availability of thick escape cover. Consequently, we conclude that disturbance effects from project construction and operation on brown bears would likely be minor. Construction-related disturbances were also determined to have minor impacts on brown bears during and following construction of the much larger 20-MW Terror Lake hydroelectric project - it took 3 years to construct this project located on the Terror River in northern Kodiak Island. Smlth and Van Daele (1990) found that brown bears were apparently able to co-exist with intensive construction activity by making minor shifts to nearby areas with heavy cover and resumed use of available habitats following construction. Smith and Van Daele (1990) concluded that intrusive short-term development activity was accommodated without major detrimental effects because of abundant and varied food resources, as well as dense cover that allowed the bears to continue to use the area. While it is sometimes risky to extrapolate data from one project

<sup>11</sup> Interior's request was not made under Section 10(i) of the FPA.

to ano en site-specific differences in habitat and use that might be present, we believe that because of proximity of the two projects, similarity of habitats, and abundance of undisturbed habitat and resources, it is reasonable to assume that similar effects would be noted at the Old Harbor Project.

Of greater concern would be the potential long-term adverse effects of any reduction of salmon in Mountain or Lagoon Creeks. Pacific salmon are an important component of brown bear diet (Barnes 1990). Limited sampling during 1996 and 1998 suggests that numbers of salmon spawning in Mountain Creek is small and spawning access is limited by lack of surface flows, thus Mountain Creek would likely represent a marginal fishery for brown bears (fish surveys are discussed in Section V.C.2, Aquatic Resources). In contrast, Barling Bay Creek, which Mountain Creek joins near its confluence with tide water, provides a much more desirable fishery for brown bears providing large numbers of coho, pink and chum salmon. Reductions in flow to Mountain Creek and any concomitant decrease in spawning salmon numbers would have limited adverse impacts on bear food resources. Conversely, Lagoon Creek and the Lake Fork have good salmon fisheries, supporting coho, chum, and pink salmon, and Dolly Varden. AVEC postulates that increases in flow to Lagoon Creek would improve salmon spawning habitat and returning salmon, thus providing additional food resources. While this hypothesis may prove true, information on other factors influencing salmon production such as changes in stream temperature, water quality, availability of juvenile rearing habitat are not available to support this conclusion at this time. Monitoring of salmon numbers in Lagoon Creek would be useful in determining overall effects on available bear food supplies in Lagoon Creek. Salmon and habitat surveys are discussed in Section V.C.2, Aquatic Resources.

Project construction could also affect brown bears by increasing human/bear conflicts. Increased interactions with the construction workforce or increased public use due to enhanced access can result in bears being killed in defense of life and property (DLP). Next to sport hunting, DLP is the primary cause of bears killed by people on Kodiak Island; levels of human activity on the refuge are increasing, resulting in more bear/human conflicts, with as many incidences occurring near remote villages and on or near the coastline (FWS 1987, Smith et al. 1990). To reduce such conflicts and to protect brown bears, FWS recommends that AVEC prepare a bear safety plan that includes: (1) instructions for operating in bear country that minimize possible conflicts, (2) minimizing encounters and avoiding areas used by bears, (3) keeping construction sites and refuse areas clean, (4) installing bear-proof garbage receptacles and other measures to prevent bears from obtaining food or garbage, and (5) procedures to deal with problem bears.

AVEC did not propose any measures to minimize human/bear conflicts, other than gating

or blocking ATV access which is discussed in greater detail below.

Similar measures, including adequate management of garbage, firearms restrictions, and education of workers at the Terror Lake Project were key factors in minimizing bear/human conflict and killing of bears (Smith and Van-Daele 1990). The cost of a bear safety plan is presented in Section VI, Developmental Analysis and our recommendation is found in Section VII, Comprehensive Development and Recommended Alternative.

## **Bald Eagles**

Project construction activities along the access road and the use of helicopters could result in the disturbance of nesting bald eagles. Construction of the access road and powerhouse would be within the line-of-sight of eagles nesting along Lagoon Creek. Work along the majority of the penstock and at the intake would not be visible because of intervening terrain. However, the use of helicopters to deliver materials to the penstock and intake would likely occur within the line-of-sight of nesting eagles and could disturb them. Helicopter use would likely occur during an 8 or 9 day period early in the construction phase and then for short durations later on, but would not likely begin before May 15. Interior notes that eagles will readily abandon their nests when disturbed prior to May 15 and disturbance through July 1 may cause nest failure. After that period fledglings are not as susceptible to minimal disturbance although direct helicopter flights would be excessive. The project is not likely to affect available food supplies because Lagoon Creek is too heavily wooded to provide suitable foraging and more suitable foraging is available away from construction activities in the bay.

AVEC proposes to conduct surveys for nesting bald eagles before construction begins on the powerhouse or the access trail. If any are found, their position would be recorded and shown on a drawing with the project features. This information would be forwarded to the FWS with a request for guidelines regarding the construction as it relates to the presence of the eagle nests. If eagle nests are found, they most likely would be on the east side of Lagoon Creek based on past nest locations. At a minimum, AVEC proposes to direct helicopter flights close to the mountain on the west side of the stream so that there would be about a quarter of a mile distance between the helicopter path and the eagle nests. Interior has indicated a willingness to work with AVEC on actions to avoid impacts to eagles. AVEC's proposed actions are reasonable and would likely avoid severe impacts on nesting bald eagles. We recommend that AVEC prepare a final eagle protection plan, in consultation with FWS and ADF&G, that details methods and timing of surveys for nesting eagles, and specific actions that would be implemented to avoid

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disturbance to nesting eagles, including timing of construction activities and helicopter use and flight paths to avoid disturbing nesting eagles. This plan should be filed with the Commission at least 90 days before land-disturbing activities would take place.

# Other Wildlife Species

Similar to the effects discussed for the brown bear, construction activities would result in the loss of habitat used by a variety of wildlife including Sitka black-tailed dear, mountain goat, neo-tropical migrant birds, and other small mammals and furbearers. Construction activities would be temporary and the disturbance associated with these activities minor. However, project facilities would result in the permanent alteration of a small amount of habitat. Disturbance from maintenance activities would result in less than optimum use of available resources for wildlife for the life of the project. Disturbance of mountain goats should be minimal, however, because of their transient use of the project construction area; consequently, this species is not likely to be significantly affected by project construction or maintenance activities.

As we discussed for brown bears above, we believe impacts on wildlife to be minimal because of the limited area affected (16 acres), short-term intense construction period, and abundance of available undisturbed habitat. Revegetation of the project would help minimize adverse impacts. Our recommended use of native plants would also help return most of the affected land to useable state for wildlife much sooner. No additional measures were recommended by the agencies or AVEC, and we do not recommend any.

#### Access and ATV-Use

Historically, the project area has been used for occasional subsistence and hiking purposes. ATVs have used a large part of the project area for many years; use expanded into new areas, including the area of the project intake, during the course of project studies. ATV use and access into new areas of the refuge would likely continue because of the small access trail that would be built to service the penstock and intake structure. With increased access and ATV use comes the potential for greater disturbances to brown bears, deer, mountain goats, and other wildlife, potentially greater human/bear conflicts, increased DLP mortality of brown bears, and increased pressure from recreational and subsistence hunting. Additionally, ATV use results in the direct loss or degradation of habitat in remote areas of the refuge, destroys sensitive alpine vegetation, compacts soil, causes rutting and erosion of stream banks, and leaves long-term scars on the land which in turn degrades fish and wildlife habitat (Smith and Van Daele 1990, Smith et al. 1990,

Kasworm and Manley 1990, McIellan 1990, FWS 1987). The use of ATVs is prohibited in Alaska refuges other than areas designated by the refuge manager or pursuant to the terms and conditions of a special use permit (FWS 1987). ATV use is also inconsistent with minimal management prescribed for the Kodiak National Wildlife Refuge (FWS 1987).

AVEC considered several alternatives to control public access created by the access trail to the intake. AVEC concluded that keeping ATVs off the access trail to the powerhouse is impractical. Even gates on the bridges would not be effective, given the relatively flat terrain and heavy existing use of the area, including Lagoon Creek. AVEC also considered constructing a gate just uphill from the powerhouse. To be effective, an existing trail through a nearby notch in the hillside would also need to be blocked with boulders or gated. However, this is a popular recreational access for local residents.

Instead, AVEC proposes to allow ATV traffic to the powerhouse, but to construct a gate at the top of a small steep hill along the penstock route about half way between the powerhouse and intake sites. Several notches would need to be blocked near the hill to prevent ATVs from circumventing the control structure. The terrain at the hill control is very difficult to negotiate. Only recently (May 1998) did local residents successfully make their way up to the intake area by using piles of alders for traction - a testament to the ingenuity and perseverance of local people with a desire to access the area. AVEC also proposes to monitor unauthorized access with AVEC's maintenance personnel. The maintenance person would look for signs of damage to the gate and other physical barriers, tracks in the vegetation outside of the existing access trail, and would notify AVEC of any unauthorized access. If the gates prove ineffective, AVEC would consult with the refuge manager on ways to prevent further access. This may involve improving the gate or adding additional barriers.

No agency filed recommendations for controlling ATV access.

We agree that some control of ATV access is necessary to prevent impacts to wildlife and vegetation and to maintain the wilderness character of the surrounding refuge lands. AVEC's proposed measures would likely control ATV access. We also agree that by allowing the local residents to use the access trail to the powerhouse, that some impacts currently occurring along Lagoon Creek may be reduced or eliminated. However, the specific details of AVEC's proposed measures still need to be developed. Therefore, we recommend that AVEC file with the Commission for approval, a final ATV access control plan, developed in consultation with ADF&G and FWS, that describes the locations and types of access control (gates, boulders, etc.), construction

72

met and schedule, monitoring methods and schedule, and the measures that would be taken if access restrictions prove to be ineffective.

We don't believe the costs of implementing this plan would be significant, because AVEC has already proposed the measures to be implemented. ATV use where access is not controlled is discussed in V.C.5, Recreation and Land Use.

# Summary

Project construction effects on wildlife and wildlife habitat should be relatively minor because of the limited area affected, short construction period, and availability of abundant and varied food resources and escape cover that would allow wildlife to continue to inhabit the project area and to return following construction. Our recommended measures for a revegetation plan that incorporates the use of native species to the greatest extent practical, a bear safety plan, an eagle protection plan, and access control plan would reduce and mitigate anticipated impacts to an acceptable level.

# C. Unavoidable Adverse Impacts

Sixteen acres of vegetation and 1.3 acres of wetlands would be lost or altered by project construction. Some disturbance and temporary displacement of wildlife would be unavoidable during construction. These effects would be minimized by implementing our recommended measures for revegetation, bear and eagle protection, and ATV restrictions.

# 4. Threatened and Endangered Species

No federally-listed threatened and endangered species under Interior's jurisdiction occur in the project area (letter from Pamela Bergman, Acting Regional Environmental Officer, Office of the Secretary, U.S. Department of the Interior, Anchorage, Alaska; September 10, 1999).

The Snake River sockeye salmon (endangered), Snake River fall chinook salmon (threatened), Snake River spring/summer chinook (threatened), and stellar sea lion (endangered) are federally listed for Alaska marine waters; but would not be affected by the project because (1) these species do not occur in Lagoon or Mountain Creeks; (2) construction and operation would not require any work in the marine environment, other than shipping of equipment and materials, that could reduce or modify the foraging habitat of these species; and (3) no sea lion rookeries or haulouts are located in or near the project area.

We conclude for the reasons stated above that the project would have no effect on threatened and endangered species, and no further consultation pursuant to the Endangered Species Act is necessary.

## 5. Recreation and Land Use

# a. Affected Environment

ATVs have used a large part of the project area for many years, including an existing trail that runs through a bog along the east side of Lagoon Creek to the proposed powerhouse site. This trail has two instream crossings used by ATVs in Lagoon Creek. One crossing is just downstream of the confluence of the Lake Fork and Lagoon Creek. ATVs also run either on the banks or in the stream for about 300 feet before crossing again just above the confluence. The existing trail runs near the proposed powerhouse site, and AVEC has used this trail to access the site.

To conduct studies for the proposed project, AVEC also created a new trail on the west side of Lagoon Creek that runs along the proposed penstock and transmission line routes to the intake site (AVEC 1999, Figure T-1, Appendix A). Local residents have started to use this new trail for hiking and ATV access to lakes in the Big Creek Basin.

### b. Environmental Impacts and Recommendations

During construction, AVEC would improve the trails to the powerhouse and intake sites to use as roads to support construction activities.

After construction, AVEC proposes to improve the access road to the powerhouse, including bridging Lagoon Creek, and leave it as an improved feature. AVEC would allow the access road to the intake to revegetate naturally after construction, but would continue to maintain a 4-foot-wide trail for maintenance access by ATV to the penstock and intake. AVEC proposes to bar public ATV access by installing a gate about half way between the powerhouse and the intake, the first site on the trail where ATV's could be prevented from going around a gate and continuing to the intake. AVEC would continue to allow recreational ATV traffic to the powerhouse and above the powerhouse to the

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Interior is concerned that with improved access more areas would be vulnerable to

ATV use, allowing for increased take in wildlife, destruction of alpine vegetation, soil compaction, and rutting and erosion of stream banks that causes erosion and sedimentation.

Staff analysis

Keeping ATVs off the access road to the powerhouse is impractical. Even gates on the bridges would not be effective. ATV users would find other locations to cross Lagoon Creek so they could get on the access road. Local residents have asked that AVEC provide more areas for ATV use, and would want to use the improved access road because it would be an easier and faster way to get to the Big Creek Basin. By allowing ATVs to use the access road to the powerhouse and the new trail as far as the proposed gate, new damage to the streambanks and vegetation could be avoided. The damaged areas in the lowlands could recover and ATV use directly in Lagoon Creek and on its banks would probably be eliminated. We recognize that ATV access as far as the gate could cause an increase in ATV use that would have a negative impact on the surrounding environment. We believe, however, that permitting access could also provide a reasonable alternative to the current ATV use of the banks and streambed.

We agree with AVEC that the best method of preventing or minimizing ATV use of the access trail to the intake would be a gate. Our recommendation regarding AVEC's proposed gate is discussed in Section V.C.3, Terrestrial Resources.

Because the project would allow enhanced ATV access to the powerhouse site and above the powerhouse as far as the proposed gate, we recommend that AVEC develop a recreation plan in consultation with the FWS, NMFS, ADF&G, Old Harbor, and the OHNC. The plan would include methods and measures to protect the area from improper use yet still allow for recreational ATV use on the access road.

# c. Unavoidable Adverse Impacts

Revegetation would not occur for about 4,400 feet on the 4-foot-wide penstock maintenance corridor because of permanent public ATV access. These effects would be minimized by our recommended recreation plan.

### 6. Cultural Resources

# a. Affected Environment

Old Harbor falls within the traditional territory of the Koniag, one of three regional groups of the Alutiiq people. At historic contact, the Koniag inhabited coastal environments of the Kodiak Archipelago and the Alaska Peninsula. Other Alutiiq peoples, the Chugach and the Unegkurmiut, inhabited Prince William Sound and the outer coast of the Kenai Peninsula. In the Kodiak Archipelago, the cultural history of the Alutiiq is preserved in a multitude of archaeological sites. Dense prehistoric populations left large accumulations of cultural debris that have resisted decay in the region's persistently cool wet environment.

Archaeological evidence from southeast Kodiak Island, including the Old Harbor area indicates that people of the Ocean Bay tradition maintained residences in strategic locations that allowed them to take advantage of ecological variability. Residential sites of this period have been found mostly on mid-bay coastal locations where marine oriented hunter-gatherers could have moved efficiently between outer and inner bay environments in response to resource availability and traveling conditions.

Archaeological research in the Kodiak Archipelago began early in 1930. Anthropologist Ales Hrdlicka excavated a large prehistoric village site in Larsen Bay on the western side of Kodiak and conducted a cursory boat survey of the archipelago (Hrdlicka 1944). Early in 1960, the University of Wisconsin initiated the first major excavations designed to define Kodiak's prehistoric sequence. Much of their research was conducted along the southeastern coast of the archipelago in areas adjacent to Old Harbor. This led to the development of a cultural chronology which is still used today.

Early in 1980, Richard Jordan of Bryn Mawr College initiated a decade long project to clarify the social and economic implications of Kodiak cultural history. Jordan's regional perspective contributed much to the understanding of Kodiak social evolution and inspired many graduate students to continue studying Kodiak prehistory.

The OHNC has been an active sponsor of archaeological research in areas surrounding their community. A multi-year survey of Sitkalidak Island, southeast of Old Harbor, led to the discovery of more than 100 previously unknown sites and several small excavations that produced important artifact assemblages, giving Old Harbor residents an opportunity to participate in unearthing their heritage. In 1995, an Alutiiq owned museum and archaeological repository opened to provide local storage for the assemblage from many of these projects. This museum is funded and governed by representatives of eight Kodiak Native corporations, including the OHNC.

# b. Environmental Impacts and Recommendations

AVEC conducted an archaeological survey in the areas outlined for the construction and operation of the project. The survey did not locate any prehistoric or historic cultural remains and concluded that it is unlikely that such remains exist in the construction corridor as surveyed. The survey goes on to say that if land-disturbing activities should reveal archaeological remains, that work should be immediately halted and the State Historic Preservation Officer (SHPO) notified.

The State of Alaska Historical Preservation Officer (SHPO) concurred with the findings of the cultural resources consultant's report entitled "Archaeological Survey for the Old Harbor Small Hydroelectric Project, Old Harbor, Alaska" (letter from Judith E. Bittner, State Historic Preservation Officer, October 27, 1999). The SHPO concluded that if project plans as described in the report change and go beyond the survey corridor, then additional archaeological survey work would be necessary.

Land-disturbing activities associated with project construction could uncover unknown archaeological deposits. Also, if it becomes necessary to deviate outside the surveyed area, additional archaeological surveys may be needed.

We agree with the findings of the archaeological survey and the SHPO. If it should become necessary for land-disturbing activities to take place outside the surveyed area, however, project construction should be stopped until additional studies can be conducted to ensure there would be no impact to cultural resources. Also, if land-disturbing activities associated with the construction of the project should uncover unknown archaeological deposits, the project should be stopped until AVEC can: (1) consult with the SHPO and the OHNC about the discovered sites; (2) prepare a site-specific plan, including a schedule, to evaluate the significance of the sites and to avoid or mitigate any impacts to sites found eligible for inclusion in the National Register of Historic Places; (3) base the site-specific plan on recommendations of the SHPO, OHNC, and Interior's Standards and Guidelines for Archeology and Historic Preservation; (4) file the site-specific plan for Commission approval, together with the written comments of the SHPO and OHNC; and (5) take the necessary steps to protect the discovered archeological or historic sites from further impact until notified by the Commission that all of these requirements have been satisfied.

## c. Unavoidable Adverse Impacts

None.

# 7. Socioeconomics

### a. Affected Environment

Currently, about 300 people live in the Old Harbor area and about 85 percent of the residents are Aleut (AVEC 1998). Adult unemployment is about 76 percent, and about one-third of households live below the poverty line. According to the 1990 census, the median household income is less than \$17,000. A 2,000-foot runway and a seaplane serve air traffic, with flights available to Kodiak, Alaska. Harbor and docking facilities exist for 55 boats, and Seattle-based and local barge services are available.

# b. Environmental Impacts and Recommendations

Initially, the residents of Old Harbor would be employed during the construction of the project. After the project becomes operational there would likely be power available for individuals, businesses and public entitles to use some of this excess power at discounted rates. The resulting community improvements could include operating a currently idle freezer plant, building and operating an ice plant, providing electrical energy to the harbor, and heating public buildings. An ice plant would substantially increase the value of fish harvested. This could enable local fishermen to make the same amount of money by catching fewer fish, further conserving the resource.

Section 810 of ANILCA requires an evaluation by the land-managing agency (in this case Interior) of effects on subsistence hunting, fishing, and gathering resources and the subsistence lifestyle for any project that uses federal lands. Because parts of the project would use federal lands, Interior would prepare a subsistence evaluation for the project.

We believe that constructing and operating the project would not could in a significant restriction of subsistence resources because: (1) the project would have little effect on subsistence species; (2) any project effects would be identified through monitoring, (3) AVEC proposes to minimize unauthorized access to the upper project area by installing a gate to prevent ATV access and having maintenance personnel monitor the project area for unauthorized signs of access, and (4) the number of additional people that would enter the area would probably not be enough to affect subsistence resources.

Because the project's socioeccurinic impacts would be primarily beneficial, we don't recommend any measures specifically addressing socioeconomics.

1.1

# c. Unavoidable Adverse Impacts

None.

# D. No-Action Alternative

Under the no-action alternative, the Old Harbor Project would not be constructed. There would be no changes to the physical, biological, or cultural resources of the area and electrical generation from the project would not occur. The power that would have been developed from a renewable resource would have to be replaced from nonrenewable fuels. The noise and air quality impacts of the existing diesel fuel-fired generation system would continue unabated or at increased levels as the local electrical demand increased. The risk of spills of diesel fuels would likewise continue at current or increasing levels. The financial benefits to the residents of Old Harbor in the form of lower electrical rates and to AVEC in terms of project operating revenues would not be realized.

#### VI. DEVELOPMENTAL ANALYSIS

The economic details of the project have been analyzed in two separate studies. The first study, "Old Harbor Hydroelectric Feasibility Study, Final Report" (polarconsult 1995) was prepared by polarconsult, the consultant that prepared AVEC's EA, and outlined the project location, features, potential generation, and economics. The second study, "Rural Hydroelectric Assessment and Development Study" Phase I and II reports, was prepared by Locher Interests LTD (Locher Interests LTD 1998). The phase II report was completed in January 1998.

We reviewed these two studies and the Developmental Analysis done on behalf of AVEC by polarconsult. Below, we discuss AVEC's and our analysis of the project.

### **AVEC's Analysis**

AVEC estimates the project's cost to be \$2,444,700. In its economic model, AVEC used a cost of \$1,444,700 to reflect grants totaling \$1,000,000. The load that the project would supply is reduced by 87,000 kWh from the 1998 level of 751,000 kWh. The reduction is due to Old Harbor's plan to switch from pumping its drinking water to having it supplied by the project at considerably higher pressure and without the power consumption.

In deriving the avoided power cost, AVEC used: (1) \$0.90/gal for diesel fuel cost; (2) \$450/kW for diesel capacity replacement every ten years; and (3) \$84,870 per year for diesel O&M expenses.

Based on these assumptions and the economic parameters shown in table 4, AVEC says the project has present value net benefits of about \$856,000 over the 35-year analysis period.

Table 4. Economic parameters used in AVEC's analysis. (Source: AVEC 1999, as modified by Commission staff)

Economic Parameter	Value
Hydro Price	\$2,444,700
Hydro Loan Amount	\$1,444,700
Hydro Loan Interest Rate	5.00%
Hydro Loan Period (years)	30
Interest Rate	5.00%
Inflation Rate	3.00%
Length Of Analysis (years)	35
City Energy Needs (kWh per year)	664,000
Load Growth	2.00%
Diesel Fuel Cost (\$ per gal)	0.9
Fuel Cost Growth	0.00%
Diesel Efficiency (\$ per kWh)	13.5
NPV Of Diesel Only	\$4,430,906
NPV Of Diesel & Hydro	\$3,574,810
Net Benefit	\$856,096

To estimate the economic benefits for the project, we use a current costs method that is different from AVEC's. This method of analysis assumes that costs (diesel fuel, O&M, etc.) do not escalate but remain fixed at their first year values for the 30-year

period of analysis, while future benefits of the project are discounted at the assumed discount rate. This method yields lower benefits for the project, as shown below.

# A. Power and Economic Benefits of the Project

To calculate the economic benefits of a utility-owned project, we compare the project costs — for the project as proposed and the project with staff-recommended enhancements — to the cost of obtaining the same amount of capacity and energy using other generation sources. Consistent with the Commission's approach to economic analysis, <sup>13</sup> we equate the value of project power benefits to the current cost the utility would have to pay for the same amount of energy and capacity using alternative generating resources; we don't consider any future inflation effects in our analysis.

We base our estimate of project benefits on AVEC's current cost of running its diesel fueled generators. These costs are: (1) \$1.16/gal for the diesel fuel; (2) \$450/kW to replace the 200 kW diesel generators every ten years; and (3) \$84,870 annually in O&M expenses. We use \$1.16/gal for fuel because it is the current cost; AVEC forecasted its fuel cost of \$0.90/gallon.

We use the cost of the alternative power source as a threshold in our determination of positive or negative project power benefits. For any alternative we consider, a positive net annual power benefit shows how much less it would cost AVEC to use the project's power instead of diesel generation; a negative net annual benefit shows how much more it would cost.

We analyze the project's power benefits for the proposed project and for the staffrecommended alternative.

### 1. Economics of the Proposed Project

The estimated project cost is \$2,477,700 (\$2,444,700 for construction and \$33,000 for the applicant's proposed mitigative measures). Because AVEC received grants totaling \$1,000,000, the actual cost to AVEC is \$1,477,700. In our analysis, we use this figure for the capital investment and AVEC's interest rate of five percent.

Based on our economic parameters shown in table 5, the project, as proposed by AVEC, would have an annual cost of \$183,000. The current annual value of power for the proposed project would be \$174,800. To determine whether the proposed project is currently economically beneficial, we subtract the project cost from the value of the project power. We find that this project would have an annual cost of about \$8,200 (13 mills/kWh), more than the current cost of the alternative source of power.

Table 5. Economic parameters used in Commission staff's analysis. (Source: Commission staff)

Economic Parameter	Value
Hydro Cost	\$2,477,700
Hydro Loan Amount	\$1,477,700
Hydro Loan Interest Rate	5.00%
Discount Rate	1.94%
Hydro Loan Period (years)	20
Inflation Rate	0.00%
Length Of Analysis (years)	30
City Energy Needs (kWh per year)	644,000
Load Growth	2.00%
Diesel Fuel Cost (\$ per gal)	1.16
Fuel Cost Growth	0.00%
Diesel Efficiency (kW/gal)	13.5
Maximum Federal Tax Rate	34.00%
Local Tax Rate	0.50%

# 2. Economics of the Staff-Recommended Alternative

In addition to AVEC's proposal to mitigate impacts from project construction and operation, NMFS, Interior and ADF&G recommend additional measures. The costs for the measures we recommend are shown in table 6.

<sup>&</sup>lt;sup>13</sup> See Mead Corporation. Publishing Paper Division, 72 FERC ¶ 61,027 (July 13, 1995).

Table 6. Cost of staff-recommended environmental measures. (Source: Commission staff)

Enhancement/Mitigation Measure	Capital Cost	Annual Cost
Environmental Compliance Monitor (Interior and ADF&O)	\$80,000	8,100
Upgrade AVEC's Blotic Monitoring Plan (NMFS, Interior, ADF&O)	\$31,400	3,200
Upgrade Existing Gage (NMFS, Interior, ADF&G)	\$3,000	300
Upgrade AVEC's Revegetation Plan (NMFS)	\$7,500	750
Bear Safety Plan (Interior)	\$2,500	250

The total annual cost of the project with the staff recommended measures would be about \$192,330. Subtracting the annual project cost from the value of the project power (\$174,800), we find that this project would have negative economic benefits over the license term of about \$17,530 annually (27 mills/kWh) compared to alternative power.

# B. Cost of Environmental Enhancement Measures

Table 7 is a summary of annual costs, power benefits and net benefits for AVEC's proposal and staff's recommended elternative.

Table 7. Cost summary of AVEC's proposal and staff's recommended alternative.

(Source: Commission staff)

	Project Cost	Power Benefits	Net Benefits		
Alternative	\$/year(mills/kWh)				
AVEC's Proposal	- 183,000 (276)	174,800 (263)	- 8,200 (13)		
Staff's Recommendation	- 192,330 (290)	174,800 (263)	- 17,530 (27)		

We note that the development cost for the project is greater than the current cost of energy. Project economics, however, is only one of the many public interest factors that is considered in determining whether or not to issue a license. Developing the Old Harbor Project may be desirable for other reasons, such as to diversify the mix of energy sources in the area, to promote construction-related jobs in the area, and to provide a fixed-cost source of power.

### C. Diesel Fuel

If licensed, the project would reduce the current diesel-fueled electric power generation, and thereby conserve nonrenewable fossil fuels and reduce the emission of noxious byproducts caused by the combustion of fossil fuels. If the hydroelectric project were not licensed, about 150 tons of diesel fuel would have to be used annually to generate the 644 MWh needed for the Old Harbor area. The annual amount of carbon dioxide - the main contributor to the greenhouse effect - would increase by 450 tons. The project would benefit air quality and the environment because the need for fossil fuel generation would be minimized.

# VII. COMPREHENSIVE DEVELOPMENT AND RECOMMENDED ALTERNATIVE

Sections 4(e) and 10(a)(1) of the FPA require the Commission to give equal consideration to all uses of the waterway on which a project is located. When the Commission reviews a proposed project, the environmental (recreational, fish and wildlife, and other non-developmental values of the involved waterway) are balanced equally with its electrical energy and other developmental values. In determining whether, and under what conditions to license a project, the Commission must weigh the various economic and environmental tradeoffs involved in the decision. Accordingly, any license issued shall be best adapted to a comprehensive plan for improving or developing a waterway for all beneficial public uses.

Based on our Independent review of agency and public comments filed on this project and our review of the environmental and economic effects of the proposed project and its alternatives, we selected the proposed project, with our recommended measures, as the preferred option. We recommend this option because: (1) issuance of an original license for the Old Harbor Project would allow AVEC to generate renewable power and provide a dependable source of electrical energy to Old Harbor; (2) the project would avoid the need for an equivalent amount of diesel-powered facilities in Old Harbor; (3) the project would help to conserve these nonrenewable resources and limit atmospheric pollution; and (4) the recommended environmental measures would protect water quality, fish, terrestrial, historic and cultural resources, and maintain multiple use and management of project lands within the project area. Accordingly, we believe that our alternative would be best adapted to a comprehensive plan for making use of the water power resources of the Mountain and Lagoon Creek watersheds, while concurrently protecting other natural resource values and uses.

annual benefit that is negative; that is, the cost of project power would exceed the likely alternative by 27 mills/kWh. However, we make our recommendation consistent with the Commission's policy of not basing the decision of license issuance solely on the basis of economic projections, but we consider all developmental and nondevelopmental values of a project. <sup>14</sup> Therefore, we recommend that an original license should be issued for the Old Harbor Project. Our recommended measures for an original license are listed below.

Our recommended alternative contains five measures that would affect the economics of the project because their costs are substantial: (1) prepare and implement biotic monitoring plans for intergravel temperatures, geomorphology and erosion, spawning surveys of coho, pink and chum salmon, and juvenile fish surveys; <sup>15</sup> (2) prepare and implement a plan to monitor streamflows in the Lagoon Creek anadromous reach in concert with biotic monitoring; (3) employ an ECM during project construction; (4) prepare and implement a revegetation plan; and (5) prepare and implement a bear safety plan.

# Biotic monitoring plans

We recommend that AVEC prepare and implement a biotic monitoring program by preparing, in consultation with the NMFS, FWS and ADF&G, a separate plan to monitor each of the following: intergravel water temperatures, channel and habitat, salmon spawning surveys, and juvenile fish surveys.

We recommend that AVEC prepare and implement a plan to collect intergravel water temperature data at the six sites identified by the agencies, for 1 year prior to construction and up to 5 years after the start of operation, depending on results. We believe this monitoring is necessary to identify any project effects on salmon based on the temperature and seasonal flow variations between the East Fork and Lagoon Creek, 11-month-long salmonid incubation and emergence periods in Lagoon Creek, and number of years before these salmon species return to freshwater to spawn. Because intergravel temperatures may vary widely under existing conditions, the plan must include criteria for determining to what extent temperature variations below the powerhouse are project-

We recommend that AVEC prepare and implement a stream channel and habitat monitoring plan to document the project's effects on the Lagoon Creek channel and habitat conditions. Channel and habitat monitoring would take place in the anadromous reach of Lagoon Creek using the protocol developed by the USFS for streams in national forests in Alaska, in the spring after runoff and late fall during years 0, 3, and 5 after the start of project operations. We believe this monitoring is necessary because the additional diversion of up to 13.2 cfs into the anadromous reach of Lagoon Creek at times could result in channel-changing flow conditions and cause erosion.

We recommend that AVEC prepare and implement two plans to document the project's effects on salmon in Lagoon Creek. One plan would provide for annual spawning surveys of coho, pink and chum salmon for at least 5 years after the start of project operations, to be conducted in the three reaches and during the seven time periods recommended by Interior and ADF&G. The second plan would provide for annual juvenile fish surveys, as recommended by the resource agencies, for at least 5 years after the start of project operations. We believe these adult and juvenile surveys are needed because of the potential for project operations to adversely affect salmon species in Lagoon Creek.

Temperature and channel habitat are critical components for a healthy salmon fishery, and salmon surveys are important to determine whether the existing Lagoon — Creek salmon fishery would change as a result of project operations. Therefore, our recommended monitoring is necessary to protect salmon in Lagoon Creek. Further, the benefit of this monitoring in protecting the Lagoon Creek salmonid fishery is worth its estimated annual cost of \$3,200. If post-license monitoring, done in consultation with the NMFS, FWS and ADF&G shows that modifications to project operations or facilities are needed to protect salmon resources, the Commission may direct AVEC to modify the operations or facilities.

## Streamflow gaging

We recommend that AVEC prepare and implement a stream gaging plan, in consultation with NMFS, FWS, ADF&G and USGS to collect streamflow or stage data according to USGS standards, for up to 5 years, depending on results. The plan would provide for AVEC to distribute the data to the fish and wildlife agencies, including the ADF&G components according to ADF&G's recommendation. Installing the gage would allow all biotic monitoring results to be correlated with flows in the anadromous reach to

<sup>14</sup> Set 82 FERC 61,030(1998).

<sup>&</sup>lt;sup>15</sup> The agencies recommend one biotic monitoring plan with four components. We recommend each of the four components as a separate plan because each component would have several elements that would require tracking.

determine the effects of the project's trans-basin flow diversion. Therefore, we find the stream gaging plan is a necessary component of monitoring the project effects, and the benefits of this measure would be worth its estimated annual cost of \$300.

# Provide an ECM

We recommend that AVEC employ an ECM to be on-site, full time during construction activities, and that the ECM have the authority to cease work and ensure compliance with any environmental measures required during construction. An on-site ECM would assure that project construction would not adversely affect resources by enforcing compliance with construction-related environmental measures. We further find that, given the remoteness of the area and the sensitivity of the resources to be protected during construction warrant an on-site, full time, therefore, the benefits of this measure is worth its estimated annual cost of \$8,100.

# Revegetation plan

We recommend that AVEC prepare and implement a revegetation plan at an estimated annual cost of \$750, because if disturbed areas are not revegetated, erosion of the landscape could worsen and wildlife habitat could deteriorate. Non-native plant species may spread beyond the seeded area to displace native plants, eventually reducing the diversity of the vegetation. Therefore, we find that revegetation, using native plants to the extent practical, is necessary for the protection of wildlife resources. AVEC would prepare a final revegetation plan, in consultation with NMFS, FWS and ADF&O, based on site-specific conditions, using native vegetation to the greatest extent practical, and where appropriate, would not interfere with site operation and maintenance. This plan would be completed prior to any land disturbing activities and would be included as part of AVEC's final soil erosion control plan. The plan would contain all the elements identified in NMFS, FWS and ADF&G's recommendations, including a monitoring and maintenance plan. The monitoring plan would include criteria by which to judge success of the revegetation efforts and measures that would be implemented if desired vegetation goals are not achieved. More than one year may be necessary to evaluate the success of revegetation efforts, depending on the success of the revegetation efforts. However, such monitoring would not likely need to exceed three years following initial planting or subsequent revegetation efforts. We find that the benefits of this measure to mitigate disturbances from construction would be worth its estimated annual cost of \$750.

# Bear safety plan

We recommend that AVEC prepare and implement a bear safety plan to minimize human/bear conflicts and protect bears during construction. Bears are thought to be present in high density on the refuge, and defense of life and property during bear/human interactions is the second highest cause of bears being killed by humans. Therefore, we find that this measure is necessary to protect bears during construction and would be worth its estimated annual cost of \$250.

### VIII. RECOMMENDATIONS OF FISH AND WILDLIFE AGENCIES

Under the provisions of the FPA, each hydroelectric license issued by the Commission shall include conditions based on the recommendations provided by federal and state fish and wildlife agencies for the protection, mitigation, and enhancement of fish and wildlife resources affected by the project. Section 10(j) of the FPA states that whenever the Commission finds that any fish and wildlife agency recommendation is inconsistent with the purposes and the requirements of the FPA or other applicable law, the Commission and the agency shall attempt to resolve any such inconsistency, giving due weight to the agency's recommendations, expertise, and statutory responsibilities.

We believe that our recommendations contained in this EA are consistent with those filed by the federal and state fish and wildlife agencies (table 8).

Recommendations that are considered outside the scope of Section 10(j) have been considered under Section 10(a) of the FPA and are addressed in the specific resource section of this document. Recommendations subject to Section 10(j) are discussed below.

Under Section 10(j) of the FPA, we made a preliminary determination that three measures recommended by the agencies were inconsistent with the FPA; replicating AVEC's 1996 cross sections and using ADF&G's aerial surveys for monitoring, and providing flow continuation during all outages. By letters dated February 29, and March 3, 2000, NMFS and ADF&G, respectively, disagreed that our recommendations would be adequate to protect fisheries resources at Lagoon Creek. We did not receive a response from FWS.

On April 26, 2000, Commission staff conducted a meeting with NMFS, FWS, ADF&G, and AVEC to attempt to resolve the inconsistencies. At this meeting, AVEC and the resources agencies agreed: (1) to use the draft protocol developed by the USFS for national forests in Alaska to monitor channel and habitat in Lagoon Creek; (2) that AVEC would include with its annual fisheries monitoring report the results of ADF&G's aerial surveys for two streams near Lagoon Creek as a gross indicator of fisheries production; and (3) AVEC would continue to divert flows into Lagoon Creek during all

powerhouse outages by using the jet deflector and implementing its proposed turbine bypass system, schedule spring maintenance when Lagoon Creek flows are at least 10 cfs, and downramp at a rate of 2 in/hr to perform scheduled maintenance.

First, we made a determination that a recommendation by NMFS, FWS and ADF&G that AVEC replicate its 1996 cross section measurements of Lagoon Creek in project years 3 and 5 may be inconsistent with the substantial evidence standard of Section 313(b) of the FPA. We found that the recommendation, intended to determine any project-related effects on channel and habitat changes, may not be supported by substantial evidence because flooding in June 1998 changed the channel to the extent that the cross sections do not represent current conditions.

At the meeting, ADF&G presented the draft protocol developed by the USFS for stream monitoring to Commission staff (USFS 1999), and the agencies recommended that AVEC use the USFS protocol in lieu of their original recommendation to replicate the 1996 cross sections. We find that the protocol is designed to conduct rapid stream surveys, offers several tiers of effort which can be tailored to the survey needs, and includes the substrate and riffle/pool frequency counts that are of special interest to the agencies. Therefore, we find that substantial evidence exists to support the modified recommendation and, in Section VII of the FEA, we recommend that the USFS protocol be adopted to monitor stream channel and habitat in Lagoon Creek.

Second, we made a preliminary determination that a recommendation made by NMFS that post-construction monitoring include the results of ADF&G's annual aerial surveys of two streams similar to Lagoon Creek may be inconsistent with the substantial evidence standard of section 313(b) of the FPA. NMFS recommended this measure to determine any project effects on fisheries production and habitat use by comparing AVEC's monitoring results in Lagoon Creek with ADF&G's aerial recruitment surveys from similar streams. We found that NMFS's recommendation may not be supported by substantial evidence because the index streams were not identified and ADF&G had not committed to surveying streams in the project area.

At the meeting, ADF&G presented information about the annual aerial recruitment surveys of Kodiak Island streams conducted by its commercial fisheries staff, including the methods and purpose as a gross indicator of fisheries production. NMFS modified its recommendation to state that ADF&G's aerial surveys would not be used alone for determining any project effects, but only in concert with project specific monitoring data. We agree that having a gross indicator for production for other streams in the project area could be useful to determine whether any large scale increases or decreases in recruitment

for Lagoon Creek are found in similar streams in the area. Therefore, we find that substantial evidence exists to support the modified recommendation and, in Section VII of the FEA, we recommend that AVEC include with their annual fisheries monitoring report for Lagoon Creek, ADF&G's aerial survey results for two similar streams.

Third, we made a preliminary decision that the recommendation by FWS and ADF&G that AVEC provide fail-safe and redundant back up provisions for flow continuation during outages may be inconsistent with the public interest standard of Section 4(e) and the comprehensive planning standard of Section 10(a) of the FPA. The agencies intended the recommendation to protect salmon by maintaining a wetted streambed below the powerhouse during outages. We found that the benefits of maintaining the trans-basin diversion during scheduled outages would not be worth the cost of a second conveyance system.

At the meeting, the ADF&G and FWS clarified that their recommendation for flow continuation during outages was intended to apply to powerhouse outages only, not to penstock or intake outages that could disrupt the trans-basin diversion. AVEC explained the spring and fall debris clearing maintenance that is necessary to avoid unscheduled outages. The agencies modified their original recommendation to allow maintenance to occur from May 15 through July 15 and mid-October through the end of November, when natural flows in Lagoon Creek are at least 10 cfs. to provide a wetted stream had below the powerhouse. AVEC also presented a detailed explanation of their proposed turbine bypass system and let deflectors that would ensure flow continuation through powerhouse outages. We believe that the combination of the jet deflector and AVEC's proposed turbine bypass system and a 10-cfs natural flow in Lagoon Creek during scheduled maintenance are adequate to provide flow continuation and fisheries protection during powerhouse outages. Therefore, we find that the modified recommendation meets the public interest and comprehensive planning standards of the FPA and, in Section V.C.2 of the FEA, we recommend that AVEC provide flow continuation during powerhouse outages.

In their letter dated February 29, 2000, NMFS submitted an alternative recommendation that AVEC ramp shutdowns for scheduled maintenance over a 3-hour period to protect fisheries during outages. At the April 26 meeting, ADF&G submitted an alternative recommendation that shutdowns be ramped 2 in/hr based on Hunter's (1992) findings, and NMFS modified their ramping recommendation to agree with ADF&G's ramping rate of 2 in/hr. We agree that a 2-in/hr downramping rate would benefit the Lagoon Creek fishery by preventing stranding, and in Section VII of the FEA, we recommend that the alternative recommendation that AVEC downramp flows at 2 in/hr

before performing scheduled maintenance be adopted.

We find that the any inconsistencies between the agencies' 10(j) recommendations and the FPA have been resolved as a result of the additional information and modified and alternative recommendations presented by the agencies and AVEC at the April 26, 2000, meeting.

Table 8 summarizes the fish and wildlife agency recommendations received by the Commission and the conclusions reached in this EA relative to these recommendations.

Table 8. Summary of fish and wildlife agency recommendations. (Source: Commission staff)

stail)				
RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(j)	ANNUAL COST	CONCLUSION
Develop a comprehensive erosion control and sedimentation control plan	NMF\$ FWS ADF&G	Yes	Minimal	Adopted
2. Timing restrictions for in- water work must meet ADF&G's recommends adoption based on ADF&G's clarification of it's recommended timing restrictions as presented at the April 26, 2000, meeting.)	NMFS	Yes	N/A	Adopted
3. Develop a revegetation plan, using only native plant species on all impacted ground	NMFS FWS ADF&G	Yes	\$750	Adopted
<ol> <li>Prepare a bear safety plan to avoid possible conflicts between bears and humans in the project area during construction and operation.</li> </ol>	Interfor	Yes	\$250	Adopted.
5. Hire an ECM and jointly write the position description with the agencies, including qualifications, duties and responsibilities.	Interior	Yes	\$8,100	Adopted - as a requirement of the Commission's QCIP.

RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(j)	ANNUAL COST	CONCLUSION
6. Prepare a plan to ensure adherence to ESCP and splil prevention plan, including employment of an ECM with the authority to cease construction and change orders in the field as deemed necessary.	Interior ADF&G	Yes	See #5	Adopted - as a requirement of the Commission's QCIP.
7. Consult and obtain approval from fish and wildlife resource agencies regarding the licensee's final fuel and hazardous spill plan to help prevent and minimize any impacts associated with the handling of hazardous substances during project construction and operation.	Interior ADF&G	Yes	Minimai	Adopted - Commission would have final approvat
2. Prepare a plan, for agency approval, to monitor sny project effects on salmon by continuously recording water temperatures for a minimum of 5 years, depending on results, at six sites recommended by the resource agencies.	NMFS Interior ADF&G	Yes	\$3,200	Adopted - Commission would have final approval, and final determination for whether the results warranted additional temperature — monitoring.
9. Prepare a plan, for agency approval, to monitor project effects on salmon by conducting adult spawning surveys for at least 5 years after the start of project operations in three reaches, during seven separate periods, as recommended by the resource agencies.	NMFS Interfor ADF&G	. Yes	included in 88	Adopted - Commission would have final approval, and determine if results warranted additional spawning surveys.

RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(1)	ANNUAL COST	CONCLUSION
10. Prepare a plan, for agency approval, to monitor project effects on salmon by trapping juvenile fish in three reaches using non-lethal capture techniques, standardized methods, times, and locations, for identification, enumeration, and measurement.	NMFS Interior ADF&G	Yes	Included in #8	Adopted - Commission would have final approval, and determine if results warranted additional juvenile surveys.
11. Use two streams in the immediate area, surveyed by the ADF&O annually, with similar characteristics to Lagoon Creek as control streams to compare Lagoon Creek fish production. (Staff recommends adoption based on modification to 10(j) recommendation presented at the April 26, 2000, meeting.)	<b>HMFS</b>	Yes	N/A	Adopted - AVEC would include the ADF&G aerial survey results with their annual fisheries monitoring repost.
12. Prepare a plan, for agency approval, to monitor project effects on salmon from changes in geomorphology and erosion. Surveys to include photos and wetted area, calculation of increase in wetted area below the powerhouse, identification of abnormal erosion or changes in channel morphology.	NMFS Interior ADF&G	Yes	Included in	Adopted - Commission would have final approval.
13. Conduct geomophology and erosion surveys by repeating pre- project cross sections of Lagoon  Creek in years 3 and 5 of project  operation when flows are 13 cfs  over the flows during the pre- project cross-sections. (Staff  recommends adoption based on  modifications presented at he  April 26, 2000, meeting.)	NMFS Interior ADF&G	Yes	N/A	Adopted

RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(j)	ANNUAL COST	CONCLUSION
14. Develop and submit plans to resource agencies for approval and review six months before operation or construction begins, depending on plan.	NMFS Interior ADF&O	No- not a specific F&W measure	N/A	Not adopted- Commission would require a 30-day minimum consultation period.
15. Allow the agencies 30 days by notification in writing to enable them to comment and reach agreement with the applicant before the plans are submitted to the Commission, Submit the final plan, approved by the agencies, to the Commission at least 30 days before the scheduled date to initiate activities related to the plan.	Interior	No-not a specific F& W measure	Minimal	Adopted under 10(a).
16. Consult with the agencies aroually about holding a project review meeting to review monitoring and stream gaging results and identify courses of action, including study modification and the need for continued studies. Results should be sent out at least 30 days before a meeting. If a new or modified course of action is proposed as a result of the annual meeting AVEC would prepare an implementation plan, to be approved by the resource agencies, and submit it to the Commission for review and approval.	NMFS Interior ADF&G	No-not a specific F& W measure	Included in # \$	Adopted under 10(a) - as a requirement of the biotic monitoring plans.

RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(1)	ANNUAL COST	CONCLUSION
17. Record the minutes of annual project review meetings and circulate the draft of the minutes to attendees for review comments and approval within 14 days following a meeting. Submit the final minutes and other evidence of the consultation, along with any recommendations and comments by the fish and wildlife agencies and the licensee to the Commission.	Interior ADF&G	No - not a specific F&W measure	Mizimai	Adopted under Section 10(a), although participants could establish other mutually agreeable time frames.
18. If a new or modified course of action is proposed as a result of the annual meeting, further review may be required. (ADF&O's recommendation states that further ACMP review may be required.) Hold additional meetings if unforseen effects of project operations warrant such meetings.	Interior ADF&O	No - not a specific F&W measure	N/A	Not adopted - Any proposed course must be submitted to the Commission for approval, ACMP reviews are independent of Commission reviews. Annual meetings would be discontinued after monitoring and any new measures based on monitoring results are implemented.
19. Summarize and submit temperature data to the fish and wildlife agencies annually, and if the agencies determine that the temperatures during project operations vary from the range of measured pre-project temperatures and pose a potential negative effect on the spawning, incubation, and/or rearing of snadromous fishes, develop and implement a mitigation plan, approved by the fish and wildlife agencies.	Interior ADF&O	No - Would give final authority to the agencies	N/A	Not Adopted - A temperature monitoring plan would be implemented. The Commission would determine whether the results warranted additional measures.

RECOMMENDATION	AGENCY	Within Scope of Section 10()	ANNUAL COST	CONCLUSION
20. If fish production is significantly reduced as a result of project operations, the license shall be reopened. In consultation with the fish and wildlife agencies, the Commission will order the licensee to construct the necessary facilities or modify operations to release water at temperatures that do not impact fish production in Lagoon Creek.	Interior ADF&G	No - Commission determines whether a license is reopened and whether additional measures are appropriate	N/A	Not adopted - if post- license monitoring results show that the project adversely affects resources, the Commission may direct AVEC to modify project facilities or operations.
21. Address the problems identified by monitoring with actual mitigation, not limited to these examples: (1) if monitoring shows that decreased water temperatures detrimentally impact spawning and rearing, a pond should be constructed at the tallrace to raise water temperature before entering Lagoon Creek; and (2) if excessive erosion occurs, the streambanks should be blorehabilitated and/or the tallrace altered to reduce velocities.	NMFS	No - Commission determines whether additional measures are appropriate	N/A	Adopted under 10(a) - If post-license monitoring results show that the project adversely affects resources, the Commission may direct AVEC to modify project facilities or operations, including the examples in this recommendation.
22. Operate a recording (at intervals of 15 minutes or less) atream gage, for a minimum of 5 years just below the powerhouse.	NMFS Interior ADF&G	Yes	\$300	Adopted
23. Make flow records available to resource agencies	NMFS Interior ADF&G	Yes	Minimal	Adopted

			-	
RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(j)	Annual Cost	CONCLUSION
24. After construction of the project, record, summarize and submit streamflows monthly for the first year of operation and annually thereafter to the fish and wildlife resources agencies. If a rating curve or any other regression relationship is used to calculate discharge, submit to the agencies annually or whenever a shift in the rating curve occurs, whichever occurs first.	Interior ADF&G	No - not a specific F&W measure	Minimat	Adopted under 10(s)
25. Provide reviews of reports and compliance with all license stipulations.	Interior	No - not a specific F&W measure	N/A	Not adopted - review of fish and wildlife license requirements would be included with annual project meetings, but not other license requirements. Commission would determine compliance with requirements.
26. Operate the project as run-of- river where the instantaneous outflow from the impoundment (as turbine discharge, spillage, direct release, and/or leakage) is equal to the instantaneous inflow into the impoundment, up to 13.2 cfs.	Interior ADF&G	Yes	Minimal	Adopted
27. Divert no more than 13.2 cfs from the East Fork into Lagoon Creek.	NMFS	Yes	\$0	Adopted
28. Divert a constant amount of water through a bypass system regardless of power demand.	NMFS	Yes	\$0	Adopted - Interpreted as discharging a constant flow from the powerhouse through a bypass system, turbine or combination of both.

RECOMMENDATION	AGENCY	WITHIN SCOPE OF BECTION 10(1)	ANNUAL COST	CONCLUSION
29. Schedule maintenance that reduces water flow to meet ADF&O time restrictions. (Staff recommends adoption based on ADF&O's recommended time restrictions as presented at the April 26, 2000, meeting.)	NMFS	Yes	Indeterm- brate	Adopted.
30. For any unscheduled maintenance, report to the agencies the date, duration of reduction, reason for occurrence, and measures for prevention of reoccurrence.	NMFS	Yes	Minimet	Adopted
31. Provide fall-safe and redundant backup provisions in project design and operation. The facilities shall have the capacity for indefinite flow continuation. (Staff recommends adoption based on agencies' clarification that this would apply only to powerhouse outages.)	Interior ADF&G	Yes	\$0	Adopted.
32. Include remote monitoring and operation of all project components of project design and operations.	Interior	No - not a specific F&W measure	\$0	Adopted under 10(a)
33. File, for Commission approval, a detailed plan for establishing an interest-bearing excrow account to mitigate for currently unforseen impacts on flah, wildlife, and water quality associated with construction and operation of the project.	Interior ADF&G	No - not a specific F&W measure	N/A	Not adopted - No evidence that AVEC could not fund environmental measures as required by the Commission.
34. Allow any interested party to petition the Commission to add new conditions or amend these conditions pursuant to FPA Section 10(j).	NMF3	No - not a specific F&W measure	Indeterm- Inate	This is a legal question that would be addressed at the time of license issuance.

RECOMMENDATION	AGENCY	WITHIN SCOPE OF SECTION 10(j)	ANNUAL	CONCLUSION
35. Allow ADF&G representatives, with proper credentials, to have free and unrestricted access to, through, and across access routes leading to project lands, all project lands and all project works.	ADF&0	No-not a specific F&W measure	Minimal	Adopted under 10(a) - Advance notice required for safety and liability reasons
36. Ramp flows over a 3-hr period during scheduled shutdowns. (Staff recommends adoption based on NMFS modified recommendation of 2 ln/hr.)	NMFS	Yes	Minimal	Adopted
37. Ramp flows at 2-in/hr during scheduled shutdowns.	ADF&G	Yes	Minimel	Adopted

#### IX. CONSISTENCY WITH COMPREHENSIVE PLANS

Section 10(a)(2) of the FPA requires the Commission to consider the extent to which a project is consistent with federal or state comprehensive plans for improving, developing, or conserving a waterway or waterways affected by the project. Accordingly, federal and state agencies have filed 24 comprehensive plans for Alaska. Of these, we identified and reviewed four plans relevant to this project: Alaska Outdoor Recreation Plan (Alaska Department of Natural Resources 1981), American Waterfowi Management Plan (FWS 1986), the refuge Comprehensive Conservation Plan (CCP) (FWS 1987), and the refuge Fishery Management Plan. No conflicts were found with the Alaska Outdoor Recreation Plan, American Waterfowi Management Plan, or Fishery Management Plan.

The CCP serves as the master plan for providing broad policy guidance and establishing the long-term goals and objectives for FWS management of the refuge. Lands that are proposed for wilderness areas, including land that the proposed project would occupy, are designated as "minimal management" (letter from Paul Gates, Regional Environmental Officer, U.S. Department of the Interior, Anchorage, Alaska, February 22, 1996). Hydropower development was a significant issue at the time the plan was developed because of a proposed expansion to the Terror Lake Project (FERC No. 2743), also located on the proposed wilderness area. The plan allowed for an expansion

of the Terror Lake Project to the extent that it would be compatible with refuge purposes and consistent with refuge objectives, but prohibited any new hydro projects (FWS 1987).

The proposed Old Harbor Project is not consistent with the uses and purposes of the refuge allowed on lands designated for "minimal management." However, by implementing the environmental protection measures outlined in this EA, the small hydroelectric development proposed for the Old Harbor Project would be consistent with uses allowed under "moderate management." Changing the management designation from "minimal" to "moderate" would allow the construction and operation of a low-head dam and associated facilities, but lands designated "moderate management" usually allow activities which would not be consistent with authorized uses of refuge lands surrounding the project site. Therefore, the FWS has decided to amend the CCP to reclassify the lands within the proposed project site as "moderate management for the purpose of hydroelectric development." All other activities will be managed under guidance consistent with the "minimal management" designation of surrounding lands.

# X. FINDING OF NO SIGNIFICANT IMPACT

We've prepared this environmental assessment for the project pursuant to the National Environmental Policy Act of 1969. Constructing the proposed project would have some unavoidable adverse impacts; some temporary, some permanent.

Temporary impacts would include short-term, localized erosion and sedimentation and increased traffic, noise, and dust, which would temporarily displace wildlife. Implementing the recommended ESCP, hazardous spill prevention, bear safety and eagle protection plans should mitigate these impacts to minor levels.

Permanent Impacts would include the loss of about 16 acres of vegetation, and 1.3 acres of wetlands. These impacts are expected to be minor because sensitive habitats would be avoided and there is an abundance of similar habitat in the area. The additional flow diversion into Lagoon Creek could cause long-term temperature changes and/or erosion that could affect salmon and salmon habitat downstream of the powerhouse. With our recommended operational and biotic monitoring plans, however, these effects should be minimal. During emergency outages of the intake or penstock, some salmon could be stranded and redds dewatered downstream of the powerhouse. We recommend scheduling maintenance for the intake and penstock during times that would minimize any adverse effects on salmon and salmon habitat below the powerhouse. We also recommend continuing flows during all powerhouse outages, scheduled or unscheduled,

throug C's proposed turbine bypass system. Revegetation would not occur for about 4,400 feet along the penstock trail because of public ATV access. These effects would be minimized by our recommended recreation plan.

On the basis of this independent environmental analysis, issuing an original license for the project with our recommended environmental measures would not be a major federal action significantly affecting the quality of the human environment. Therefore, an environmental impact statement is not required.

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#### XII. LIST OF PREPARERS

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- David Turner -- Terrestrial Resources, Threatened and Endangered Species, (Wildlife Biologist; M.S. Wildlife Biology)

## Appendix A

RESPONSE TO COMMENT LETTERS ON THE DRAFT ENVIRONMENTAL ASSESSMENT



UNITED STATES DEPARTMENT OF COMMERCE Historial Oceanic and Atmospheric Administration National Marine Fisheries Service P.O. Box 21868

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Amesu, Aleska \$9802-1868 Pabruary 29, 2000

REGULATORY CONHISSION

David P. Boargers, Secretary Federal Energy Regulatory Commission Project No. 11699-001, 888 First Street, M. M. Washington, D.C. 20426

Commente: Alaska Old Harbor Hydropower Project Alaska Village Electric Coop.

Dear Mr. Boargers:

This letter responds to the Draft Environmental Assessment (DEA) dated January 19, 2000, and a letter dated January 20, 2000, from the Federal Energy Regulatory Commission (FERC) to the National Marine Fisheries Service.

#### PROPOSED ACTION

The Old Harbor project, as described in the DEA, would consist of:

- a. an 66-foot-long by 7-foot-high uncontrolled diversion structure, constructed with galvanised steel frames with Enki wood stop logs, at an elevation of 840 feet above mean sea level (FUSL);
- b. an intake structure with a trash reck;
- d. a 30-foot-long by 8-foot-high steel, wood and concrete desander box, with screens to catch suspended debris and a bypass gate for flushing the screens and accumulations of sand and gravels
- d. a 9,800-foot-long penstock made up of 1,200 feat of 20- to 18-inch-diameter high density polyethylene pipe and 6,600 feet of 16-inch-diameter steel pipe;
- e. a bypass system, joining the penstock just upstresm of the turbine, with a separate tailrace, parallel to the turbine tailrace, to direct water in the penstock, not needed for power generation to a submerged container to dissipate dissolved gases and moderate daily flow fluctuations;

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spawning and rearing success. NAFS does not oppose granting a license to Alsaka Village Electric Cooperative, Inc. for this project, provided that the Commission incorporates the following Section 10(3) recommendations into the Iluenae.

#### SECTION 10(4) RECOMMENDATIONS

KMFS originally made 10(4) recommundations in a letter dated August 16, 1999. FERC responded to those recommendations in a letter dated January 20, 2000, and the Draft Environmental Assessment dated January 19, 2000. The following 10(j) recommendations have been altered from our original recommendations to respond to those documents.

#### Freeign Control and Revenetation Plan

Rationa's Ercaion caused by construction and project operation can introduce sediment in the stress which can detrimentally impact incubating eggs and rearing tish.

Condition: A comprehensive erusion control and revegetation plan should be developed and submitted for review and commants at least 60 days before project implementation. The plan should include, but not be limited to, the following:

- -silt fences should be used to limit project footprint and eliminate sodiment runoff to the stream.
- -Procedures should include ways to limit erosion to bere ground such as covering with matting or sulch.
- -Revegetation should be done on all impacted ground. Only native plant species should be used.
- -Revegetation should be monitored. Vegetation should reach sol of natural vegetation densities within one year.
- -The plan should include monitoring, fixing any drainage or erosion problems and replanting if densities are not met.
- -In-water work and stream crossings during construction must occur between May 15 and July 15. This will avoid adding sediment to the stream when eggs or juvenila fish are in the gravel or when adult salmon are spawning.
- -Any stream bank damage should be repaired using biorehabilitation techniques that mission mative vegetation densities and species.
- -Hire an environmental compliance monitor with the authority

<u>NMFS 1:</u> In Sections V.C.1, V.C.3, and VII, we discuss and recommend adoption of your recommended measures for erosion control and revegetation, except that we recommend native plant species be used to the greatest extent practical.

to cease construction and change unders in the field as desired necessary. Agencies should jointly write the position description, including qualifications, daties and responsibilities.

#### Cual and Hazardona Spill Plan

Rational: Hazardous material spills can result in short and long term detricental impacts to the survival of anadromous ligh,

Condition: A comprehensive fuel and becardous spill plan should be developed to prevent any impacts associated with the handling of hazardous naterials and operation of machinery during project construction and operation. The plan should be developed and submitted for review and comments at least 60 days before project implementation.

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#### Monitoring Plan

In order to substantiate claims that the project will increase fisheries production in Lagoon Creek we recommend that the applicant develop a comprehensive monitoring plan. The plan should include, but not be limited to the following:

#### Stream Caging

Rational: Accurate flow measurements are needed to assess effects upon water temperature, spawning area available, incubation of aggs, and erosion. All of these factors can affect stress health and fisheries production.

Condition: A erreem gage should be operated for a minimum of five years just below the powerhouse. Discharge measurements must comply with standards established by the U.S. Declogical survey (USGS) and must record stage/flows at a fraquency of no less than 15-minute intervals.

#### Temporature Monitoring

Relional: Stream temperatures recorded at the diversion sate have been up to 10°F cooler than the waters in Lagoon Creek. The addition of cooler water to Lagoon Craek will lower water temperatures. Cooler water temperatures will increase incubation time for eggs and delay fry emergence. This "timing" charge may affect migration and food availability for juvenile fish. Temperature monitoring will help to seems if the addition of Kountain Creek water appropriably changes water temperatures in different sections of Lagoon Creek and if additional mitigation or design features must be implemented to maintain fisheries production.

NMFS 1: continued.

NMFS 2: In Section V.C.2 of the FEA we recommend the adoption of a fuel and hazardous spill prevention plan.

NMFS 3: In Sections V.C.2 and VII of the FEA, we discuss and recommend the adoption of plans to monitor streamflow, water temperatures, fisheries, including the use of index streams, and habitat and channel changes. We also recommend annual review meetings. Our recommendations incorporate the modifications as discussed at the Section 10(j) meeting held April 26, 2000.

Condition: Continuously recording temperatura gages should be operated for one year prior to diverting water and up to five years during project operation. Gages should be placed:

- At the diversion site on Mountain Crank,
- b. Just above the powerhouse on Lagoon Creek
- a. Below the powerhouse at the beginning of adequate apaying habitat.
- d. Just above the confluence of Lagoon Greek and the Lake tributary on Lagoon Creek.
- on the Lake tributary just above the confluence with Lagoon Creek,
- f. Helow the confluence of Lagoon Grack and the Lake tributary.

If everage temperatures in Lagoon Creek are lowered norm than 1 degrees F. and fish production has gone down, mitigation may be oppropriate. Possible mitigation may include a pord constructed at the tellrace to raise water temperature before entering Lagoon Creek.

#### Fish Surveys

Rational: Juvenile and adult flub surveys are needed to ascertain impacts (positive or negative) of project operation on fisheries production and habitat use. Fish numbers may document increased apawning and rearing habitat utilized due to incressed water flow in Lagron Creek.

#### Spawning Surveys

Spawning surveys should be conducted for five years, once in July and twice per both during August, September, and October. Mish-counts shall fullow ADS60 protocols for standardisation and indexing of peak foot survey counts. The survey should be split into three areas: 1) Lagoon Creek above the confluence with the Lake tributary, 2) the Lake tributary, 3) Lagoon Creek below the confluence with the Lake tributary. Live and dead fish should be counted and species identified.

#### Juvenile Bukveys

Juvenile fish sampling should be conducted per ADFO timing recommendations using non-lethal methods. Results should be sursarized in three segments as in the spewning surveys. Juvenile sampling would be done to quantify changes in juvenile fish numbers and habitat use, so standard sampling nethodology, limes, and locations should be used.

#### Index Straum

NMFS 3: continued.

the channel conditions, including salmon babitat. It whatem that monthstrang erosion and channel changes is necessary.

The DEA wise states that due to high flows in 1998, the measurements taken during 1996 do not represent present conditions and no longer be valid. NHFS agrees will these statements. In order to achieve objectives and neet concerns NMFS recumends:

In order to get present conditions, the survey should be performed before water is diverted into Lagoon Greek. The survey should be repeated during years thrus and five of project operation when flows are 13 cfs over flows occurring during pre-project cross section measuring.

A minimum of 12 cross mentions be surveyed from the power house to the confluence of Lagoon Crank and Lake Crack, and a minimum of 12 cross sections be surveyed from the confluence down to salt water. This would be a total minimum number of 34 cross sections surveyed. Stress complexity and variability warrant this minimal number of cross sections to properly document wetted area, quilier representative samples and dominant channel morphology changes. Phonos should be taken at each cross section unwiream, downstresm and across stream from buth etreambanks. Stream flow should be recorded at the powerhouse gauge. An incresse in the number of cross sections will not appreciably increase the cost of the survey and will give much greater reliability in the analysis. Ferform the survey when flows are 13 ofs over flows occurring during pre-project usons section measuring. Calculate the increase in wetted ares. Identify abnormal erosion or changes in channel morphology.

If cross sections show an increase in the width to depth ratio of more than 10% over pro-project levels, project design, operation, or mitigation should be altered. Obvious problem areas may occur that are not captured in survey summaries. These areas should be documented in the photo logs. If atreamment mitigation is deemed appropriate, browing incering methodology should be used. This will provide optimal fish habitat and long term stream health.

#### Yearly Roview

Rational: Review of monitoring results will enable the applicant and agencies to work together to adjust the monitoring and interpret results.

NMFS 3: Continued.

Condition: A yearly monitoring review meeting should be work but at least 30 days prior to the meeting.

#### SECTION ACCOUNT

Establish an interest bearing escrow account or other vehicle to nizigate unforseen impacts to fish, wildlife, or water quality impacts caused by construction, operation of the project during the license term, or decumnissioning of the project. The funds in the account would be made available to a council made up of representatives from ADFAU, USFMS, MMFS and the licenses. The account would be used by the council to implement fish and wildlife stigation. The principal and accountant literest would remain in escrow for the term of the license, unless jointly determined by the council that the account may be closed and remaining funds be returned to the licenses.

The account would be readily available to mitigate unforseen impacts. This would help to alleviate concerns about impacts to state and federal conservation essements, and help to insure proper protection of fish and wildlife throughout the project lite, even if sweership changes.

#### Project Operation

Rational: Project operation will directly affect stresm flow in Lagoon Creek. Stream flow is especially critical during spawning and incubation times. Reduction of flow during these times can seriously impact spawning and incubation success.

-No more than 13.2 cfs will be diverted from Hountsin Creek into Lagoon Creek.

-The license should require that the project will divert a constant amount of water through a bypass system regardless of varying power demand. Sypass flows should be equal to power flows.

-Water reductions during low flows can kill eggs and strand fuvenile fish. In order to svoid this, scheduled maintenance that reduces water flow should occur between May 15 and June 15 when flows are above 20.cfs. Shutdowns should be ramped over three hours to avoid stranding fish.

-Any emergency maintenance or breakdown that reduces water flow into Legoon Creek will be reported to the agencies. Include the date, duration of reduction, cfs reduction, the research for the occurrence, how to prevent the occurrence from happening again and any other portinent information.

INMFS 3: Continued.

NMFS 4: We discuss an escrow account in Section V.C.2 of the FEA, but recommend against requiring AVEC to establish one.

NMFS 5: In Section V.C.2. of the FEA, we discuss and recommend project operation measures consistent with your recommendations as modified during the April 26, 2000, meeting.

-The tailrace should be designed to prevent selmon from entering or attempting to enter the tailrace.

NMFS 5: continued.

#### Amendment of License Articles

Any interested party may patition the Commission to add new conditions or to amend these terms and conditions as necessary to protect, mitigate and enhance fish, wildlife, and their habitat pursuant to Pederal Power Act section 10(j).

National Marine Fisheries Service requests that any license issued in this proceeding incorporate the terms and conditions above, including a reservation of their authority to add new conditions or to smend these terms and conditions as macassaxy for the protection of the anadromous fish resources of Old Harbor.

If the above 10(j) recommendations cannot be met, NHFS requests a 10(j) meating with the agencies to resolve differences. Thank you for the opportunity to comment. Please contact Daniel Vos of my staff at 907-271-5006 if you have any questions.

Sincerely,

Steven Pennoyer Administrator, Klaska Region

de: ADFG, ADEC, ADGC, EPA, USFMS, COE - Anchorage

Alaska Village Electric Cooperative Charles Y. Mails General Manager Alaska Village Electric Cooperative, Inc. 4631 Eagle Street Anchorage, AK 99503-7497

Daniel Hertrich Polarconsult Alaska, Inc. 1503 West 33rd Avenue Suite 310 Anchorage, AR 99503-3561 NMFS 6: This is a legal issue which would be determined if a license is issued to AVEC.

NMFS 7: Commission staff conducted a meeting on April 26, 2000, in which NMFS participated.

http://rimswebl.ferc.fed.us/rims.q?rp2~PrintNPic

M.

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**ORIGINAL** 

TOHO KINDHOLER, OICHERHOR

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March 3, 2000

Me. Ann Miles, Chief Liounning West Breach Office of Hydropower Licensing Federal Brerzy Regulatory Commission Bill Fast Street, N. E. Weskingson D.C. 20426

Deer Ms. Miles

RE: OLD HARBOR HYDROPOWER PROJECT, FERC PROJECT NO. 11690-001, ALASKA-DRAFT ENVIRONMENTAL ASSESSMENT, ALASKA DEPARTMENT OF PISH AND GAME-10; RECOMMENDATIONS

HABITAT AND RESTORATION DIVISION

Thank you for providing the Alaska Department of Fish and Game (ADF&C) the apportunity to consecut and respond to your feature? 20, 2000 letter squaliting out Federal Power Act (FFA) § 10(1) final recommended series and conditions for the Ock Habert Hydroperse? Project. The recumented textus and conditions are advanced in the factors 19, 2000 National Environmental Policy Act &ch covironmental convenient (D&A) for the project. Your tests rate overest questions: so the Federal Energy Registrary Connectables? (FERC/Connectation) proliminary DMA indigation presents acceptable to our approxy; does ADF&C here additional evidence in support the department August 20, 1999 reconnectacletions; and do we have additional recommendations and supporting avidance?
Following are responsed to your Jesseury 20, 2000 letter including comments on the Jamesy 19, 2000

) So wer recommendation that Alaska Village Elastric Cooperative, Inc. (AVEC) propers a plant to determine any cheeges to channel somplinings; and salams habital acceptable by you?

Yes. The ADF&C will work with the National Marine Fisheries Service, the U.S. Fish and Wildlife Service and the popilized in designing such a piece. We suggest that width/depth secondaments of a representative set of pools and riffest and their floquency be considered as a minimum, symplement for the secondament of solution habitat. In addition, a pre-project set of measurements must be accomplished so that a benefits can be notablished against which comparisons may be such.

 to our recommendation that AVEC lastell its proposed bypom system for flow continuation during all powerhouse outages occupabile to you?

Purhaps. Provided the officiousy and reliability of the proposed jet deflector system is capable of passing all of the trains in the positions (say to 13.0 cable that yet second), at all times water in bulge diverted from the East Fork Mountain Creak, our concerns for streamflow in Lagoun Creek downstress of the

PRINC DOCKETS

NAR 6 200

000331-0201-3

ADF&G 1: In Section VII of the FEA, we recommend channel and habitat monitoring using the protocol developed by the USFS for national forests in Alaska, as discussed at the April 26, 2000, meeting with Commission staff and the resources agencies.

ADF&G 2: AVEC's proposed bypassed system and jet deflector were discussed at the Section 10(j) meeting held April 26, 2000, and we recommend measures to ensure flow continuation in Section VII of the FEA.

http://rimsweb1.ferc.fed.us/rims.q?rp2~PrintNPic

Is our recommendation that AVEC prepare a schedule for maintenance of the intake and
neumock to minimize flow interruptions from latake and postatock autores accordable to you?

You. We took forward to westing with the applicant, the U.S. Fish and Wildlife Service, and the Nedonal Market Fisheries Service is designing such a maintenance schedule. Such a methodule must be timed to coincide with netural Lagoon Creek Sarbae water flows of sufficient engelands that devastering of the Streem citament downstring of the Streem citament downstring on the prevented.

4) Are there any other measures that you'd agree to that would accomplish the objectives of your original recommendations?

Yes. Concerning sedimentation or disturbance of anadromous flak waters, the ADPAC, is the State of Alaska's principal enaneges of flak and wildlife senseroes and flat habitam. ADPAC is mendated under state law to: "... seasongs, prosets, malerain, lengerors, and articulable flab, game, and aquable plant resources of the state is the interest of the sconorsy and general well-being of the state..." (AS 16.03.030). Among the ADPAC's warlous powers and duties are: "... on sense the United States Fish and Wildlife Services in the enthrement of florest have and regulations pertaining to flak and game ..." (AS 16.03.030), and protest fish hebitat (AS 16.03.840 and AS 16.03.870). Parsaunt to AS 16.03.870 duty ADPAC extern jurisdiction over activities below the ordinary high water level of anadromous fish buttering waters.

For this russon may project-related operations dust could affect the best or banks of Lagoou Croek will require authorization from ADF&C. During pre-project scoping meetings the investor tissing window for such accidence we went construction, opingsmass foreign, and outful occarrations were discussed. Pink, chant, and onto sukmon spows in Lagous Creek. Adolt submon spowsing generally begins in mid-loby and extends threshold the like. The eggs deposited in the streambed do not emerge as fire evirated gods to the lotty or savey lates of the following year. Solution eggs deposited in streambed graved are extraorely valuesable to any type of disturbance and custom windstands shock or propers. In addition, soditions deposited on top of sakeson aparting gives may selflocate and thereby kill eggs and elevin. For those restors instrume work in another more late where is the Rodial area is generally prohibited in mirror appropriate and contrar grams enemy between early four and sold July.

5) Is there may udditional evidence to exprect your recommendations or to demonstrate why they are consistent with the FPA?

In addition to the measures discussed above, we believe that FERC should recomider one other of the terms and conditions that ADP&G recommended.

Escrew Accessor: In the DEA (pages 51, 53, and 91) FERC makes a prairintness described that the mitigation little is not accessary because, in the event the project is adversely affecting resources, "the "Canmisator may diver: AVSC to modify project operations or facilities. Further, if during the terms of a bloome Commentation supporting additional recounts is presented, the Commission could respect the

ADF&G 2: continued

ADF&G 3: In Section V.C.2. of the FEA we recommend that instream construction activities occur between May 15 and July 15 in the East Fork and between early June and July 15 in Lagoon Creek.

FERC RIMS DOC 2067491

### **ORIGINAL**

polarconsult alaska, inc.

Project No. 11690-001 Old Harbor Project DANKE CE INF FECHERIUS

00 APR 14 PH 3- 12

April 7, 2000

DAVIS BORNOSS, SECRETARY
FROMAL EMERGY REGULATORY COLORS SECRETARY CONTRIBUTES 884 FORST STREET NE. WASHINGTON, D.C. 20426

Subject:

COMMENTS
FIRC's DEA, FBRC Project \$11690-001, Old Harbor Project

30' proposed width to a width of 60'. There are several resease for request

This arbitistical curses will allow for general finishibly in making changes to the physics beyond by the Shid. As an excession, there were not not where a algorithment anch custorapping is promise that will provide diagons and bunks of the plays without blooking. While notice toward more than the shid to the play the physician one to weath the playsics. Another construction of the provide may need to be almost in a class objection and plays according to the beaution of the pipeline and plays algorithment eithers to be the mineral of beautiful part water that is from the pipeline and writing that is required. This is due to the fact that it is not possible to pick out every detail of the terminal through merveying.

Page 1 of 3

000417-0127-3

THEN WEST JOHN AVENUE - BLATTE STE - AMCHOR

April 7, 2000

A-11

vegetation.

polarconsult 1: The 60-foot wide right-of-way is discussed in Section V.C.2 of the EA. We agree that greater flexibility of a wider right-of-way would benefit safety, penstock routing and A Å. # LOT.

Maria 3, 2000

Somes, and after notice and opportunity for hearing, require additional measures of AVEC. We have see reason to believe that AVEC would not be able to fund any future measures as may be required by the Commission. Therefore, we do not see a need for the account and do not recommend that AVEC establish an estrow account.

Our rationals for the trust fund is that funding should be readily available if there are unforcesses events y that impact fits and withlife resources as a result of the project that cannot be softening subject operations. Encouve unit gation accounts have presented as FERC bonness. FFERC is sequired as socrow account for several Aleska projects, including Power Creek RA, PERC is present with the resource agreed set are translating as fish and while the intigation fised is measured as successary on expected impacts." The fined allows for a response when there is a send for a statistical set with the resource agreed on a spoilisses it is insufficiently or willingness to pay for the concessary to midgates for any excessarior or an applicant's issuedists shifty or willingness to pay for the concessar. The finish of the as success for an applicant's issuedists shifty or willingness to pay for the concessarior. The finish of the secure account has no bearing on an applicant's ability to find subjection sed with successarior. It is factor in the decision by FERC to include mitigation secure account in the Fower Creek (FERC No. 11243), Article 407) and Terror Lake (FERC No. 2743) hydrosterirs project florance. We respectively beingtest your reconsider your preliminary decision to not provide for an encourse for the Old Hanbor project.

Thank you for the opportunity to respond to the mitigation measures recommended in the DEA and so provide our §10(i) recommendations. We request that the above §10(i) issues, including an entrow measure, he addressed at §10(i) moving. We would not be available for such a smeeting said after Micros 16, 2000. We suggest the smooting to both in Anchorage. If you have any motions regarding this locare or whit to set up a specifing with the department please control me at 907-267-2333.

Sheensty, Africa (C. Wiyde Dolami Estatus Biologis Region B

Charles Walls, Alaska Village Electric Cooperative, Inc.
Betain Patch, Alaska Village Electric Cooperative, Inc.
Dealed Herkich, polaroussult alaska, ion.
Ness Allen, Federal Esergy Regulatory Commission
Frank Elen, Aleska Department of Fish and Genne
Kun Taylor, ADF&GH&R
Lancs Trusky, ADF&GH&R
Christopher Estes, ADF&GH&R
Christopher Estes, ADF&GH&R
Larry VanDacie, ADF&GH&C
Lery VanDacie, ADF&GH&C
Lery Wheeler, U.S. Fish and Wildlife Service
Dun Voss, National Marine Fisheries Service
Jay Bellinger, Kodink NWR

ADF&G 5: In Section V.C.2 of the FEA, we discuss escrow accounts and recommend that no account be required for the Old Harbor Project.

ADF&G 6: Commission staff conducted a Section 10(j) meeting at the ADF&G offices in Anchorage, Alaska on April 26, 2000.

4/24/2001 10:10 A

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ERC RIMS DOC 2067491

Project No. 11690-001 Old Harbor Project

Sincerely.

Daniel Hentrich, Pf.

Attachments:

Old Harbor Project Ensement Description, Portions Liberted on Federal Lands

Proposed Essensed Drawings to heavy see a seement Drawings

Christopher Estes Gary Prokosh cc (List of Participants): Linda Freed Ana Rapporport Nan Atlen Percy Frisby Bermie Rinehaet David Allen U. Gross Frank Ruc Tony Azoryak Clayton Hawkes Tim Rumbill Robert Babson Denois Hapowell Broad South Jay Hellinger Steven Horn Kita Stevena Rick Berns Michelle Jesperson Alex Swiderski David Hoerges. Doniel King Kerson Taylor loc Klein Secretary Lance Tracky Walt Boyle Una Kobie Den Vos Inha Bregar Shirley Mucher Charles Walts Brad Mciklejoha Bret Christenson Gury Wheeler firmil Christianson Fric Meyers John Williams Wayne Dolczal Kothsyn Patton Jennifer Wing Walter Hibeli P. Michael Payne

4/24/2001 10:12 A

Project No. 11590-001 Old Harbor Project

regeration change and erosam potential. A VEC wents to limit the amount of vegetation damage during constitution and operation as much as provide.

therease of the wider width, there will be more freedom in deciding where to pur the pipeline and the maintenance toul. This will ultimately translate into less maintenance because more because more because more because more touristically the evaluable to subset from in lightly the freshmen of the project. Also by allowing more room for deciding where project features on more touristic ground and sites can be chosen. This will significantly improve the forgetity of the access trail during the high volume of trailie that will occur during construction.

By implementing a 60' countries, actual vegetation demage area will remain countilly unchanged. If not decrease, from area quantities using a 10' width, I his la heccuse the width of terrots currently and of the access test will be disturbed. As stated in the DEA conservatively animates that 16 acres of area will be disturbed. As stated in the DEA that estimate is bested on disturbing all of the area within the 30' width but that complete clearing many not be required in all areas. This is absurdedly true a AVEC will arisinize clearing an interrespectation quantities are minimized. Actual clearing arounds could be more auturately catimated by assuring a 10' width of clearing for transiting activities, mother if width the construction of the access stall, complete clearing of the powerhouse and totake sites, and 20' of clearing for the transmission linefacces road. Based on these values, actual area of clearing for the transmission linefacces road. Based on these values, actual area of clearing is estimated to be 8.5 acres. Even if the disturbed were quantity of 16 access that was the basis for analysis of the DtA.

In conclusion, by allowing extra room to work is, construction tafety will improve, the potential for crustion and large cuts and fills will decrease, and there will be little or no change in the actual and disturbed.

April 7, 2000

Page 2 of )

A-12

Attachment B License

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#### 2

## UNITED STATES OF AMERICA FEDERAL ENERGY REGULATORY COMMISSION

Alaska Village Electric Cooperative

Project No. 11690-001

ORDER ISSUING ORIGINAL LICENSE (Minor Project) December 12, 2000

#### INTRODUCTION

On May 14, 1999, the Alaska Village Electric Cooperative (AVEC) filed, pursuant to Part I of the Federal Power Act (FPA), I an application for a minor license to construct, operate and maintain the 500-kilowatt (kW) Old Harbor Hydroelectric Project No. 11690 (Old Harbor Project). The project intake will divert streamflows from the East Fork of Mountain Creek to a powerhouse that discharges to Lagoon Creek, near the city of Old Harbor, on Kodiak Island, Alaska. The project facilities will occupy about 18 acres of the Kodiak National Wildlife Refuge (refuge), including lands owned in fee by the U.S. Department of the Interior (Interior). 1

#### BACKGROUND

The Commission issued notice of the application on June 15, 1999, and extended the notice on August 19, 1999. Motions to intervene were filed by the National Marine Fisheries Service (NMFS) on August 16, 1999; Interior on August 17, 1999, and Alaska Department of Fish and Game (ADF&G) on August 19, 1999. Interior moved to intervene in opposition, but withdrew its motion to intervene on March 10, 2000.

The Commission staff (staff) issued a draft environmental assessment (draft EA) for the project on January 19, 2000. Comments on the draft EA were filed by ADF&G, AVEC, NMFS, and polarconsult alaska, inc., AVEC's consultant.

Their concerns were considered in preparing the final environmental assessment (final EA) for this project, which was issued on June 26, 2000, and is attached to and made part of this license order.

I have fully considered all comments received from interested agencies and individuals in determining whether, and under what conditions, to issue this license.

#### PROJECT DESCRIPTION

Project No. 11690-001

The proposed project will consist of an 86-foot-long, 7-foot-high uncontrolled diversion dam; a 30-foot-long, 8-foot-high de-sander box, a 9,800-foot-long conveyance; a powerhouse, with one 500-kW horizontal impulse turbine/generator; a 5,500-foot-long buried transmission line; a 5,500-foot-long access road; and related appurtenances. A detailed project description is contained in ordering paragraph B(2). The project will be operated as run-of-river.

#### APPLICANT'S PLANS AND CAPABILITIES

In accordance with Sections 10 and 15 of the FPA, <sup>1</sup> staff evaluated AVEC's proposal for these areas: (A) conservation efforts; (B) dam safety; and (C) need for power. I accept staff's conclusion in each of these areas.

#### A. Conservation Efforts

In accordance with Sections 10(a)(2)(C) of the FPA, staff evaluated AVEC's record as a licensee with respect to energy conservation efforts. AVEC has a record of encouraging its customers to conserve energy by distributing pamphlets and brochures informing consumers on appliance power consumption and bill-stuffing of conservation information. Its tariff specifically discourages the use of electric heat and, in order to reduce the peak demand for generating capacity, it imposes a systemwide demand charge of \$45 per kW on monthly peak capacity demand for large commercial customers.

Staff found that AVEC is making a good faith effort to conserve electricity in compliance with the recommendations of the Alaska Public Utilities Commission.

#### B. Dam Safety

Our Regional Office classified the project as having a "low" hazard potential based on the following: (1) the diversion dam would be only 7 feet high and would have no storage; (2) the project would occupy undeveloped, forested land; (3) there are no

<sup>16</sup> U.S.C. §§ 791a-825r.

<sup>&</sup>lt;sup>2</sup> Section 4(e) of the FPA, 16 U.S.C. §§ 797(e), requires the project to be licensed.

<sup>3 16</sup> U.S.C. §§ 803.

developed recreational facilities located near the project; and (4) failure of the penstock or diversion structure would not appear to pose a risk to life or property.

Because of the "low" hazard classification, the project would not be subject to Part 12, Subpart D, of the Commission's regulations.

#### C. Need for Power

Because the city of Old Harbor is isolated from major power producing centers, it currently relies on a small set of diesel generators and barged-in diesel fuel to supply its power needs. This reliance on diesel fuel causes high fuel costs, limits fuel supplies, and increases the risk of environmental harm from fuel spills. For these reasons, there is a need to provide a more economical, reliable, and cleaner source of power than the current system. Without this project, Old Harbor would continue to use diesel generation. With the project, the community's use of non-renewable fossil fuels, would lessen air emissions from burning diesel, and give the community the opportunity to lower the cost of electricity over time.

Staff found that there is a need for the power that will be generated by the Old Harbor Project.

#### WATER QUALITY CERTIFICATION

Under Section 401(a)(1) of the Clean Water Act, <sup>4</sup> the Commission may not issue a license for a hydroelectric project unless the state certifying agency has either issued water quality certification for the project or has waived certification by failing to act on a request for certification within a reasonable period of time, not to exceed one year. <sup>5</sup> The Alaska Department of Environmental Conservation (ADEC) received AVEC's application for water quality certification on May 20, 1999. Because the ADEC did not act on the request within 1 year from the date of receipt, the water quality certification is decined to be waived under section 4.38(f)(7)(ii) of the Commission's regulations.

#### COASTAL ZONE MANAGEMENT PROGRAM

Under Section 307 (e)(3)(A) of the Coastal Zone Management Act (CZMA), <sup>6</sup> the Commission cannot issue a license for a project within or affecting a state's coastal zone unless the state CZMA agency concurs with the license applicant's certification of consistency with the state's CZMA program (which certification is included in the license application and, at the same time, is filed with the state), or the agency's concurrence is conclusively presumed by its failure to act within 180 days of its receipt of the applicant's certification.

By letter dated October 20, 2000, the Alaska Division of Governmental Coordination (ADGC) concurred that the Old Harbor Project, as proposed by AVEC, is consistent with Alaska's CZMA program, with 12 conditions which are requirements of the state. We are including in this license conditions that are consistent with ADGC's requirements to use best management practices during construction of the diversion weir (Article 401); comply with treatment specifications for wood used in weir and bridge construction (Article 401); isolate sites for bridge abutments and tailrace from flowing waters during construction (Article 401); stabilize and return to pre-project conditions any inadvertent bank cuts, slopes, fill, or other exposed earthwork (Article 401); monitor stream channel and fish habitat using specific methods (Article 402); prepare plans to monitor channel morphology and erosion (Article 402); monitor water temperature (Article 403); gage streamflows (Article 404); and restrict stream crossings by date (Article 405).

Staff did not recommend ADGC's condition that AVEC install a picket panel fish screen with 1-inch wide slot openings at the head of the tailrace and a 1-inch slotted picket weir at the mouth of the tailrace, because no preliminary design has been filed. Although staff did not recommend a screen that meets the specific CZMA criteria, Article 406 requires AVEC to design and implement a picket-panel fish screening system to prevent fish from entering the tailrace and reduce attraction to tailrace outflows.

Staff did not make specific recommendations to isolate all ground-disturbing activities within 25 feet of surface waters, leave riverbanks unaltered during stream crossings, or restrict stream crossings by type of slope, as required by ADGC, however, AVEC will be required to meet the Commission's requirements as specified by its Construction Quality Control Inspection Program (QCIP). Further, Article 401 requires

<sup>433</sup> U.S.C. § 1341(a)(1).

<sup>&</sup>lt;sup>5</sup> Section 401(a)(1) requires an applicant for a federal license or permit to conduct any activity which may result in any discharge into navigable waters to obtain from the state in which the discharge originates certification that any such discharge will comply with applicable water quality standards.

<sup>\* 16</sup> U.S.C. § 1456(3)(A).

<sup>&</sup>lt;sup>7</sup> The QCIP is found in Chapter 7 of the Commission's Engineering Guidelines for the Evaluation of Hydropower Project, available on the Commission's website. The Commission's website address is <a href="http://www.ferc.fed.us/hydro/hydro2.htm">http://www.ferc.fed.us/hydro/hydro2.htm</a> (please call

AVEC to consult with resource agencies to develop a final erosion and sediment control plan that would specify locations for final sediment control measures.

Although this license does not include certain specific CZMA criteria for the fish screen and ground-disturbing activities in the vicinity of surface waters, nothing in this license precludes AVEC from abiding by those CZMA conditions.

#### SECTION 4(e) FINDINGS AND CONDITIONS

Section 4(e) of the FPA \* provides that the Commission can issue a license for a project located within any reservation only after it finds that the license will not interfere or be inconsistent with the purpose for which such reservation was created or acquired. Section 3(2) of the FPA \* defines reservations as including lands and interests in lands owned by the United States, and withdrawn, reserved, or withheld from private appropriation and disposal under the public land laws.

The refuge was created by Executive Order No. 8857, on August 14, 1941, which established its purpose as the protection of habitat for the brown bear and other wildlife. Staff found that the licensing of the Old Harbor Project will not interfere or be inconsistent with the purposes for which the refuge was created or acquired. I concur with staff's finding.

#### SECTION 18 FISHWAY PRESCRIPTION

Section 18 of the FPA <sup>10</sup> provides that the Commission shall require the construction, maintenance and operation by a licensee of such fishways as may be prescribed by the Secretary of the Interior or the Secretary of Commerce, as appropriate.

By letter filed September 13, 1999, Interior requested that its authority to prescribe the construction, operation, and maintenance of fishways at the Old Harbor Project be reserved. Article 407 of this license reserves the Commission's authority to require fishways that may be prescribed by Interior for the project in the future.

#### RECOMMENDATIONS OF FISH AND WILDLIFE AGENCIES

Section 10(j)(1) of the FPA <sup>11</sup> requires the Commission to include license conditions, based on recommendations of federal and state fish and wildlife agencies submitted pursuant to the Fish and Wildlife Coordination Act, <sup>12</sup> for the protection of, mitigation of adverse impacts to, and enhancement of fish and wildlife. The U.S. Fish and Wildlife Service (FWS), NMFS, and ADF&G filed recommendations for license conditions that were considered in the Section 10(j) process in this proceeding. <sup>13</sup>

This license includes conditions based on the agencies' recommendations to prepare and implement an erosion and sediment control plan (Article 401); revegetate with native plant species (Article 401); prepare and implement a channel geomorphology and habitat monitoring plan (Article 402); prepare and implement a plan to monitor water temperature (Article 403); prepare and implement a plan to monitor streamflows (Article 404); restrict the dates for instream construction (Article 405); prepare and implement an adult fisheries monitoring plan (Article 408); prepare and implement a juvenile fisheries monitoring plan (Article 409); operate the project as run-of-river, with a maximum diversion of 13.2 cubic feet per second (cfs) and a constant discharge regardless of power demand (Article 410); report flow reductions (Article 410); provide flow continuation (Article 411); require ramping rates (Article 412); comply with restrictions on scheduled maintenance (Article 412); employ an environmental compliance monitor during construction (Article 413); prepare and implement a hazardous substance spill prevention and minimization plan (Article 414); and prepare and implement a bear safety plan (Article 415).

#### OTHER AGENCY RECOMMENDATIONS

NMFS, FWS, and ADF&G filed a number of recommendations that were not subject to Section 10(j)(1) of the FPA, and therefore, have been considered under Section 10(a)(1) of the FPA.

<sup>202-208-2222</sup> for assistance).

<sup>&</sup>lt;sup>8</sup> 16 U.S.C. § 797(e).

<sup>16</sup> U.S.C. § 796(2).

<sup>10 16</sup> U.S.C. § 811.

<sup>11 16</sup> U.S.C. § 803(j)(1).

<sup>12 16</sup> U.S.C. § 661 et seq.

<sup>&</sup>lt;sup>13</sup> NMFS Motion to Intervene filed August 10, 1999, and letter filed March 2, 2000; ADF&G letters filed August 26, 1999, and March 3, 2000; and FWS letter filed September 13, 1999.

Included in this license are conditions consistent with NMFS's, FWS's, and ADF&G's recommendations to hold annual meetings to review monitoring and streamgaging results (Article 416) and 30-day consultation comment periods (Articles 401 through 406, Articles 413 through 415, and Articles 419 through 421). Also included are conditions recommended by NMFS: (1) to consider additional environmental measures if post-license monitoring shows that water is significantly colder at the intake than at the powerhouse and there has been a significant decline in fish production (Article 403); and (2) that interested parties may petition the Commission to add new conditions or to amend this license, as necessary pursuant to Section 10(j) of the FPA(Article 417). <sup>14</sup> Further, conditions are included consistent with FWS's and ADF&G's recommendations to: (1) send streamflow records to the agencies (Article 404); (2) follow guidelines for treated wood timbers or planks (Article 401); and allow agency representatives access to project works and lands (Article 418).

FWS and ADF&G recommended that if a new or modified course of action is proposed as a result of an annual review meeting (required by Article 416) or project operations result in unforeseen effects, additional reviews and meetings may be required. This license does not require this measure because any proposed courses of action not specified in this license, along with supporting evidence, must be filed with the Commission, for approval, before implementation.

FWS and ADF&G recommended that the annual review meetings include reviews of reports and compliance with all license stipulations. This license does not require this measure because the purpose of the annual meetings is to review license conditions incorporating measures to protect, mitigate, and enhance fish and wildlife resources. Therefore, other license requirements need not be reviewed.

FWS and ADF&G recommended that, if fish production is significantly reduced as a result of project operations, the license shall be reopened and the Commission will order the licensee to construct the necessary facilities or modify operations to release water at temperatures that do not impact fish production in Lagoon Creek. This recommendation was not adopted because the Commission upon its own motion or upon the recommendation of the resource agencies will determine whether the license would be reopened or AVEC is directed to modify project facilities or operations.

FWS and ADF&G recommended that project design and operations include remote monitoring and operation of all project components. This recommendation is consistent with AVEC's proposal on page 25, Exhibit E, of the application for license, and therefore, is part of the project as ordered by the Director.

FWS and ADF&G recommended that we require AVEC to establish an interestbearing escrow account to fund mitigation for unforeseen environmental impacts. This license does not require AVEC to establish such an account because of the small size of the project, the amount of funding already acquired by AVEC, the number and range of resource protection measures established by the license, and AVEC's experience in operating and maintaining power plants. <sup>15</sup>

FWS and ADF&G recommended that, if the agencies determine that the temperatures during project operations vary from the range of measured pre-project temperatures and pose a potential negative effect on the spawning, incubation, and/or rearing of anadromous fishes, AVEC develop and implement a mitigation plan, approved by the fish and wildlife agencies. This license does not require this measure because the Commission would determine whether the results warranted additional measures after considering the recommendations of the resource agencies.

NMFS, FWS, and ADF&G recommended that AVEC be required to initiate consultation on all post-license plans at least 6 months before operations or ground-disturbing activities begin, depending on the plan. This license does not adopt this recommendation because plans vary in scope and length of time needed for preparation, consultation and filing.

#### OTHER ISSUES

#### A. Bald Eagles

AVEC proposes to minimize disturbances to nesting baid eagles in the project area during construction. Article 419 is included in this license to require AVEC to prepare and implement an eagle protection plan to minimize disturbances during construction.

<sup>&</sup>lt;sup>14</sup> Article 417 extends to NMFS the same consideration allowed other fish and wildlife agencies in standard license Article 11.

<sup>&</sup>lt;sup>15</sup> AVEC operates 47 power plants and has annual operating revenues of about \$20 million (letter from Charles Y. Walls, President and CEO, AVEC, Anchorage, Alaska; October 25, 1999).

#### B. All Terrain Vehicles (ATV)

Constructing and maintaining the project will require an access trail from the powerhouse to the intake. This trail, unless blocked, could allow ATV access to the intake, resulting in the potential for disturbances to wildlife, destruction of sensitive alpine vegetation, soil compaction, rutting and erosion of stream banks, and long-term sears on the land. Article 420 requires AVEC to prepare and implement an ATV access control plan for the intake access trail.

#### C. <u>Recreation Resources</u>

Constructing a maintenance road to the powerhouse will improve an existing trail used by ATV's and could attract additional ATV use. Article 421 requires AVEC to prepare and implement a recreation plan to allow ATV access to the improved trail, while protecting the area from improper use.

#### D. Cultural Resources

No archeological or historic sites eligible for inclusion in the National Register of Historic Places have been identified at the proposed project site. If, however, archeological or historic sites are discovered during project construction, maintenance or operation, Article 422 requires preparation of a cultural resources management plan in consultation with the Alaska State Historic Preservation Officer.

#### E. Use and Occupancy of Project Lands and Waters

Requiring a licensee to obtain prior Commission approval for every use or occupancy of project land would be unduly burdensome. Article 423 allows AVEC to grant permission, without prior Commission approval, for the use and occupancy of project lands for such minor activities as landscape plantings. Such uses must be consistent with the purpose of protecting and enhancing the scenic, recreational, and environmental values of the project.

#### F. Start and Completion of Construction

Section 13 of the FPA <sup>16</sup> mandates that licensees begin construction within two years of the date of the license and complete construction within the time period

established by the license. Article 301 requires AVEC to start project construction within two years of the issuance date of this license and to complete construction within five years of the issuance date of the license.

#### G. Review of Final Plans and Specifications

AVEC filed preliminary plans and a supporting design report with the license application. AVEC or its engineering consultants will develop detailed drawings and specifications after this license is issued. To ensure that AVEC's final plans are consistent with the project design authorized by this license, Article 302 requires AVEC to provide the Commission and its regional director with final contract drawings and specifications—together with a supporting design report consistent with the Commission's engineering guidelines—at least sixty days before the start of project construction.

#### II. Review of Contractor-Designed Cofferdams and Deep Excavations

Construction contractors selected by licensees may determine that certain cofferdams or deep excavations not included in the licensee's final plans are needed at a project site. To ensure that such temporary facilities or measures are consistent with project plans and drawings, Article 303 requires AVEC to (1) review and approve contractor-designed cofferdams and deep excavations, and (2) provide copies of the approved cofferdam construction drawings and specifications to both the Commission and its regional director.

#### 1. Clearing and Disposing of Temporary Structures and Materials

Clearing lands for construction and maintenance may result in temporary facilities, brush, refuse, or other material which requires disposal. Article 203 requires AVEC to follow appropriate federal, state, and local statutes and regulations when clearing and disposing of unnecessary materials.

#### J. Administrative Conditions

The Commission collects annual charges from licensees for the administration of the FPA and the use of federal lands. Article 201 provides for the collection of such funds.

Article 202 requires AVEC to file copies of all approved project drawings on microfilm.

<sup>16 16</sup> U.S.C. § 806.

Article 304 requires AVEC to file revised drawings of project features as-built.

Article 305 requires AVEC to reimburse the owner of a storage reservoir or other headwater improvement project that directly benefits the licensee's project. The benefits will be assessed in accordance with Subpart B of the Commission's regulations.

#### STATE AND FEDERAL COMPREHENSIVE PLANS

Section 10(a)(2)(A) of the FPA <sup>17</sup> requires the Commission to consider the extent to which a project is consistent with federal or state comprehensive plans for improving, developing, or conserving a waterway or waterways affected by the project. <sup>18</sup> Under Section 10(a)(2)(A), federal and state agencies filed 22 comprehensive plans that address various resources in Alaska. Of these, staff identified and reviewed four comprehensive plans that are relevant to the project. <sup>19</sup> No conflicts were found. <sup>20</sup>

#### COMPREHENSIVE DEVELOPMENT

In determining whether a proposed project will be best adapted to a comprehensive plan for developing a waterway for beneficial public purposes, pursuant

o Section 10(a)(1) of the EPA 31 the Commission considers a number of or

Project No. 11690-001

to Section 10(a)(1) of the FPA,<sup>11</sup> the Commission considers a number of public interest factors, including the economic benefits of project power.

12

Under the Commission's approach to evaluating the economics of hydropower projects, as articulated in Mead Corporation, Publishing Paper Division, 12 the Commission uses an analysis that compares the current cost of the project's power and the likely alternative power without forecasting future potential inflation, escalation, or deflation beyond the license issuance date. The basic purpose of the Commission's economic analysis is to provide a general estimate of the potential power benefits and the costs of a project, and reasonable alternatives to project power. The estimate helps to support an informed decision concerning what is in the public interest with respect to a proposed license.

Based on current economic conditions, and assuming the project is financed at an interest rate of 5 percent, the project as proposed by AVEC would generate 664,000 kWh and cost about \$183,000 (276 mills/kWh) annually. The current annual value of the project's power would be about \$174,800 (263 mills/kWh). The project as proposed by AVEC would cost \$8,200 (13.0 mills/kWh) more than the alternative. I base this value on the cost of alternative power, which for Old Harbor is diesel generation. However, if the project were not built, the city of Old Harbor will need to replace its diesel generators, so the alternative power value for the project includes the cost of such replacement.

I find the project, as licensed, will generate 664,000 kWh at an annual cost of about \$192,330 (290.0 mills/kWh). The value of the project's power would be about \$174,800 (263 mills/kWh), annually. As licensed, the project would cost \$17,530 (27.0 mills/kWh) more than the alternative. However, as explained in Mead, project economics is only one of the many public interest factors that are considered in determining whether or not to issue a license. Developing the project may be desirable for other reasons; for example, to diversify the mix of energy sources in the area, to promote construction-related jobs in the area, and to provide a fixed-cost source of power and reduce contract needs. AVEC would need to decide whether or not to proceed with project development.

In analyzing public interest factors, the Commission takes into account that hydroelectric projects offer unique operational benefits to the electric utility system

<sup>17 16</sup> U.S.C. § 803(a)(2)(A).

<sup>18</sup> C.F.R. § 2.19 (1997), see Comprehensive Plans.

<sup>&</sup>lt;sup>17</sup> The plans are the Alaska Outdoor Recreation Plan: 1991-1985, Alaska Department of Natural Resources, Division of Parks, 1981, Juneau, Alaska; North American Waterfowl Management Plan, U.S. Fish and Wildlife Service and Canadian Wildlife Service, 1986, Twin Cities, Minnesota; Kodiak National Wildlife Refuge Comprehensive Conservation Plan, U.S. Fish and Wildlife Service, 1987, Anchorage, Alaska; and Kodiak National Wildlife Refuge Fishery Management Plan, Region 7, August 1990, Kodiak, Alaska.

<sup>&</sup>lt;sup>10</sup> The refuge's Comprehensive Conservation Plan (CCP) specifically prohibits hydropower development on lands designated for "minimal management," as the project site within the refuge is currently designated. The final EA, prepared jointly by FWS and Commission staffs, states that FWS will amend the CCP and reclassify the lands within the proposed project site as "moderate management for the purpose of hydroelectric development." The inclusion of our recommended environmental measures, and the FWS's amended CCP plan, will remove any project-related conflict with the CCP plan.

<sup>21 16</sup> U.S.C. § 803(a)(1).

<sup>21 72</sup> FERC ¶ 61,027 (1995).

(ancillary benefits). These benefits include their value as almost instantaneous load-following response to dampen voltage and frequency instability on the transmission system, system-power-factor-correction through condensing operations, and a source of power available to help in quickly putting fossil-fuel based generating stations back on line following a major utility system or regional blackout.

Ancillary benefits are now mostly priced at rates that recover only the cost of providing the electric service at issue, which don't resemble the prices that would occur in competitive markets. As competitive markets for ancillary benefits begin to develop, the ability of hydro projects to provide ancillary services to the system will increase the benefits of the projects.

Electricity generated from renewable water power resources is beneficial because it offsets the use of fossil-fueled generating plants, thereby conserving nonrenewable resources and reducing atmospheric pollution and greenhouse effects. By producing hydroelectricity, the Old Harbor Project will displace the need for diesel fuel generation, thereby avoiding some power plant emissions and creating an environmental benefit. Consequently, the operation of the project will likely reduce annual carbon emissions in the region. The amount of greenhouse gases emissions that are avoided depends on the type of power displaced, which is region-specific.

Sections 4(e) and 10(a)(1) of the FPA, 16 U.S.C. 797(e) and 803(a)(1), require the Commission, in acting on applications for license, to give equal consideration to the power and development purposes and to the purposes of energy conservation, the protection, mitigation of damage to, and enhancement of fish and wildlife, the protection of recreational opportunities, and the preservation of other aspects of environmental quality. Any license issued shall be such as in the Commission's judgment will be best adapted to a comprehensive plan for improving or developing a waterway or waterways for all beneficial public uses. The decision to license this project, and the terms and conditions included herein, reflect such consideration. Based on the record in this proceeding, we conclude that the Old Harbor Project, with the conditions attached to this license, does not conflict with any planned or authorized development and is best adapted to comprehensive development of the waterway for beneficial public uses.

LICENSE TERM

Section 6 of the FPA <sup>23</sup> states that licenses under Part I of the FPA shall be issued for a period not to exceed 50 years. The Commission's policy establishes 30-year terms for those projects that propose little or no redevelopment, new construction, new capacity, or enhancement; 40-year terms for those projects that propose a moderate amount of redevelopment, new construction, new capacity or enhancement; and 50-year terms for those projects that propose extensive redevelopment, new construction, new capacity or enhancement. Because the Old Harbor Project involves an original license with substantial new construction, the license is issued for a period of 50 years.

#### SUMMARY OF FINDINGS

The EA contains background information, analysis of effects, support for related license articles, and the basis for a finding of no significant impact on the environment. The design of this project is consistent with the engineering standards governing dain safety. The project would be safe if operated and maintained in accordance with the requirements of this license,

Based upon a review of the agency and public comments filed on the project, and the staff's independent analysis pursuant to Sections 4(e), 10(a)(1), and 10(a)(2) of the FPA, I conclude that issuing a license for the Old Harbor Project, with the required environmental measures and other special license conditions, will be best adapted to the comprehensive development of Mountain and Lagoon Creeks for beneficial public uses.

#### The Director orders:

(A) This license is issued to the Alaska Village Electric Cooperative (licensee), for a period of 50 years, effective the first day of the month in which this order is issued, to construct, operate, and maintain the Old Harbor Project. This license is subject to the terms and conditions of the FPA, which is incorporated by reference as part of this license, and subject to the regulations the Commission issues under the provisions of the FPA.

#### (B) The project consists of:

(1) All lands, to the extent of the licensee's interests in those lands, enclosed by the project boundary shown by Exhibit G, filed May 14, 1999 (pages G-1 and G-2 of the license application):

<sup>&</sup>lt;sup>23</sup> 16 U.S.C. § 799.

15

Exhibit G Drawing	FERC No.	Description
Sheet G-1	11690-1	Project Map
Sheet G-2	11690-2	Legal Description of Lands Occupied by the Project and the Required Access Routes

(2) Project works consisting of: (a) an 86-foot-long by 7-foot-high uncontrolled diversion dam, constructed with galvanized steel frames with Ekki wood stop logs, at elevation of 840 feet above mean sea level; (b) an intake structure with a trash rack; (c) a 30-foot-long by 8-foot-wide by 6-foot-high steel, wood and concrete de-sander box, with screens to catch suspended debris and a bypass gate for flushing the screens and accumulations of sand and gravel; (d) a 9,800-foot-long penstock made up of 3,200 feet of 20- to 18-inch-diameter high density polyethylene pipe and 6,600 feet of 16-inch-diameter steel pipe; (e) a bypass system, joining the penstock just upstream of the turbine, with a separate tailrace, parallel to the turbine tailrace, to direct water in the penstock not needed for power generation to a submerged container to dissipate dissolved gases and moderate daily flow fluctuations; (f) a 625-square-foot metal powerhouse on concrete footing and slab, with one 500-kW impulse turbine; (g) a deflector plate system to provide flow continuation; (h) a 5,500-foot-long buried transmission line; (i) a 5,500-foot-long access road; and (i) related annurtenances.

The project works generally described above are more specifically described on page 12 of Exhibit A and page 25, paragraph 3 of Exhibit E, both filed on May 14, 1999. The project works are also shown in Exhibit F (pages F-1 through F-10) of the license application, filed May 14, 1999:

Exhibit F Drawing	FERC No.	Description
Sheets F-1 through F-7	11690-1 through 11690-7	Project Plan
Sheet F-8	11690-8	Intake, Truss Bridge, and Pipeline Details
Sheet F-9	11690-9	Powerhouse Site Plan, Bridge, and Access Trail Details
Sheet F-10	11690-10	Powerhouse Details

Project No. 11690-001

- 16
- (3) All of the structures, fixtures, equipment, or facilities used to operate or maintain the project, all portable property that may be employed in connection with the project, and all riparian or other rights that are necessary or appropriate in the operation or maintenance of the project.
- (C) Those sections of Exhibits A, E, and F described above are approved and made part of the license. Exhibit G is approved only insofar as it shows the general project location.
- (D) The following sections of the FPA are waived and excluded from the license for this minor project:
- 4(b), except the second sentence; 4(e), insofar as it relates to approval of plans by the Chief of Engineers and the Secretary of the Army; 6, insofar as it relates to public notice and to the acceptance and expression in the license of terms and conditions of the FPA that are waived here; 10(c), insofar as it relates to depreciation reserves; 10(d); 10(f); 14, except insofar as the power of condemnation is reserved; 15; 16; 19; 20; and 22.
- (E) This license is subject to the articles set forth in Form L-17 (October 1975), entitled "Terms and Conditions of License for Unconstructed Minor Project Affecting Lands of the United States," and the following additional articles.

Article 201. The licensee shall pay the United States an annual charge, effective as of the date of start of construction, for the purpose of:

- (1) Reimbursing the United States for the cost of administration of Part I of the Act. The authorized installed capacity for that purpose is 500 kilowatts. Under the regulations currently in effect, projects with authorized installed capacity of less than or equal to 1,500 kilowatts will not be assessed an annual administration charge.
- (2) Recompensing the United States for the use, occupancy and enjoyment of 13 acres of its lands [other than for transmission line right-of-way].
- (3) Recompensing the United States for the use, occupancy and enjoyment of 5 acres of its lands for transmission line right-of-way.

Article 202. Within 45 days of the issuance of the license, the licensee shall file three original sets of aperture cards of the approved drawings. The drawings must be

reproduced on silver or gelatin 35 mm microfilm. All microfilm must be mounted on type D (3½" x 7-3/8") aperture cards.

Prior to microfilming, the FERC Drawing Number (11690-1 through 11690-10) shall be shown in the margin below the title block of the approved drawing. After mounting, the FERC Drawing Number must be typed on the upper right corner of each aperture card. Additionally, the Project Number, FERC Exhibit (e.g., F-1, G-1, etc.), Drawing Title, and date of issuance of this license must be typed on the upper left corner of each aperture card.

Two sets of aperture cards should be filed with the Secretary of the Commission, ATTN: OEP/Division of Hydropower Administration and Compliance and one set with the Commission's Portland Regional Office.

Article 203. The licensee shall clear and keep clear to an adequate width all lands along open conduits and shall dispose of all temporary structures, unused timber, brush, refuse, or other material unnecessary for the purposes of the project which result from construction, maintenance, operation, or alteration of the project works. All clearing of lands and disposal of unnecessary material shall be done with due diligence to the satisfaction of the authorized representative of the Commission and in accordance with appropriate federal, state, and local statutes and regulations.

Article 301. The licensee shall commence construction of the project works within 2 years from the issuance date of the license and shall complete construction of the project within 5 years from the issuance date of the license.

Article 302. Before starting construction, the licensee shall review and approve the design of contractor-designed cofferdams and deep excavations, and shall make sure that construction of cofferdams and deep excavations is consistent with the approved design. At least 30 days before starting construction of the cofferdam, the licensee shall submit one copy to the Commission's Regional Director and two copies to the Commission (one of these copies shall be a courtesy copy to the Commission's Director, Division of Dam Safety and Inspections), of the approved cofferdam construction drawings and specifications and the letters of approval.

Article 303. The licensee shall, at least 60 days prior to the start of construction, submit one copy to the Commission's Regional Director and two copies to the Commission (one of these shall be a courtesy copy to the Director, Division of Dam Safety and Inspections), of the final contract drawings and specifications along with an accompanying supporting design report for pertinent features of the project, such as

water retention structures, powerhouse or equivalent, and water conveyance structures. The Commission may require changes in the plans and specifications to assure a safe and adequate project. If the licensee plans substantial changes to location, size, type, or purpose of the water retention structures, powerhouse or equivalent, or water conveyance structures, the plans and specifications must be accompanied by revised Exhibit F and G drawings, as necessary.

Article 304. Within 90 days after finishing construction, the licensee shall submit, for Commission approval, eight copies of the revised Exhibits A, F, and G describing the project as built. The licensee shall submit six copies to the Commission, one copy to the Commission's Regional Director, and one to the Director, Office of Energy Projects.

Article 305. If the licensee's project was directly benefitted by the construction work of another licensee, a permittee, or the United States of a storage reservoir or other headwater improvement, the licensee shall reimburse the owner of the headwater improvement for those benefits, at such time as they are assessed. The benefits will be assessed in accordance with Subpart B of the Commission's regulations.

Article 401. At least six months before the start of land-disturbing, land-clearing, or construction activities, the licensee shall file, for Commission approval, and with the Portland Regional Director as part of the plans and specifications required by Article 303, a final erosion and sediment control plan (ESCP) incorporating and building upon the measures described in the Draft Environmental Assessment filed on May 14, 1999, as part of the license application, with the following modifications:

- (1) the final ESCP shall be based on site-specific conditions and shall include (a) descriptions of actual geological, soil and groundwater site conditions relative to project features, (b) detailed descriptions of final preventive measures, (c) detailed descriptions, design drawings, and topographic locations of final control measures, including rip-rap placement, stream set back distances, and stabilization of spoil material and temporary construction access trails, and (d) a specific implementation schedule;
- (2) the final ESCP shall include a revegetation plan that includes a complete prescription for revegetating all disturbed areas including: (a) locations of treatment areas, (b) plant species and methods to be used, (c) planting densities, (d) fertilizer formulations, (e) seed test results, (f) application rates, and (g) a specific implementation schedule and details for monitoring and maintenance programs; native plant species should be used to the greatest extent possible:

(3) the final revegetation plan shall include a monitoring plan that, at a minimum, (a) establishes a goal of achieving 50 percent of natural vegetation densities within 1 year of planting, (b) describes monitoring methods, (c) describes measures that would be followed if desired goals are not achieved, and (d) includes an implementation schedule that establishes a monitoring period of at least 3 years following planting; and

(4) the final ESCP shall include stipulations that all construction contractors will not use in wetland or on other water bodies lumber treated with preservatives containing creosote or pentacholorophenol or other surface applied preservatives.

The licensee shall prepare the final ESCP after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, Alaska Department of Natural Resources, and Alaska Department of Fish and Game. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

A courtesy copy of the plan shall be filed with the Commission's Portland Regional Office. The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 402. At least six months before the start of any land-clearing or land-disturbing activities, the licensee shall file, for Commission approval, a plan to monitor channel geomorphology and fish habitat upstream and downstream of the confluence of Lake Fork and Lagoon Creek during project years 0, 3, and 5.

The plan shall incorporate the protocols and methods found in R-10 Amendment 2090-98-1 to the U.S. Forest Service's FSH 2090 - Aquatic Ecosystem Management Handbook, using tier 2 survey measures, except that tier 3 would be used for riparian vegetation and undercut banks.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and

Game. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

A courtesy copy of the plan shall be filed with the Commission's Portland Regional Office. The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

If the results of the monitoring indicate that changes in project structures or operations, including alternative flows, are necessary to protect aquatic resources, the Commission may direct the licensee to modify project structures or operations.

Article 403. At least six months before the start of any land-clearing or land-disturbing activities, the licensee shall file with the Commission, for approval, a plan to monitor intergravel water temperature for 1 year prior to the start of project construction and up to 5 years after the start of project operations.

The plan shall include intergravel water temperature monitoring at the following six locations: (1) the diversion site; (2) a short distance upstream of the powerhouse on Lagoon Creek; (3) Lagoon Creek downstream from the powerhouse at the upstream reach of adequate spawning habitat; (4) Lagoon Creek a short distance upstream of the confluence of Lagoon Creek and the Lake Fork; (5) the Lake Fork a short distance upstream of its confluence with Lagoon Creek; and (6) Lagoon Creek downstream of the confluence of Lagoon Creek and the Lake Fork.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

A courtesy copy of the plan shall be filed with the Commission's Portland Regional Office. The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

If the results of the monitoring indicate that changes in project structures or operations, including alternative flows, are necessary to protect aquatic resources, the Commission may direct the licensee to modify project structures or operations. The Commission may consider requiring the construction of a pond at the tailrace to raise water temperature before entering Lagoon Creek.

Article 404. At least six months before the start of any land-disturbing and land-clearing activities, the licensee shall file, for Commission approval, a plan necessary to continuously monitor compliance with the run-of-river operations and flow releases required in Article 410, flow continuation required in Article 411, and ramping rates required in Article 412.

The plan shall further include; but need not be limited to: (1) the method of collecting and recording the data; (2) a schedule for installing monitoring equipment; (3) the proposed location, design, and calibration of the monitoring equipment; (4) a provision for providing discharge data, including any rating curve or other regression relationship used to calculate discharge, to the ADF&G Statewide and Instream Flow Coordinators and Hydrologist annually, and whenever a shift in the rating curve is observed, whichever occurs first; (5) a provision to summarize and submit data monthly to the ADF&G Statewide and Instream Flow Coordinators and Hydrologist for the first year of operation and annually thereafter; and (6) a provision to submit any recorded data, including regression relationships, to other consulted agencies within 30 days of receiving an agency's request.

The plan shall further include the installation, operation, and maintenance of a streamgage in Lagoon Creek, immediately downstream of the powerhouse, for up to 5 years, depending on results, to collect flow data at 15-minute intervals for assessing any project effects on erosion (Article 402), water temperature (Article 403), spawning runs (Article 408), and incubation of eggs (Article 408); and to monitor compliance with the flow diversion restriction (Article 410).

The licensee shall prepare the plan in consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, Alaska Department of Fish and Game, and U.S. Geological Survey. The licensee shall include with the plan documentation of

consultation, copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations before filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

A courtesy copy of the plan shall be filed with the Commission's Regional Office. The Commission reserves the right to require changes to the plan. Project operation shall not begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 405. At least six months before the start of any land-clearing or land-disturbing activities, to protect salmonid spawning and incubation from sedimentation effects, the licensee shall file, for Commission approval, a construction plan and schedule that includes provisions to conduct all in-water construction activities in: (1) the East Fork of Mountain Creek between May 15 and July 15; and (2) Lagoon Creek between early June, after coho salmon emergence, and July 15.

The plan shall include, but need not be limited to: (1) identification of all construction, land-disturbing, and land-clearing activities; (2) a detailed description of the licensee's planned construction methods to complete all in-river construction activities; and (3) a specific implementation schedule.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game. The licensee shall include with the plan documentation of consultation, copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations before filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

The Commission reserves the right to require changes to the plan. Implementation of the plan shall not begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Project No. 11690-001

24

Article 406. At least six months before the start of project operation, the licensee shall file, for Commission approval, detailed design drawings of a picket panel fish screening system to reduce attraction flows at the tailrace and prevent fish from entering the tailrace, together with a schedule to construct/install the facilities before any operation of the project occurs.

The licensee shall prepare the drawings and schedule after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game. The licensee shall include with the drawings documentation of consultation, copies of comments and recommendations on the drawings and schedule after they have been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the licensee's facilities. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations before filing the drawings and schedule with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

A courtesy copy of the plan shall be filed with the Commission's Portland Regional Office. The Commission reserves the right to require changes to the proposed facilities and schedule. Project operation shall not begin until the licensee is notified by the Commission that the filing is approved. Upon Commission approval, the licensee shall implement the proposal, including any changes required by the Commission.

Article 407. Authority is reserved to the Commission to require the licensee to construct, operate, and maintain, or to provide for the construction, operation, and maintenance of such fishways as may be prescribed by the Secretary of Interior under Section 18 of the Federal Power Act.

Article 408. At least six months before the start of any land-disturbing or landclearing activities, the licensee shall file, for Commission approval, a plan to monitor adult salmon spawning to enumerate runs of spawning coho, pink, and chum salmon. The plan shall provide for surveys conducted:

- (1) during each of seven survey periods, which are: (A) July 16-3 [; (B) August 1-
- 15; (C) August 16-31; (D) September 1-15; (E) September 16-30; (F) October 1-
- 15; and (G) October 16-30;
- (2) at least 7 to 10 days apart;

- (3) using Alaska Department of Fish & Game (ADF&G) protocols for standardization and indexing of peak foot survey counts;
- (4) counting live and dead fish; and
- (5) with results documented by stream segment according to the following three areas: (A) Lagoon Creek upstream of the confluence with the Lake Fork of Lagoon Creek; (B) Lake Fork upstream of its confluence with Lagoon Creek; and (C) Lagoon Creek downstream of the confluence with Lake Fork all the way to the ocean.

The licensee shall prepare an annual monitoring report that includes the results of aerial surveys for two nearby streams conducted by ADF&G's commercial fisheries staff in the same year. Aerial surveys of nearby streams shall be used only as a gross indicator of trend in recruitment, and not as a sole basis for determining any project effects on fisheries.

The licensee shall continue monitoring adult spawning runs for at least 5 years after the project begins power production, and if different project operations are implemented that modify the flow regime, monitoring shall be conducted for at least 5 years after the new operations are implemented.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service (NMFS), U.S. Fish and Wildlife Service (FWS), and ADF&G. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No landdisturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

The results of the monitoring shall be filed annually with the Commission and provided to the NMFS, FWS, ADF&G Statewide and Instream Flow Coordinators and Hydrologist, and ADF&G Division of Habitat and Restoration Office in Anchorage,

Alaska. If the results of the monitoring indicate that changes in project structures or operations, including alternative flows, are necessary to protect aquatic resources, the Commission may direct the licensee to modify project structures or operations.

Article 409. At least six months before the start of any land-disturbing or landclearing activities, the licensee shall file, for Commission approval, a plan to monitor juvenile fisheries in Lagoon Creek. The plan shall be designed to quantify changes in juvenile fish numbers and identify any increases in rearing habitat made available by the project. The plan shall provide for: (1) counting fish by species; (2) recording fork length; (3) using non-lethal capture and releasing the fish unharmed at their point of capture; (4) using standardized methods, times, and locations; and documenting results by stream segment according to the following three areas: (A) Lagoon Creek upstream of the confluence with the Lake Fork of Lagoon Creek; (B) Lake Fork upstream of its confluence with Lagoon Creek; and (C) Lagoon Creek downstream of the confluence with Lake Fork all the way to the ocean.

The licensee shall continue monitoring juvenile fish for at least 5 years after the project begins power production, and if different project operations are implemented that modify the flow regime, monitoring shall be conducted for at least 5 years after the new operations are implemented.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service (NMFS), U.S. Fish and Wildlife Service (FWS), and Alaska Department of Fish and Game (ADF&G). The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

The results of the monitoring shall be filed annually with the Commission and provided to the NMFS, FWS, ADF&G Statewide and Instream Flow Coordinators and Hydrologist, and ADF&G Division of Habitat and Restoration Office in Anchorage,

Alaska. If the results of the monitoring indicate that changes in project structures or operations, including alternative flows, are necessary to protect aquatic resources, the Commission may direct the licensee to modify project structures or operations.

Article 410. The licensee shall operate the project as run-of-river for the protection of aquatic resources below the tailrace. Flow diversions from the East Fork of Mountain Creek shall not exceed 13.2 cubic feet per second (cfs). The licensee shall release from the powerhouse into Lagoon Creek a continuous minimum flow of 13 cfs, or the inflow at the intake, whichever is less, regardless of power demand, for the protection of fisheries in Lagoon Creek downstream of the powerhouse.

The run-of-river operation and/or the flow requirement may be temporarily modified if required by operating emergencies beyond the control of the licensee, and for short periods upon agreement between the licensee and the National Marine Fisheries Service (NMFS), U.S. Fish and Wildlife Service (FWS), and Alaska Department of Fish and Game (ADF&G). If the flow is so modified, the licensee shall notify the Commission, NMFS, FWS, and ADF&G as soon as possible, but no later than 10 days after each such incident. Flow reductions reported as a result of emergency maintenance or breakdowns shall include the date, duration, volume of flow reduction in cfs, reason for occurrence, method to prevent any future occurrence, and any other pertinent information.

Article 411. The licensee shall design and operate the project to ensure continuation of the minimum flow required by Article 410 during all powerhouse outages not scheduled in accordance with Article 412. Design features for flow continuation shall include AVEC's proposed turbine bypass system and turbine unit jet deflector, and shall be filed with the project plans and specifications to be filed under Article 303.

The licensee shall notify the Commission, National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game of any non-compliance events as soon as possible, but no later than 10 days after each such incident. Flow reductions reported as a result of unscheduled outages shall include the date, duration, volume of flow reduction in cfs, reason for occurrence, method to prevent any future occurrence, and any other pertinent information.

Article 412. The licensee shall, for the protection of fisheries in Lagoon Creek: (1) conduct spring maintenance between May 15 and July 15, when flows in Lagoon Creek at the powerhouse are 10 cfs or greater; (2) conduct fall maintenance between mid-October and November 30, when flows in Lagoon Creek at the powerhouse are 10

cfs or greater; (3) limit maintenance periods to less than 8 hours in any given day; (4) ramp project discharge at a rate of 2 inches per hour when shutting down for scheduled maintenance; (5) not dewater the penstock during routine maintenance; and (6) consult with National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game prior to conducting routine maintenance during other times.

Article 413. At least six months before the start of any land-clearing or landdisturbing activities, the licensee shall file with the Commission for approval, a compliance monitoring plan to ensure that project construction adheres to the erosion and sediment control plan (Article 401) and hazardous substances spill prevention plan (Article 414). The compliance monitoring plan shall be developed in coordination with the Commission's Construction Quality Control Inspection Program.

The plan shall include: (1) provisions to employ a qualified environmental compliance monitor to be on-site during construction with authority to: (a) ensure strict compliance with the conditions of this license, (b) cease work and change orders in the field, as deemed necessary, and (c) make pertinent and necessary field notes on monitoring compliance by the licensee; (2) the position description of the compliance monitor, including qualifications, duties, and responsibilities; (3) provisions to hold a meeting between the licensee and National Marine Fisheries Service (NMFS), U.S. Fish and Wildlife Service (FWS), and Alaska Department of Fish and Game (ADF&G) once annually for each year of compliance monitoring to: (a) review and evaluate the results of all compliance monitoring activities and reports, (b) make necessary adjustments of compliance monitoring to meet resources needs, and (c) decide on continuation of compliance monitoring.

The licensee shall prepare the plan after consultation with the NMFS, FWS, and ADF&G. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

A courtesy copy of the plan shall be filed with the Commission's Portland Regional Office. The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the

Article 414. At least six months before the start of any land-clearing or landdisturbing activities, the licensee shall file for Commission approval, a fuel and

Commission that the plan is approved. Upon Commission approval, the licensee shall

implement the plan, including any changes required by the Commission.

hazardous substances spills plan to help prevent and minimize any impacts associated with the handling of hazardous substances during project construction and operation.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game. The licensee shall include with the plan documentation of consultation, copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations before filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

The Commission reserves the right to require changes to the plan. No landdisturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 415. At least six months before the start of any land-disturbing or landclearing activities, the licensee shall file with the Commission for approval, a bear safety plan to minimize possible conflicts between bears and humans in the project area during project construction and operation.

The plan, at a minimum, shall include: (1) instructions for operating practices when in bear country that minimize possible conflict; (2) instructions to minimize encounters and avoid areas often used by bears, if possible; (3) instructions for keeping construction sites and refuse areas clean; (4) instructions for installing bear-proof garbage receptacles and other measures during construction periods to prevent bears from obtaining food or garbage during construction periods; and (5) procedures to deal with problem bears.

The licensee shall prepare the plan after consultation with the U.S. Fish and Wildlife Service and Alaska Department of Fish and Game. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the

agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 416. The licensee shall consult with the National Marine Fisheries Service (NMFS), U.S. Fish and Wildlife Service (FWS), and Alaska Department of Fish and Game (ADF&G) annually at least 60 days preceding the anniversary date of the license, or other date mutually agreed upon with the agencies, to determine if a meeting is necessary to review the results of the geomorphology and habitat monitoring required by Article 402, water temperature monitoring required by Article 403, streamflow data collection required by Article 404, and fisheries monitoring required by Articles 408 and 409. The licensee shall coordinate and conduct the annual review meeting if requested by one of the consulted agencies.

The purpose of these meetings is to determine any course of action to be recommended based on the results of the monitoring, including the need for continued monitoring. Following the meeting, the licensee shall prepare and send draft minutes of the meeting to the meeting participants, allowing 14 days for comments. Final meeting minutes shall be prepared and distributed to the participants within 60 days of the meeting. A plan and schedule for completing any recommended courses of action must be filed, along with documentation supporting the need for the action, for Commission approval, at least 90 days before the scheduled implementation of the course of action. The licensee shall prepare the plan and schedule after consultation with the NMFS, FWS, and ADF&G.

The licensee shall include with the plan documentation of consultation, copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations before filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on project-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 417. The licensee shall, for the conservation and development of fish and wildlife resources, construct, maintain, and operate, or arrange for the construction, maintenance, and operation of such reasonable facilities, and comply with such reasonable modifications of the project structures and operation, as may be ordered by the

Commission upon the recommendation of the Secretary of Commerce, after notice and opportunity for hearing.

Article 418. The licensee shall provide representatives of the National Marine Fisherics Service, U.S. Fish and Wildlife Service, and Alaska Department of Fish and Game, who show proper credentials, free and unrestricted access to, through, and across the project lands and project works, in the performance of their official duties, after appropriate advance notification is made.

Article 419. At least 90 days before the start of any land-disturbing or landclearing activities, the licensee shall file with the Commission for approval, a bald eagle protection plan to minimize disturbance to nesting eagles during project construction.

The plan, at a minimum, shall include: (1) the methods and timing of preconstruction surveys for nesting eagles, (2) specific actions that would be implemented to avoid disturbance to nesting eagles, including but not limited to, the timing of construction activities and helicopter use and paths to minimize eagle disturbance, (3) provisions for forwarding survey results to the U.S. Fish and Wildlife Service (FWS) and Alaska Department of Fish and Game (ADF&G) to initiating construction, and (4) provisions for further consultation with FWS and ADF&G if active eagle nests are located near project facilities.

The licensee shall prepare the plan after consultation with the FWS and ADF&G. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 420. At least six months before the start of any land-disturbing or landclearing activities, the licensee shall file, for Commission approval, and with the Portland Regional Director as part of the plans and specifications required by Article 303, a final All Terrain Vehicle (ATV) access control plan to minimize unauthorized public use and access on refuge lands during project construction, maintenance, and operation.

The final plan, at a minimum, shall include: (1) detailed descriptions, including final design drawings and specifications, of the locations and types of access control (gates, boulders, etc) that would be implemented, (2) construction methods to be employed, (3) methods and schedule for monitoring the effectiveness of the measures through the license period, and (4) measures that would be taken if access restrictions prove to be ineffective.

The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service and Alaska Department of Fish and Game. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 421. At least six months before the start of any land-disturbing or landclearing activities, the licensee shall file, for Commission approval, and with the Portland Regional Director as part of the plans and specifications required by Article 303, a plan that would allow for recreational All Terrain Vehicle (ATV) use on the access road to the powerhouse. The plan shall include detailed descriptions of methods and measures to protect the area from improper use. The licensee shall prepare the plan after consultation with the National Marine Fisheries Service, U.S. Fish and Wildlife Service, Alaska Department of Fish and Game, city of Old Harbor, Old Harbor Native Corporation, and Kodiak Island Borough. The licensee shall include with the plan, documentation of consultation and copies of comments and recommendations on the completed plan after it has been prepared and provided to the agencies, and specific descriptions of how the agencies' comments are accommodated by the plan. The licensee shall allow a minimum of 30 days for the agencies to comment and to make recommendations prior to filing the plan with the Commission. If the licensee does not adopt a recommendation, the filing shall include the licensee's reasons, based on site-specific information.

The Commission reserves the right to require changes to the plan. No land-disturbing or land-clearing activities shall begin until the licensee is notified by the Commission that the plan is approved. Upon Commission approval, the licensee shall implement the plan, including any changes required by the Commission.

Article 422. Before starting any land-clearing or land-disturbing activities within the project boundaries, other than those specifically authorized in this license, including recreation developments at the project, the licensee shall consult with the State Historic Preservation Officer (SHPO).

If the licensee discovers previously unidentified archeological or historic properties during the course of constructing or developing project works or other facilities at the project, the licensee shall stop all land-clearing and land-disturbing activities in the vicinity of the properties and consult with the SHPO.

In either instance, the licensee shall file, for Commission approval, a site-specific cultural resource management plan prepared by a qualified cultural resource specialist after consultation with the SHPO. The plan shall include the following items: (1) a description of each discovered property indicating whether it is listed on or eligible to be listed on the National Register of Historic Places; (2) a description of the potential effect on each discovered property; (3) proposed measures for avoiding or mitigating effects; (4) documentation of the nature and extent of consultation; and (5) a schedule for mitigating effects and conducting additional studies.

The licensee shall file the plan, for Commission approval, together with the written comments of the SHPO documenting consultation and adequacy of the plan; and take the necessary steps to protect the discovered archeological or historic sites from further impact until notified by the Commission that all of these requirements have been satisfied.

The Commission may require a cultural resources survey and changes to the cultural resources management plan based on the filings. The licensee shall not begin any land-disturbing or land-clearing activities, other than those specifically authorized in this license, or resume such activities in the vicinity of a property discovered during construction, until informed by the Commission that the requirements of this article have been fulfilled.

Article 423. (a) In accordance with the provisions of this article, the licensee shall have the authority to grant permission for certain types of use and occupancy of project lands and waters and to convey certain interests in project lands and waters for certain types of use and occupancy, without prior Commission approval. The licensee may exercise the authority only if the proposed use and occupancy is consistent with the purposes of protecting and enhancing the scenic, recreational, and other environmental values of the project. For those purposes, the licensee shall also have continuing responsibility to supervise and control the use and occupancies for which it grants permission, and to monitor the use of, and ensure compliance with the covenants of the instrument of conveyance for, any interests that it has conveyed, under this article. If a permitted use and occupancy violates any condition of this article or any other condition imposed by the licensee for protection and enhancement of the project's scenic, recreational, or other environmental values, or if a covenant of a conveyance made under the authority of this article is violated, the licensee shall take any lawful action necessary to correct the violation. For a permitted use or occupancy, that action includes, if necessary, canceling the permission to use and occupy the project lands and waters and requiring the removal of any non-complying structures and facilities.

(b) The type of use and occupancy of project lands and water for which the licensee may grant permission without prior Commission approval are: (1) landscape plantings; (2) non-commercial piers, landings, boat docks, or similar structures and facilities that can accommodate no more than 10 watercraft at a time and where said facility is intended to serve single-family type dwellings; (3) embankments, bulkheads, retaining walls, or similar structures for erosion control to protect the existing shoreline; and (4) food plots and other wildlife enhancement. To the extent feasible and desirable to protect and enhance the project's scenic, recreational, and other environmental values, the licensee shall require multiple use and occupancy of facilities for access to project lands or waters. The licensee shall also ensure, to the satisfaction of the Commission's authorized representative, that the use and occupancies for which it grants permission are maintained in good repair and comply with applicable state and local health and safety requirements. Before granting permission for construction of bulkheads or retaining walls, the licensee shall: (1) inspect the site of the proposed construction, (2) consider whether the planting of vegetation or the use of riprap would be adequate to control

erosion at the site, and (3) determine that the proposed construction is needed and would not change the basic contour of the reservoir shoreline.

To implement this paragraph (b), the licensee may, among other things, establish a program for issuing permits for the specified types of use and occupancy of project lands and waters, which may be subject to the payment of a reasonable fee to cover the licensee's costs of administering the permit program. The Commission reserves the right to require the licensee to file a description of its standards, guidelines, and procedures for implementing this paragraph (b) and to require modification of those standards, guidelines, or procedures.

(c) The licensee may convey easements or rights-of-way across, or leases of, project lands for: (1) replacement, expansion, realignment, or maintenance of bridges or roads where all necessary state and federal approvals have been obtained; (2) storm drains and water mains; (3) sewers that do not discharge into project waters; (4) minor access roads; (5) telephone, gas, and electric utility distribution lines; (6) non-project overhead electric transmission lines that do not require erection of support structures within the project boundary; (7) submarine, overhead, or underground major telephone distribution cables or major electric distribution lines (69-kV or less); and (8) water intake or pumping facilities that do not extract more than one million gallons per day from a project reservoir. No later than January 31 of each year, the licensee shall file three copies of a report briefly describing for each conveyance made under this paragraph (c) during the prior calendar year, the type of interest conveyed, the location of the lands subject to the conveyance, and the nature of the use for which the interest was conveyed.

If no conveyance was made during the prior calendar year, the licensee shall so inform the Commission and the Regional Director in writing no later than January 31 of each year.

(d) The licensee may convey fee title to, easements or rights-of-way across, or leases of project lands for: (1) construction of new bridges or roads for which all necessary state and federal approvals have been obtained; (2) sewer or effluent lines that discharge into project waters, for which all necessary federal and state water quality certification or permits have been obtained; (3) other pipelines that cross project lands or waters but do not discharge into project waters; (4) non-project overhead electric transmission lines that require erection of support structures within the project boundary, for which all necessary federal and state approvals have been obtained; (5) private or public marinas that can accommodate no more than 10 watercraft at a time and are located at least one-half mile (measured over project waters) from any other private or public marina; (6) recreational development consistent with an approved exhibit R or

approved report on recreational resources of an exhibit E; and (7) other uses, if: (i) the amount of land conveyed for a particular use is five acres or less; (ii) all of the land conveyed is located at least 75 feet, measured horizontally, from project waters at normal surface elevation; and (iii) no more than 50 total acres of project lands for each project development are conveyed under this clause (d)(7) in any calendar year.

At least 60 days before conveying any interest in project lands under this paragraph (d), the licensee must submit a letter to the Director, Office of Energy Projects, stating its intent to convey the interest and briefly describing the type of interest and location of the lands to be conveyed (a marked exhibit G or K map may be used), the nature of the proposed use, the identity of any federal or state agency official consulted, and any federal or state approvals required for the proposed use. Unless the Director, within 45 days from the filing date, requires the licensee to file an application for prior approval, the licensee may convey the intended interest at the end of that period.

- (e) The following additional conditions apply to any intended conveyance under paragraph (c) or (d) of this article:
- (1) Before conveying the interest, the licensee shall consult with federal and state fish and wildlife or recreation agencies, as appropriate, and the State Historic Preservation Officer.
- (2) Before conveying the interest, the licensee shall determine that the proposed use of the lands to be conveyed is not inconsistent with any approved exhibit R or approved report on recreational resources of an exhibit E; or, if the project does not have an approved Exhibit R or approved report on recreational resources, that the lands to be conveyed do not have recreational value.
- (3) The instrument of conveyance must include the following covenants running with the land: (i) the use of the lands conveyed shall not endanger health, create a nuisance, or otherwise be incompatible with overall project recreational use; (ii) the grantee shall take all reasonable precautions to insure that the construction, operation, and maintenance of structures or facilities on the conveyed lands will occur in a manner that will protect the scenic, recreational, and environmental values of the project; and (iii) the grantee shall not unduly restrict public access to project waters.
- (4) The Commission reserves the right to require the licensee to take reasonable remedial action to correct any violation of the terms and conditions of this article, for the protection and enhancement of the project's scenic, recreational, and other environmental values.

- (f) The conveyance of an interest in project lands under this article does not in itself change the project boundaries. The project boundaries may be changed to exclude land conveyed under this article only upon approval of revised exhibit G or K drawings (project boundary maps) reflecting exclusion of that land. Lands conveyed under this article will be excluded from the project only upon a determination that the lands are not necessary for project purposes, such as operation and maintenance, flowage, recreation, public access, protection of environmental resources, and shoreline control, including shoreline aesthetic values. Absent extraordinary circumstances, proposals to exclude lands conveyed under this article from the project shall be consolidated for consideration when revised exhibit G or K drawings would be filed for approval for other purposes.
- (g) The authority granted to the licensee under this article shall not apply to any part of the public lands and reservations of the United States included within the project boundary.
- (E) The licensee shall serve copies of any Commission filing required by this order on any entity specified in this order to be consulted on matters related to the Commission filing. Proof of service on these entities must accompany the filing with the Commission.
- (F) This Order is final unless a request for rehearing is filed within 30 days of the date of its issuance, as provided in Section 313(a) of the FPA. The filing of a request for rehearing does not operate as a stay of the effective date of this license or of any other date specified in this Order, except as specifically ordered by the Commission. The licensee's failure to file a request for rehearing shall constitute acceptance of this Order.

Daniel M. Adamson

Director

Office of Energy Projects

Daniel M. adame

#### FEDERAL ENERGY REGULATORY COMMISSION

# TERMS AND CONDITIONS OF LICENSE FOR UNCONSTRUCTED MINOR PROJECT AFFECTING LANDS OF THE UNITED STATES

Article 1. The entire project, as described in this order of the Commission, shall be subject to all of the provisions, terms, and conditions of the license.

Article 2. No substantial change shall be made in the maps, plans, specifications, and statements described and designated as exhibits and approved by the Commission in its order as a part of the license until such change shall have been approved by the Commission: Provided, however, That if the Licensee or the Commission deems it necessary or desirable that said approved exhibits, or any of them, be changed, there shall be submitted to the Commission for approval a revised, or additional exhibit or exhibits covering the proposed changes which, upon approval by the Commission, shall become a part of the license and shall supersede, in whole or in part, such exhibit or exhibits theretofore made a part of the license as may be specified by the Commission.

Article 3. The project works shall be constructed in substantial conformity with the approved exhibits referred to in Article 2 herein or as changed in accordance with the provisions of said article. Except when emergency shall require for the protection of navigation, life, health, or property, there shall not be made without prior approval of the Commission any substantial alteration or addition not in conformity with the approved plans to any dam or other project works under the license or any substantial use of project lands and waters not authorized herein; and any emergency alteration, addition, or use so made shall thereafter he subject to such modification and change as the Commission may direct. Minor changes in project works, or in uses of project lands and waters, or divergence from such approved exhibits may be made if such changes will not result in a decrease in efficiency, in a material increase in cost, in an adverse environmental impact, or in impairment of the general scheme of development; but any of such minor changes made without the prior approval of the Commission, which in its judgment have produced or will produce any of such results, shall be subject to such alteration as the Commission may direct.

Upon the completion of the project, or at such other time as the Commission may direct, the Licensee shall submit to the Commission for approval revised exhibits insofar as necessary to show any divergence from or variations in the project area and project boundary as finally located or in the project works as actually constructed when compared with the area and boundary shown and the works described in the license or in the exhibits approved by the Commission, together with a statement in writing setting forth the reasons which in the opinion of the Licensee necessitated or justified variation in or divergence from the approved exhibits. Such revised exhibits shall, if and when approved by the Commission, be made a part of the license under the provisions of Article 2 hereof.

Article 4. The construction, operation, and maintenance of the project and any work incidental to additions or alterations shall be subject to the inspection and supervision of the Regional Engineer, Federal Energy Regulatory Commission, in the region wherein the project is located, or of such other officer or agent as the Commission may designate, who shall be the authorized representative of the Commission for such purposes. The Licensee shall cooperate fully with said representative and shall furnish him a detailed program of inspection by the Licensee that will provide for an adequate and qualified inspection force for construction of the project and for any subsequent alterations to the project. Construction of the project works or any features or alteration thereof shall not be initiated until the program of inspection for the project works or any such feature thereof has been approved by said representative. The Licensee shall also furnish to said representative such further information as he may require concerning the construction, operation, and maintenance of the project, and of any alteration thereof, and shall notify him of the date upon which work will begin, as far in advance thereof as said representative may reasonably specify, and shall notify him promptly in writing of any suspension of work for a period of more than one week, and of its resumption and completion. The Licensee shall allow said representative and other officers or employees of the United States, showing proper credentials, free and unrestricted access to, through, and across the project lands and project works in the performance of their official duties. The Licensee shall comply with such rules and regulations of general or special applicability as the Commission may prescribe from time to time for the protection of life, health, or property.

Article 5. The Licensee, within five years from the date of issuance of the license, shall acquire title in fee or the right to use in perpetuity all lands, other than lands of the United States, necessary or appropriate for the construction, maintenance, and operation of the project. The Licensee or its successors and assigns shall, during the period of the license, retain the possession of all project property covered by the license as issued or as later amended, including the project area, the project works, and all franchises, easements, water rights, and rights of occupancy and use; and none of such properties

shall be voluntarily sold, leased, transferred, abandoned, or otherwise disposed of without the prior written approval of the Commission, except that the Licensee may lease or otherwise dispose of interests in project lands or property without specific written approval of the Commission pursuant to the then current regulations of the Commission. The provisions of this article are not intended to prevent the abandonment or the retirement from service of structures, equipment, or other project works in connection with replacements thereof when they become obsolete, inadequate, or inefficient for further service due to wear and tear; and mortgage or trust deeds or judicial sales made thereunder, or tax sales, shall not be deemed voluntary transfers within the meaning of this article.

Article 6. The Licensee shall install and thereafter maintain gages and streamgaging stations for the purpose of determining the stage and flow of the stream or streams on which the project is located, the amount of water held in and withdrawn from storage, and the effective head on the turbines; shall provide for the required reading of such gages and for the adequate rating of such stations; and shall install and maintain standard meters adequate for the determination of the amount of electric energy generated by the project works. The number, character, and location of gages, meters, or other measuring devices, and the method of operation thereof, shall at all times be satisfactory to the Commission or its authorized representative. The Commission reserves the right, after notice and opportunity for hearing, to require such alterations in the number, character, and location of gages, meters, or other measuring devices, and the method of operation thereof, as are necessary to secure adequate determinations. The installation of gages, the rating of said stream or streams, and the determination of the flow thereof, shall be under the supervision of, or in cooperation with, the District Engineer of the United States Geological Survey having charge of stream-gaging operations in the region of the project, and the Licensee shall advance to the United States Geological Survey the amount of funds estimated to be necessary for such supervision, or cooperation for such periods as may be mutually agreed upon. The Licensee shall keep accurate and sufficient records of the foregoing determinations to the satisfaction of the Commission, and shall make return of such records annually at such time and in such form as the Commission may prescribe.

Article 7. The Licensee shall, after notice and opportunity for hearing, install additional capacity or make other changes in the project as directed by the Commission, to the extent that it is economically sound and in the public interest to do so.

Article 8. The Licensee shall, after notice and opportunity for hearing, coordinate the operation of the project, electrically and hydraulically, with such other projects or power systems and in such manner as the Commission may direct in the interest of power

and other beneficial public uses of water resources, and on such conditions concerning the equitable sharing of benefits by the Licensee as the Commission may order.

Article 9. The operations of the Licensee, so far as they affect the use, storage and discharge from storage of waters affected by the license, shall at all times be controlled by such reasonable rules and regulations as the Commission may prescribe for the protection of life, health, and property, and in the interest of the fullest practicable conservation and utilization of such waters for power purposes and for other beneficial public uses, including recreational purposes, and the Licensee shall release water from the project reservoir at such rate in cubic feet per second, or such volume in acre-feet per specified period of time, as the Commission may prescribe for the purposes hereinbefore mentioned.

Article 10. On the application of any person, association, corporation, Federal agency. State or municipality, the Licensee shall permit such reasonable use of its reservoir or other project properties, including works, lands and water rights, or parts thereof, as may be ordered by the Commission, after notice and opportunity for hearing, in the interests of comprehensive development of the waterway or waterways involved and the conservation and utilization of the water resources of the region for water supply or for the purposes of steam-electric, irrigation, industrial, municipal or similar uses. The Licensee shall receive reasonable compensation for use of its reservoir or other project properties or parts thereof for such purposes, to include at least full reimbursement for any damages or expenses which the joint use causes the Licensee to incur. Any such compensation shall be fixed by the Commission either by approval of an agreement between the Licensee and the party or parties benefiting or after notice and opportunity for hearing. Applications shall contain information in sufficient detail to afford a full understanding of the proposed use, including satisfactory evidence that the applicant possesses necessary water rights pursuant to applicable State law, or a showing of cause why such evidence cannot concurrently be submitted, and a statement as to the relationship of the proposed use to any State or municipal plans or orders which may have been adopted with respect to the use of such waters.

Article 11. The Licensee shall, for the conservation and development of fish and wildlife resources, construct, maintain, and operate, or arrange for the construction, maintenance, and operation of such reasonable facilities, and comply with such reasonable modifications of the project structures and operation, as may be ordered by the Commission upon its own motion or upon the recommendation of the Secretary of the Interior or the fish and wildlife agency or agencies of any State in which the project or a part thereof is located, after notice and opportunity for hearing.

Article 12. Whenever the United States shall desire, in connection with the project, to construct fish and wildlife facilities or to improve the existing fish and wildlife facilities at its own expense, the Licensee shall permit the United States or its designated agency to use, free of cost, such of the Licensee's lands and interests in lands, reservoirs, waterways and project works as may be reasonably required to complete such facilities or such improvements thereof. In addition, after notice and opportunity for hearing, the Licensee shall modify the project operation as may be reasonably prescribed by the Commission in order to permit the maintenance and operation of the fish and wildlife facilities constructed or improved by the United States under the provisions of this article. This article shall not be interpreted to place any obligation on the United States to construct or improve fish and wildlife facilities or to relieve the Licensee of any obligation under this license.

Article 13. So far as is consistent with proper operation of the project, the Licensee shall allow the public free access, to a reasonable extent, to project waters and adjacent project lands owned by the Licensee for the purpose of full public utilization of such lands and waters for navigation and for outdoor recreational purposes, including fishing and hunting: <a href="Provided">Provided</a>, That the Licensee may reserve from public access such portions of the project waters, adjacent lands, and project facilities as may be necessary for the protection of life, health, and property.

Article 14. In the construction, maintenance, or operation of the project, the Licensee shall be responsible for, and shall take reasonable measures to prevent, soil erosion on lands adjacent to streams or other waters, stream sedimentation, and any form of water or air pollution. The Commission, upon the request or upon its own motion, may order the Licensee to take such measures as the Commission finds to be necessary for these purposes, after notice and opportunity for hearing.

Article 15. The Licensee shall consult with the appropriate State and Federal agencies and, within one year of the date of issuance of this license, shall submit for Commission approval a plan for clearing the reservoir area. Further, the Licensee shall clear and keep clear to an adequate width lands along open conduits and shall dispose of all temporary structures, unused timber, brush, refuse, or other material unnecessary for the purposes of the project which results from the clearing of lands or from the maintenance or alteration of the project works. In addition, all trees along the periphery of project reservoirs which may die during operations of the project shall be termoved. Upon approval of the clearing plan all clearing of the lands and disposal of the unnecessary material shall be done with due diligence and to the satisfaction of the authorized representative of the Commission and in accordance with appropriate Federal, State, and local statues and regulations.

Article 16. Timber on lands of the United State cut, used, or destroyed in the construction and maintenance of the project works, or in the clearing of said lands, shall be paid for, and the resulting slash and debris disposed of, in accordance with the requirements of the agency of the United States having jurisdiction over said lands. Payment for merchantable timber shall be at current stumpage rates, and payment for young growth timber below merchantable size shall be at current damage appraisal values. However, the agency of the United States having jurisdiction may sell or dispose of the merchantable timber to others than the Licensee: <a href="Provided">Provided</a>. That timber so sold or disposed of shall be cut and removed from the area prior to, or without undue interference with, clearing operations of the Licensee and in coordination with the Licensee's project construction schedules. Such sale or disposal to others shall not relieve the Licensee of responsibility for the clearing and disposal of all slash and debris from project lands.

Article 17. The Licensee shall do everything reasonably within its power, and shall require its employees, contractors, and employees of contractors to do everything reasonably within their power, both independently and upon the request of officers of the agency concerned, to prevent, to make advance preparations for suppression of, and to suppress fires on the lands to be occupied or used under the license. The Licensee shall be liable for and shall pay the costs incurred by the United States in suppressing fires caused from the construction, operation, or maintenance of the project works or of the works appurtenant or accessory thereto under the license.

Article 18. The Licensee shall interpose no objection to, and shall in no way prevent, the use by the agency of the United States having jurisdiction over the lands of the United States affected, or by persons or corporations occupying lands of the United States under permit, of water for fire suppression from any stream, conduit, or body of water, natural or artificial, used by the Licensee in the operation of the project works covered by the license, or the use by said parties of water for sanitary and domestic purposes from any stream, conduit, or body of water, natural or artificial, used by the Licensee in the operation of the project works covered by the license.

Article 19. The Licensee shall be liable for injury to, or destruction of, any buildings, bridges, roads, trails, lands, or other property of the United States, occasioned by the construction, maintenance, or operation of the project works or of the works appurtenant or accessory thereto under the license. Arrangements to meet such liability, either by compensation for such injury or destruction, or by reconstruction or repair of damaged property, or otherwise, shall be made with the appropriate department or agency of the United States.

Article 2fl. The Licensee shall allow any agency of the United States, without charge, to construct or permit to be constructed on, through, and across those project lands which are lands of the United States such conduits, chutes, ditches, railroads, roads, trails, telephone and power lines, and other routes or means of transportation and communication as are not inconsistent with the enjoyment of said lands by the Licensee for the purposes of the license. This license shall not be construed as conferring upon the Licensee any right of use, occupancy, or enjoyment of the lands of the United States other than for the construction, operation, and maintenance of the project as stated in the license.

Article 21. In the construction and maintenance of the project, the location and standards of roads and trails on lands of the United States and other uses of lands of the United States, including the location and condition of quarries, borrow pits, and spoil disposal areas, shall be subject to the approval of the department or agency of the United States having supervision over the lands involved.

Article 22. The Licensee shall make provision, or shall bear the reasonable cost, as determined by the agency of the United States affected, of making provision for avoiding inductive interference between any project transmission line or other project facility constructed, operated, or maintained under the license, and any radio installation, telephone line, or other communication facility installed or constructed before or after construction of such project transmission line or other project facility and owned, operated, or used by such agency of the United States in administering the lands under its jurisdiction.

Article 23. The Licensee shall make use of the Commission's guidelines and other recognized guidelines for treatment of transmission line rights-of-way, and shall clear such portions of transmission line rights-of-way across lands of the United States as are designated by the officer of the United States in charge of the lands; shall keep the areas so designated clear of new growth, all refuse, and inflammable material to the satisfaction of such officer; shall trim all branches of trees in contact with or liable to contact the transmission lines; shall cut and remove all dead or leaning trees which might fall in contact with the transmission lines; and shall take such other precautions against fire as may be required by such officer. No fires for the burning of waste material shall be set except with the prior written consent of the officer of the United States in charge of the lands as to time and place.

Article 24. If the Licensee shall cause or suffer essential project property to be removed or destroyed or to become unfit for use, without adequate replacement, or shall abandon or discontinue good faith operation of the project or refuse or neglect to comply

with the terms of the license and the lawful orders of the Commission mailed to the record address of the Licensee or its agent, the Commission will deem it to be the intent of the Licensee to surrender the license. The Commission, after notice and opportunity for hearing, may require the Licensee to remove any or all structures, equipment and power lines within the project boundary and to take any such other action necessary to restore the project waters, lands, and facilities remaining within the project boundary to a condition satisfactory to the United States agency having jurisdiction over its lands or the Commission's authorized representative, as appropriate, or to provide for the continued operation and maintenance of nonpower facilities and fulfill such other obligations under the license as the Commission may prescribe. In addition, the Commission in its discretion, after notice and opportunity for hearing, may also agree to the surrender of the license when the Commission, for the reasons recited herein, deems it to be the intent of the Licensee to surrender the license.

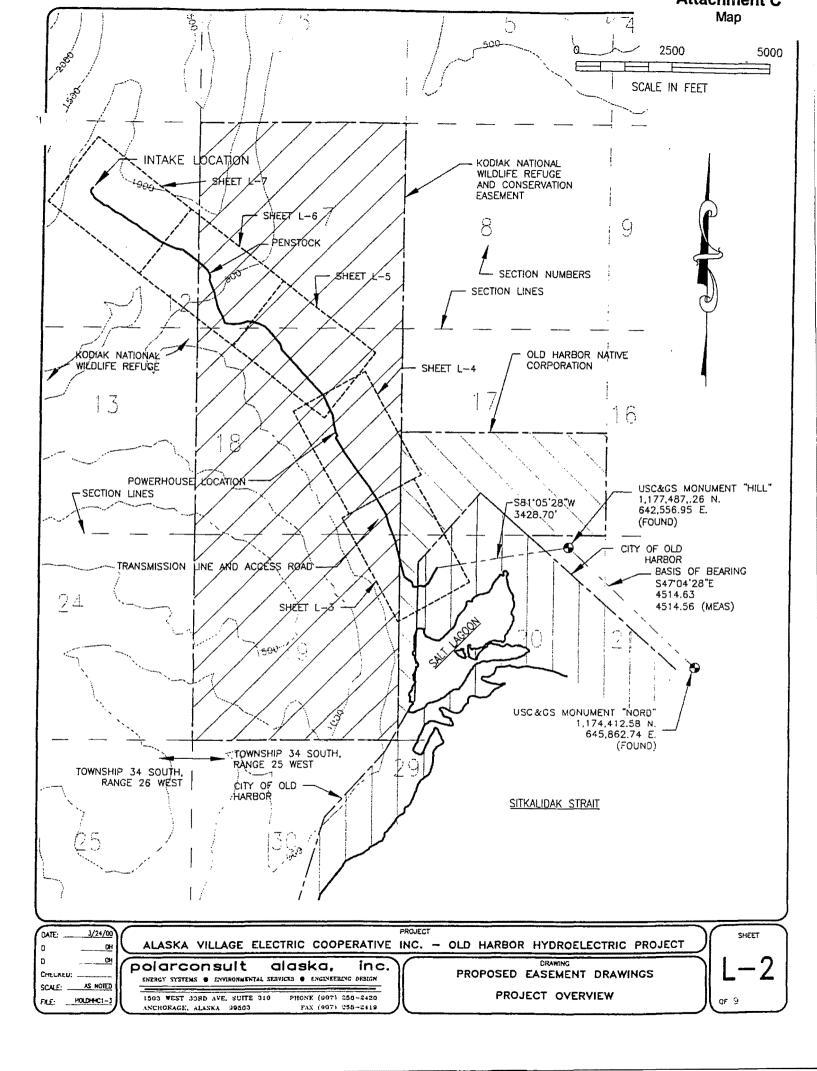
Article 25. The right of the Licensee and of its successors and assigns to use or occupy waters over which the United States has jurisdiction, or lands of the United States under the license, for the purpose of maintaining the project works or otherwise, shall absolutely cease at the end of the license period, unless the Licensee has obtained a new license pursuant to the then existing laws and regulations, or an annual license under the terms and conditions of this license.

Article 26. The terms and conditions expressly set forth in the license shall not be construed as impairing any terms and conditions of the Federal Power Act which are not expressly set forth herein.

Attachment C Map

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Background



## United States Department of the Interior

OFFICE OF THE SOLICITOR Washington, D.C. 20240



EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

C. Walter Ebell, Esq. Jamin, Ebell, Bolger & Gentry 300 Mutual First Building 605 First Avenue Seattle, WA 98104

Dear Walt:

This responds to your request for the Federal and State legal views on how the covenants pertaining to the Old Harbor Native Corporation (OHNC) fee lands purchased by the United States last year relate to the proposed Old Harbor hydroelectric project. Since our previous conversations, you have confirmed with the project sponsors that the Fish and Wildlife Service (FWS) was correct in its determination that a majority of the facilities and activities will take place on lands owned in fee by the United States within the Kodiak National Wildlife Refuge, at least a portion of which are subject to certain restrictive covenants contained in the Warranty Deed from OHNC to the United States and the Conservation Easement from OHNC to the State of Alaska, both of which were executed on September 27, 1995. The remaining portion of the project facilities will occur on lands owned by OHNC and the City of Old Harbor.

Were this project to receive a license to proceed, there is no doubt that the contemplated construction activities would violate the restrictive covenants negotiated by OHNC to satisfy its concern that the fee lands would be "maintained in their natural, pristine state, in perpetuity, in accordance with the terms of the Restrictive Covenant contained in the State Conservation Easements and the Warranty Deeds..." See, Section 5.a. of the Agreement for the Sale, Purchase and Donation of Lands and Interests in Lands Between Old Harbor Native Corporation and the United States of America, dated May 23, 1995 (Agreement).

Under the terms of Section II.(1) of the Warranty Deed and Section a. of the State Conservation Easement, activities such as the construction of buildings or fences and the manipulation or alteration of natural water courses are generally prohibited. The listed exceptions to these prohibitions, for refuge or conservation research or management or for conveying information to the public to protect public safety or natural resources, are inapplicable to the proposed project. Furthermore, there is no clause in the Warranty Deed or State Conservation Easement comparable to Section 3.(c) of the OHNC Conservation Easement which permits the Refuge

Manager to approve otherwise prohibited activities upon determination that "they are compatible with the purposes of this Easement."

While the Warranty Deed sets forth no process for approving such activities, we have consulted with the U.S. Department of Justice, and are all in agreement that the three parties to the Purchase Agreement and related conveyance instruments, OHNC, the State and the United States, have the discretion to act jointly to modify these restrictive covenants as to a particular project if it is compatible with the restoration and conservation purposes of the Warranty Deed and the State Conservation Easement. We have not yet concluded what format such an instrument would take, but we believe that it must be suitable for recording in the Kodiak Island land records. Additionally, both governments believe that the Trustee Council should be consulted on any changes to these deeds, and their concurrence obtained as long as the Council remains in existence.

As the Department of the Interior's February 22, 1996, letter to the Federal Energy Regulatory Commission indicated, this project necessitates the undertaking of certain fish, wildlife and habitat studies to assess the impact of the proposed project. Any decision by the State and the United States to consent to modifying the restrictive covenants for this project remains subject to the results of these studies and the outcome of the FERC licensing process. Assuming that studies indicate the project will result in no more than minor to negligible impacts to fish and wildlife resources, that likely impacts can be successfully mitigated, and that the project is deemed compatible with the purposes for which the Kodiak National Wildlife Refuge was established and compatible with the restoration and conservation purposes of the Warranty Deed and State Conservation Easement, we would seek modification to the restrictive covenants to permit this project with the concurrence of the Trustee Council. Both the Alaska Department of Fish and Game (ADF&G) and FWS would be pleased to work with the project sponsor in designing the necessary studies.

The FWS is the lead for the Department of the Interior on issues related to the studies and evaluations and judgments concerning project impacts. Contact with FWS should be through Jay Bellinger, the Refuge Manager. The ADF&G has the lead for the State. Their contact person is Janet Kowalski, the Director of the Division of Habitat and Restoration. Regina Sleater, Esq. of the DOI Alaska Regional Solicitor's Office, is representing the Department in the FERC proceeding and questions involving that proceeding should be

directed to her. In the meantime, we would be happy to work with you and respond to any questions you may have pertaining to the oil spill restoration program and the terms of the purchase agreements. We trust that this letter is responsive to your concerns.

Craig J. lillery

Assistant Attorney General Alaska Department of Law Sincerely,

Barry N. Roth Attorney-Adviser

Conservation & Wildlife Division Office of the Solicitor

cc: Janet Kowalski, ADF&G Jay Bellinger, FWS

Regina Sleater, Esq., DOI

we'll have that later today. On the appraisal for Afognak Joint Venture, this is going forward now, the draft appraisal is a little bit behind 3 schedule, however, it's expected that the final appraisal will be close to being on time which is in late December. And we're hoping to have a -- depending on comments back from the 6 landowner we're hoping to have a final appraisal sometime in 8 January on that. I also wanted to call your attention, and you should 9 have a copy of this document, of a letter to Walt Ebell from Craig Tillery and Barry Roth and this is regarding a request 11 for a hydroelectric project on Old -- formerly Old Harbor 12 Native Corporation fee lands that were purchased by the United 13 States. And Craig is here.... 14 MS. R. WILLIAMS: It was handed out this 15 15 morning. MS. McCAMMON: It was handed out this morning, 17 so it's not in your packet. 18 MS. D. WILLIAMS: Mr. Chairman, do we have that 19 here in Anchorage, do you know? 20 21 MS. R. WILLIAMS: Yes. MS. McCAMMON: You should. 22 23 CHAIRMAN TILLERY: Can you locate it? 24 MS. D. WILLIAMS: We'll try. 25 CHAIRMAN TILLERY: The project -- the proposal

- 1 by Old Harbor is to do a hydroelectric project in a stream that
- 2 comes down essentially through the village, I believe, between
- 3, the old and new villages. And it would move water from one
- 4 stream into a different drainage and would generate
- 5 hydroelectric power and it would replace oil -- for the most
- 6 part, oil burning, I believe it's oil burning generators right
- 7 now. There are currently some studies being conducted to
- 8 determine the impacts on natural resources and other potential
- 9 impacts.
- The problem that has come up with this is this is on

  fee land that has been purchased by the Trustee Council under

  the terms of the purchase that that use of the land would not

  be permissible. Had it been on the conservation easement lands

  it would have been because of the way the easement was drafted

  with the concurrence of the refuge manager. But because it's

  on fee lands it's not permissible and there's no way in which

  it sort of can be done through those terms by any kind of

  review or anything like that. So the proposal would be to

  amend the -- I guess it would be to amend the deeds in this

  instance to permit this particular project.
- 21 That is what is contemplated and would be legally
  22 permissible the way we have structured these acquisitions
  23 because each of the -- when -- the Trustee Council does not
  24 acquire these lands, the Trustee Council gives money to
  25 government agencies to acquire them and after that, subject to

1: the terms of the deeds or the conservation easements, those agencies manage the lands. However, there is nothing that would prohibit those agencies from changing the terms under which that land had been taken. However, the Department -- and the State of Alaska and Department of Interior are sort of the relevant agencies to this and it was our view and certainly has been discussed, I believe, with other Trustees that even though the Trustee Council doesn't have a role, a legal role, in making such changes that it should have a role at least as long as the Trustee Council is in existence.

Therefore, a response was sent back to the proponents of this project indicating that any modification would first have to be considered by the Trustee Council and concurred in by the Trustee Council so long as it does remain in existence. Again, it's not a legal requirement but it's one that at least these agencies, the State and Department of Interior, would intend to abide by.

Any questions about this process.

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MR. WOLFE: You know, Mr. Chairman, this puzzles me a little bit because I thought the intent was that we were putting these properties basically into a protective -or status in perpetuity subject to the conditions of the purchase agreement. And a change from that, I didn't think the 24 agency had the authority to go away from that unless we all 25! agreed or some provision was made to allow for that.

- CHAIRMAN TILLERY: No, legally the agencies --1 . 2 | the governments can't change those agreements, they are the
- parties in interest on those agreement, they are the signators
- (sic) to those agreements.

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- MR. WOLFE: Okav. 5
- CHAIRMAN TILLERY: They can just make the changes but as sort of as a matter of comedy it would seem 7 appropriate, as long as the Trustee -- and you would want it that way because the Trustee Council will not be in existence forever....
  - MR. WOLFE: I understand that.
  - CHAIRMAN TILLERY: .... and therefore -- and things will change and you will want to be able to adapt those so for that reason we built -- as many protections as possible have been built in into each of these. There are covenants in the deeds that would restrict activities, there are conservation easements given to the other government, there are covenants that run to the land -- the original landowner, so there's about as many protections as we can do, but when everybody agrees that it would be appropriate to make a change....
- 22 MR. WOLFE: Okay. No problem.
- 23 CHAIRMAN TILLERY: .... then that is what this
- 24 process is all about.
- 25 MR. WOLFE: Okay. And I guess my question

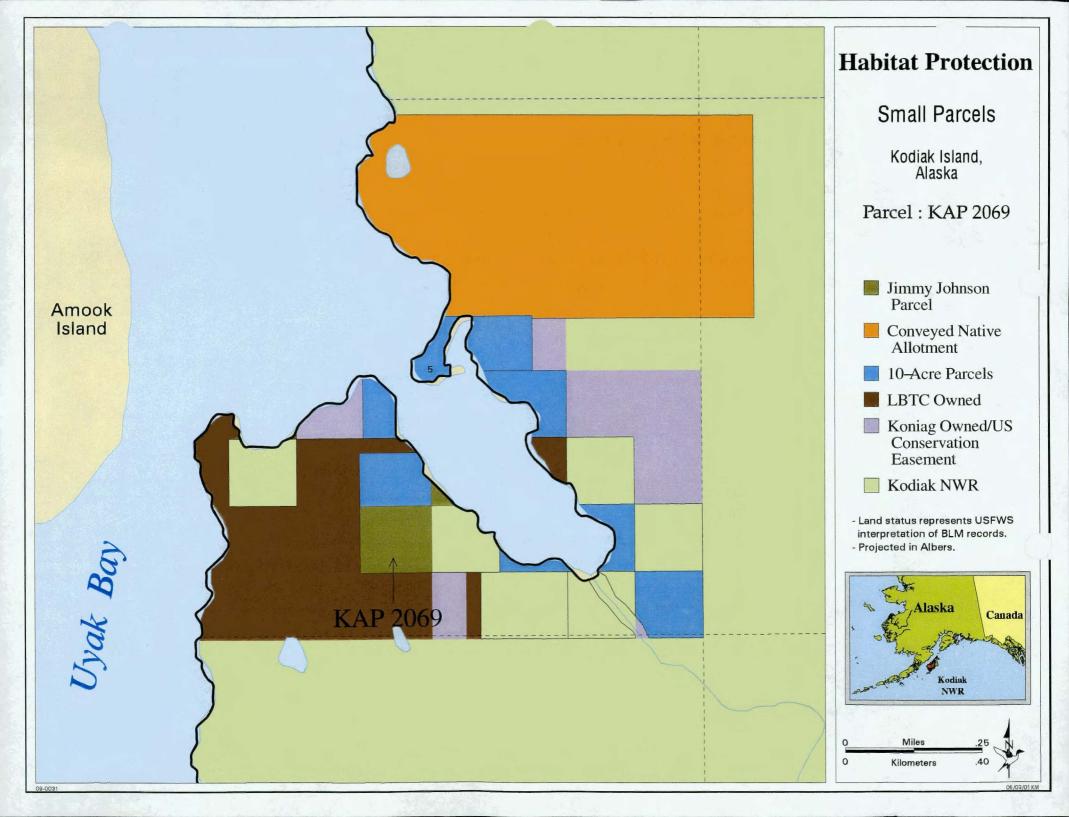
- 1 then, my follow-up question to that would be that we do have
- 2 the other protective covenants in place, do we not? Is there
- 3 not a conservation easement to the other government back in
- 4 this case?
- 5 CHAIRMAN TILLERY: That is correct.
- MR. WOLFE: And so if the owning agency or the
  managing agency decided to do something in this case without
  concurrence from the other involved, at least the other
  government, it would trigger that conservation easement, would
  it not?
- 11 CHAIRMAN TILLERY: That's correct.
- MR. WOLFE: Okay.
- MR. ROTH: Mr. Chairman.
- 14 CHAIRMAN TILLERY: Mr. Roth.
- MR. ROTH: Yes, it would take the consent, in 15 this case, of the other government for its easement, it would 16 17 also take the consent of the grantor, in this case Old Harbor Native Corporation, would all have to agree it's appropriate. 13 19 I also want to clarify that the Old Harbor that's proposing the 20 project, the hydroelectric project, is not the Native corporation from whom we brought the land, it's the municipal 21 22 entity of Old Harbor, so it's not that Old Harbor came to us 23 themselves -- they came to us, their council approached us but

it was in the context of the village not in context of the

25 corporation that we dealt with, so it's a slightly different

- 1 entity, but we can only reform the deeds with the consent of
- 2 both governments and the grantor there. And at this point this
- 3 is primarily information because neither the State nor the
- 4 Federal agencies who are looking -- who are doing the studies
- 5 and looking at the results of those studies yet, without the
- 6 results can even make a recommendation whether it would be
- 7 environmentally favorable to do this.
- 8 CHAIRMAN TILLERY: Mr. Hines.
- 9 MR. HINES: Mr. Chairman, the letter does
- 10 mention that there's a necessity to undertake certain studies
- 11 to determine the potential impacts on fish, wildlife and the
- 12 habitat, when do you anticipate or when -- do we have an idea
- 13 of when these studies will be concluded?
- 14 CHAIRMAN TILLERY: Janet, you're the.....
- 15: MS. KOWALSKI: No, not really at this point,
- 16. it's just too early in the process to be able to give an
- 17: definitive answer.
- 18 MR. HINES: So what next in the process?
- 19 CHAIRMAN TILLERY: My understanding is that
- 20 these studies are ongoing and they are being done right now and
- 21 I don't know when they will be completed though. The next
- 22, step, as I understand the process, is that there will be -- the
- 23 studies will be completed and then they will go to the various
- 24 agencies essentially to get their views and decision of whether
- 25 it's appropriate and then it'll come back. As I understand it

- 1 it would come back to the governments, the governments would
- 2 sort of make a decision, they would look to the Council for
- 3 concurrence and if all worked, then we would reform the deeds
- 4 and the conservation easement as required.
- 5 Mr. Roth.
- MR. ROTH: Mr. Chairman, except since the -- we would -- assuming it was denied, we would only do that
- 8 reformation after the FDRC license was granted and incorporated
- 9 the necessary terms and conditions or safeguards that was felt,
- 10 so it would be some time before, my guess is, that the end
- 11 result of reformation could be before the Council and I would
- 12 expect the earliest the studies would be completed this coming
- 13 <sup>|</sup> field season, but again like ADF&G, I don't have any particular
- 14 knowledge of the exact status at this point.
- CHAIRMAN TILLERY: Are there any further
- 16 questions about the Old Harbor Project? Ms. McCammon.
- MS. McCAMMON: Thank you, Mr. Chairman, in the
- 18 small parcel portion of the Habitat Protection Program there
- 19 are two parcels that have had appraisals reviewed and approved
- 20 that will be before you for possible action today, and we can
- 21 talk about those later on the agenda, but they're Prince
- 22 | William Sound 11, Horseshoe Bay and KAP 114, which is the
- 23 Johnson parcel on Kodiak Island.
- In addition staff have been doing some of the
- 25 preliminary work to respond to your request for a longer term



Resolution



## RESOLUTION OF THE EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL REGARDING ONE 10-ACRE PARCEL KAP 2069

We, the undersigned, duly authorized members of the Exxon Valdez Oil Spill Trustee Council ("Trustee Council"), after extensive review and after consideration of the views of the public, find as follows:

- 1.a. In its resolution of December 11, 1995, the Trustee Council agreed to provide funding of up to \$1,000,000 for the acquisition of lands held by the Kodiak Island Borough at key waterfront locations along Uyak Bay within the Kodiak National Wildlife Refuge as a result of forfeitures for tax delinquency. On June 8, 1998, the Council by motion designated these inholdings as parcels meriting special consideration by virtue of their location within the boundaries of a large parcel of land purchased from Koniag Inc. with Council funding.
- b. In its motion of June 8, 1998, the Trustee Council also agreed to authorize funding of up to \$645,000 from the previously dedicated \$1,000,000 for the purchase of privately owned approximately 10-acre parcels conveyed by the Larsen Bay Tribal Council ("Tribal Council") to tribal members. This motion designated these inholdings as parcels meriting special consideration by virtue of their location within and adjacent to the boundaries of a large parcel acquisition of land purchased from Koniag, Inc. with Trustee Council funding.
- c. Subject to funding by the Trustee Council, the present owner of a certain parcel formerly conveyed by the Tribal Council to its members, and the U.S. Fish and Wildlife Service are negotiating an agreement to sell and purchase, respectively, one such parcel. This parcel and its respective approved appraised value is identified as follows:

EVOS Parcel	Legal Description	Size	Appraised
KAP# Owner	Twp, Rng, Sec-Lot		Value
2069 Johnson, James	31S 28W 5-15	10 acres	\$12,000

d. An appraisal totaling \$12,000.00 for this parcel comprising about 10 acres has been approved by the Federal review appraiser.

- e. As set forth in Attachment A, if acquired, this parcel has attributes which will restore, replace, enhance and rehabilitate injured natural resources and the services provided by those natural resources, including providing habitat for bird species for which significant injury resulting from the spill has been documented, providing key marine access for subsistence and recreational uses on the surrounding public lands.
- 2. Existing laws and regulations, including but not limited to the Alaska Forest Practices Act, the Anadromous Fish Protection Act, the Clean Water Act, the Alaska Coastal Management Act, the Bald Eagle Protection Act and the Marine Mammals Protection Act, are intended, under normal circumstances, to protect resources from serious adverse affects from logging and other development activities. However, restoration, replacement and enhancement of resources injured by the *Exxon Valdez* oil spill present a unique situation. Without passing on the adequacy or inadequacy of existing law and regulation to protect natural resources and service, biologists, scientists and other resource specialists agree that, in their best professional judgment, protection of habitat in the spill affected area to levels above and beyond that provided by existing law and regulation will have a beneficial effect on the recovery of injured resources and lost or diminished services provided by these resources;
  - 3. There has been widespread public support for the protection of small parcels; and
- 4. The purchase of small parcels is an appropriate means to restore a portion of the injured resources and services in the oil spill area.

THEREFORE, we resolve to provide funds for the United States Fish and Wildlife Service to offer to purchase and, if the offer is accepted, to purchase all of the seller's rights and interest in the parcel; and to provide funds necessary for closing costs recommended by the Executive Director of the Trustee Council ("Executive Director") and approved by the Trustee Council and pursuant to the following conditions:

- (a) the amount of funds (hereinafter referred to as the "Purchase Price") to be provided by the Trustee Council to the United States shall be the final approved appraised value of the parcel, identified above, totaling \$12,000.00;
  - (b) authorization for funding for the foregoing acquisition shall terminate if the purchase

agreement is not executed by December 30, 2001;

- (c) filing by the United States Department of Justice and the Alaska Department of Law of a notice(s), as required by the Third Amended Order for Deposit and Transfer of Settlement Proceeds, of the proposed expenditure with the United States District Court for the District of Alaska and with the Investment Fund established by the Trustee Council with the Alaska Department of Revenue, Division of Treasury ("Investment Fund"), and transfer of necessary monies from the Investment Fund to the United States;
- (d) a title search satisfactory to the United States and the State of Alaska is completed by the acquiring government and the Seller is willing and able to convey fee simple title by warranty deed, or by limited warranty deed acceptable to the U.S. Department of Justice and the Alaska Department of Law;
- (e) no timber harvesting, road development or any alteration of the land is to be initiated on the land without the express agreement of the acquiring government prior to purchase;
- (f) a hazardous materials survey satisfactory to the United States and the State of Alaska is completed;
  - (g) compliance with the National Environmental Policy Act; and
- (h) a conservation easement satisfactory to the U.S. Departments of Justice and the Interior and the Alaska Department of Law shall be conveyed by the seller to the State of Alaska.

It is the intent of the Trustee Council that any facilities or other development on the foregoing small parcel after acquisition shall be of limited impact and in keeping with the goals of restoration and that there shall be no commercial timber harvest nor any other commercial use of the small parcel excepting such limited commercial use as may be consistent with applicable state or federal law and the goals of restoration to pre-spill conditions of any natural resource injured, lost, or destroyed as a result of the EVOS and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected services as described in the Memorandum of Agreement and Consent Decree between the United States and the State of Alaska entered August 28, 1991 ("MOA") and the Restoration Plan as approved by the Trustee Council ("Restoration Plan").

By unanimous consent and upon execution of the purchase agreement between the seller and the United States and written notice from the Executive Director that the terms and conditions set forth herein and in the purchase agreement have been satisfied, we request the Alaska Department of Law and the Assistant Attorney General of the Environment and Natural Resources Division of the U.S. Department of Justice to take such steps as may be necessary for withdrawal of the Purchase Price for the above referenced parcel from the appropriate account designated by the Executive Director.

Approved by the Council at its meeting of May 3, 2001 held in Juneau and Anchorage, Alaska, as affirmed by our signatures affixed below.

DAVE GIBBONS Supervisor, Chugach National Forest USDA Forest Service CRAIG TILLERY Assistant Attorney General State of Alaska

DAVID B. ALLEN
Director, U.S. Fish and Wildlife Service
U.S. Department of the Interior

JAMES BALSIGER
Director, Alaska Region
National Marine Fisheries Service

FRANK RUE Commissioner Alaska Department of Fish and Game MICHELE BROWN
Commissioner
Alaska Department of
Environmental Conservation

Attachment A
Benefits Report
& Map

Parcel ID: James J. Johnson 10-acre parcel EVOS Parcel Number KAP 2069 USFWS Parcel Number 77b

Rank: N/A

Acreage: 10+

Agency Sponsor: USFWS

**Estimated Value:** 

\$12,000

Location:

Browns Lagoon

Fractional SW½NW¼SE¼, NE¼SE¼SW¼, Sec. 5, T. 31 S., R. 28 W., Seward Meridian

Landowner/Agent:

James Johnson

Address:

P.O. Box 16

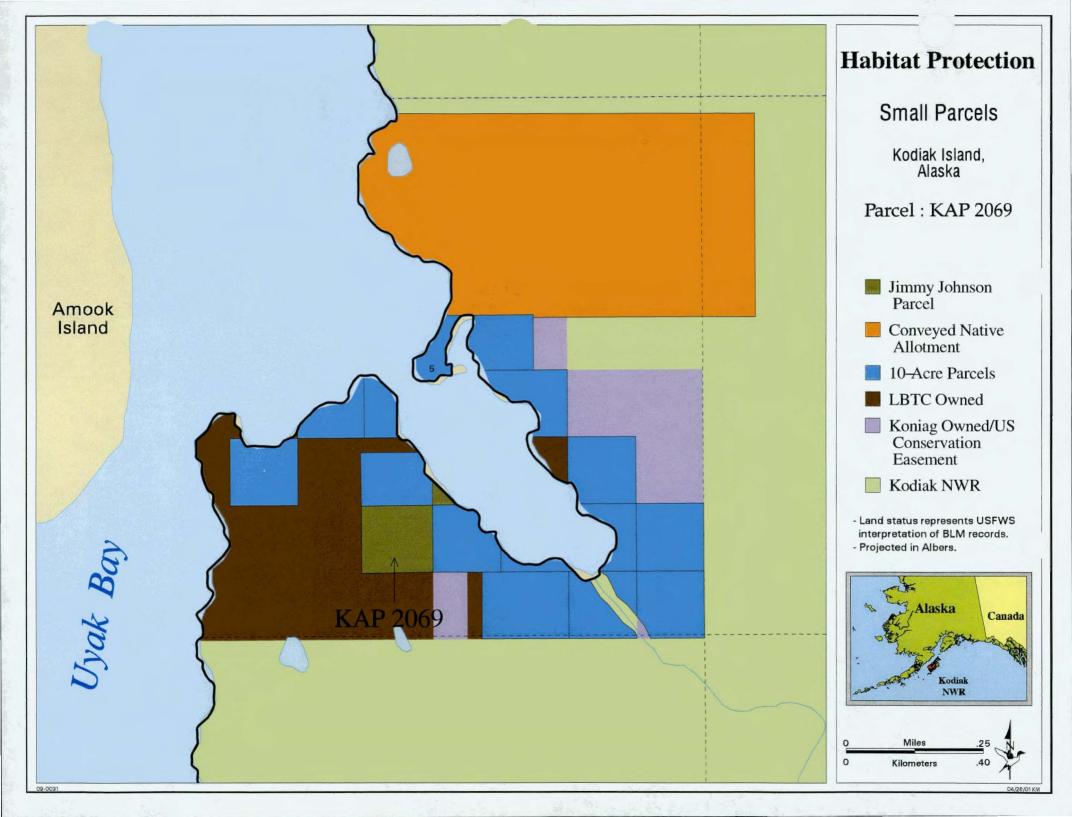
Larsen Bay Alaska 99624

Pursuant to the Alaska Native Claims Settlement Act, certain regional and village Native corporation were organized under Alaska law, including the village corporation for Larsen Bay, Nu-Nachk-Pit, Inc., and the regional corporation Koniag, Inc. In October 1980, these corporations, among others signed a plan of merger which provided that the corporations would merge into Koniag, Inc. and Koniag would receive all the village corporation real estate selection rights and conveyances. Pursuant to the Plan of Merger, Koniag quit-claimed its interest in certain land to Larsen Bay Tribal Council for the benefit of Tribal members. LBTC subsequently deeded small parcel of about 10 acres to each individual tribal member. A number of these private parcels have been acquired with *EVOS* funds at fair market value.

This property lies along the western shore of Brown's Lagoon about seven miles east of the village of Larsen Bay on western Kodiak Island. A portion of the parcel is bounded on the east by Uyak Bay. The parcel is also bounded on the east by a private parcel in the process of being acquired with *EVOS* funds. Lands on the west and south boundaries of the parcel are retained by LBTC. The parcel is encompassed within lands purchased from Koniag by the USFWS in September 1998 as part of the Koniag large parcel acquisition funded by the Exxon Valdez Oil Spill Trust Council, which was classified as "High" value by the *EVOS* staff. The lands have excellent access from Uyak Bay.

Browns Lagoon provides important habitat for a number of wildlife species. A bald eagle nest is located within this parcel. The lagoon provides important eagle foraging habitat. High densities of pigeon guillemots use the lagoon year round, and nest in the small hillsides along the lagoon. Large numbers of black oystercatchers use the shoreline of the parcel. A variety of sea ducks including golden eye, harlequin ducks, and surf scoters also commonly use the lagoon.

There is a cabin near this parcel as well as numerous other cabins and developments on lands throughout Uyak Bay. Cabins are mainly used for recreational and subsistence hunting and fishing. These sites have significant potential for expansion into more intrusive development. Several commercial lodges operate in Uyak Bay, providing heir clients with opportunities for hunting, fishing, kayaking, wildlife viewing and other ecotourism. Continued development in this area could further adversely impact water quality and fish and wildlife habitat. The acquisition of this parcel will help to preserve the wildlife, habitat, wilderness, recreational, and subsistence restoration benefits of the surrounding Koniag large parcel acquisitions and enhance sound natural resource management.



Resolution



## RESOLUTION OF THE EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL REGARDING SMALL PARCEL KEN 294

We, the undersigned, duly authorized members of the Exxon Valdez Oil Spill Trustee Council ("Council"), after extensive review and after consideration of the views of the public, find as follows:

- 1. The Conservation Fund has purchased the Elliott small parcel, KEN 294, in anticipation that it will sell the parcel to the State of Alaska for \$78,000;
- 2. An appraisal of the parcel approved by the state review appraiser, determined that the fair market value of the parcel is \$78,000;
- 3. As set forth in Attachment A, Restoration Benefits Report for KEN 294, if acquired, this small parcel has attributes which will restore, replace, enhance and rehabilitate injured natural resources and the services provided by those natural resources, including important habitat for several species of fish and wildlife for which significant injury resulting from the spill has been documented. Acquisition of this small parcel will assure protection of approximately 19.84 acres including approximately 1,282 feet of linear shoreline along the Anchor River. The parcel contains riparian and upland habitats of varying slope that support vegetative species such as, willow, alder, spruce, birch and cottonwood trees. These terrestrial habitats provide structure to the riverbank and cover for the river, thereby protecting streambed substrates and the hydrological properties most important to high quality fish habitat. The river corridor in this area provides habitat essential to the production of Pacific salmon, steelhead trout and anadromous Dolly Varden. This section is particularly important to rearing juvenile fish of all species throughout the year, and over wintering adult steelhead trout and Dolly Varden, as well as spawning chinook salmon. This area also serves as a major migratory corridor each year for thousands of adults of all species attempting to reach upstream spawning grounds. In sum, this parcel is considered to possess fish habitat of exceptional quality important to the life cycle requirements of all fish species indigenous to the Anchor River.
  - 4. Existing laws and regulations, including but not limited to the Alaska Forest Practices Act,

the Alaska Anadromous Fish Protection Act, the Clean Water Act, the Alaska Coastal Management Act, the Bald Eagle Protection Act and the Marine Mammal Protection Act, are intended, under normal circumstances, to protect resources from serious adverse effects from activities on the lands. However, restoration, replacement and enhancement of resources injured by Exxon Valdez oil spill ("EVOS") present a unique situation. Without passing judgment on the adequacy or inadequacy of existing law and regulations to protect resources, scientists and other resource specialists agree that, in their best professional judgment, protection of habitat in the spill area to levels above and beyond that provided by existing laws and regulations will have a beneficial effect on recovery of injured resources and lost or diminished services provided by these resources;

- 5. There has been widespread public support for the acquisition of lands within Alaska as well as on a national basis;
- 6. The purchase of this parcel is an appropriate means to restore a portion of the injured resources and services in the oil spill area. Acquisition of this parcel is consistent with the Final Restoration Plan;
- 7. The purchase of small parcels is an appropriate means to restore a portion of the injured resources and services in the oil spill area.

THEREFORE, we resolve to provide funds for the State of Alaska to purchase all the seller's rights and interests in the small parcel KEN 294 and to provide funds necessary for closing costs recommended by the Executive Director of the Trustee Council ("Executive Director"), and approved by the Trustee Council and pursuant to the following conditions:

- (a) the amount of funds (hereinafter referred to as the "Purchase Price") to be provided by the Trustee Council to the State of Alaska shall be seventy-eight thousand dollars (\$78,000) for small parcel KEN 294;
- (b) authorization for funding for any acquisition described in the foregoing paragraph shall terminate if a purchase agreement is not executed by September 1, 2002;

- (c) filing by the United States Department of Justice and the Alaska Department of Law of a notice, as required by the Third Amended Order for Deposit and Transfer of Settlement Proceeds, of the proposed expenditure with the United States District Court for the District of Alaska and with the Investment Fund established by the Trustee Council within the Alaska Department of Revenue, Division of the Treasury ("Investment Fund"), and transfer of the necessary monies from the Investment Fund to the State of Alaska Department of Natural Resources;
- (d) a title search satisfactory to the State of Alaska and the United States is completed, and the seller is willing and able to convey fee simple title by warranty deed;
- (e) no timber harvesting, road development or any alteration of the land will be initiated on the land without the express agreement of the State of Alaska and the United States prior to purchase;
- (f) a hazardous materials survey satisfactory to the State of Alaska and United States is completed;
  - (g) compliance with the National Environmental Policy Act; and
- (h) a conservation easement on parcel KEN 294 shall be conveyed to the United States which must be satisfactory in form and substance to the United States and the State of Alaska Department of Law.

It is the intent of the Trustee Council that the above referenced conservation easement will provide that any facilities or other development on the foregoing small parcel shall be of limited impact and in keeping with the goals of restoration, that there shall be no commercial use except as may be consistent with applicable state or federal law and the goals of restoration to prespill conditions of any natural resource injured, lost, or destroyed as a result of the EVOS, and the services provided by that resource or replacement or substitution for the injured, lost or destroyed resources and affected services, as described in the Memorandum of Agreement and Consent Decree between the United States and the State of Alaska entered August 28, 1991 and the Restoration Plan as approved by the Trustee Council.

By unanimous consent, following execution of the purchase agreement between the seller and the State of Alaska and written notice from the Executive Director that the terms and conditions set

forth herein and in the purchase agreement have been satisfied, we request the Alaska Department of Law and the Assistant Attorney General of the Environment and Natural Resources Division of the United States Department of Justice to take such steps as may be necessary for withdrawal of the Purchase Price for the above-referenced parcel from the appropriate account designated by the Executive Director.

Such amount represents the only amount due under this resolution to the sellers by the State of Alaska to be funded from the joint settlement funds, and no additional amounts or interest are herein authorized to be paid to the sellers from such joint funds.

Approved by the Council at its meeting of May 3, 2001 held in Juneau and Anchorage, Alaska, as affirmed by our signatures affixed below:

DAVE GIBBONS Supervisor, Chugach National Forest USDA Forest Service CRAIG TILLERY
Assistant Attorney General
State of Alaska

DAVID B. ALLEN
Director, U.S. Fish and Wildlife Service
U.S. Department of the Interior

JAMES BALSIGER Director, Alaska Region National Marine Fisheries Service

FRANK RUE Commissioner Alaska Department of Fish and Game MICHELE BROWN
Commissioner
Alaska Department of
Environmental Conservation

Attachments:

Attachment A - Restoration Benefits Report Attachment B - Vicinity Map

Attachment A
Benefits Report
& Map

## Attachment A: Benefits Report KEN 294, Elliott Parcel

Acreage: 19.84 acres Sponsor: ADF&G Appraised Value: \$78,000

Location: The parcel is locate at Mile 160 of the Sterling Highway, approximately 3 miles south of

Anchor Point, Anchor Point, Alaska and is intersected by the Anchor River.

Parcel Description. The parcel is mostly level with the Anchor River bisecting it in a generally east west direction. The parcel contains riparian and upland habitats of varying slope that support vegetative species such as, willow, alder, spruce, birch and cottonwood trees. Natural drainages meander through the parcel and keep some areas relatively wet, providing evidence that some of these areas are likely locations of former riverbed.

Restoration Benefits. These terrestrial habitats provide structure to the riverbank and cover for the river. thereby protecting streambed substrates and the hydrological properties most important to high quality fish habitat. The river corridor in this area provides habitat essential to the production of Pacific salmon, steelhead trout and anadromous Dolly Varden. This section is particularly important to rearing juvenile fish of all species throughout the year, and over wintering adult steelhead trout and Dolly Varden, as well as spawning chinook salmon. This area also serves as a major migratory corridor each year for thousands of adults of all species attempting to reach upstream spawning grounds. Additionally, maintenance of quality habitat at Anchor River is important to anadromous Dolly Varden throughout the Lower Kenai Peninsula. Tagging studies have demonstrated that spawning and rearing Anchor River Dolly Varden are highly migratory and contribute to populations that inhabit Deep Creek, Ninilchik River, and other Kachemak Bay tributaries. In sum, this section is considered to currently possess fish habitat of exceptional quality that is important to the life cycle requirements of all fish species indigenous to the Anchor River. The fish species mentioned above support fisheries that are important to the Kenai Peninsula. The Anchor River supports an average of approximately 28,000 angler days of fishing effort each year. The parcels being considered are adjacent to or near the Sterling Highway and therefore possess high recreational value. Population growth and changes in land use activities on the Lower Kenai Peninsula has lead to increased stream-side development. Consequently, the overall value of these parcels on the Anchor River are important to maintaining quality fish habitat and recreational opportunity on the Kenai Peninsula.

In addition to fish values, the subject property was recently discussed by the Moose Mitigation Trust as a priority for acquisition because of it's value to wildlife, especially moose.

The Anchor River provides important habitat for several species of wildlife. Waterfowl like Mallards, Harlequins, mergansers and teal all use the Anchor River. Most if not all wildlife that occur on the lower peninsula utilize this riparian area. Mink, river otter, and beaver are common residents of this area. Black and brown bears migrate through in search of salmon or other foods. Generally the dense understory provide secure cover for travel and protection from human disturbance.

Moose occur throughout the region and especially in the riparian areas year round. During spring, summer and fall moose utilize riparian areas for feeding, rearing young and thermal protection from hot summer days. During winter moose concentrate to the riparian areas because of the available browse and relatively lower snow depth. During winters with deep snow moose tend to congregate in higher densities on the lower

stretches of this river. For example, in 1992 a late winter survey showed that this section of river contained over 14 moose per square mile.

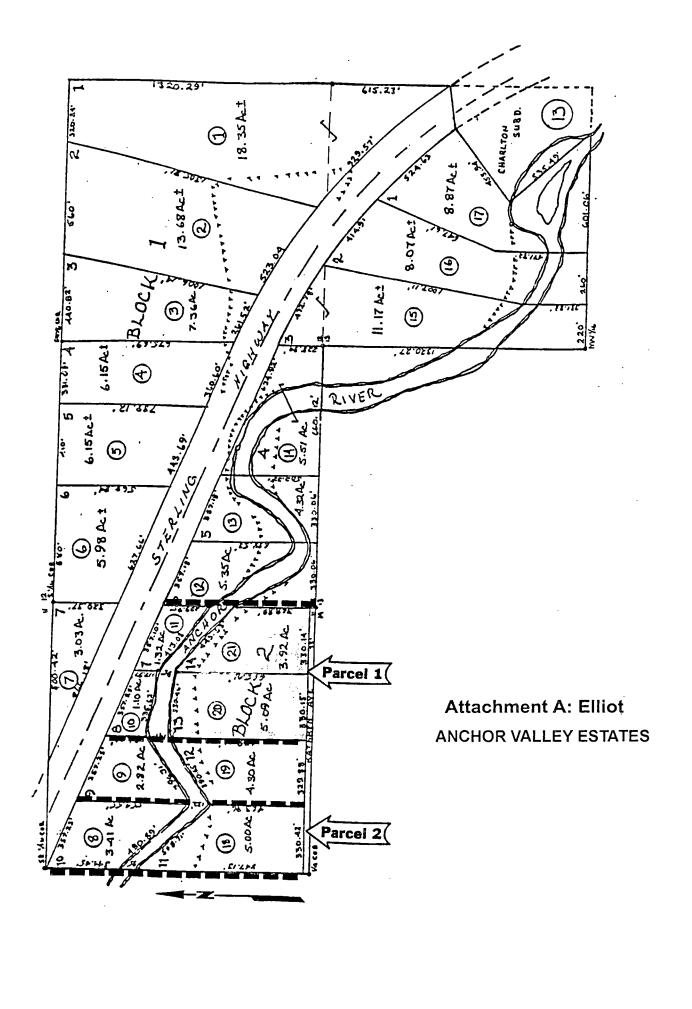
The Department of Fish and Game places a high value on this parcels for public access. On the South Fork of the Anchor River, small private parcels comprise nearly all of the land from the vicinity of the North and South Forks confluence at approximately MP 157 on the Sterling Highway upstream to about MP 164.

**Potential Threats.** The parcel is already subdivided and has potential for residential/recreational use. The appeal of the parcel is enhanced by its Anchor River frontage in an area popular for dolly varden and steelhead sportfishing.

Appraised Value. The appraised value of this parcel is \$78,000. The parcel is currently part of a subdivision and includes 6 subdivided lots. The highest and best use of these lots is speculative holding, combined vacant, for future sale or development as economic conditions dictate feasible.

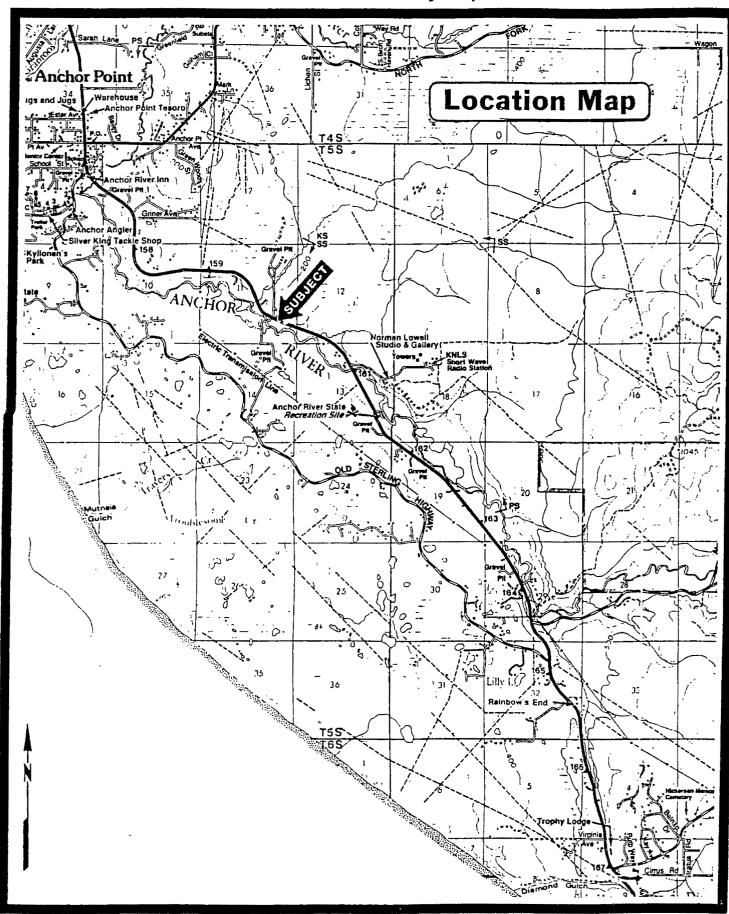
**Proposed Management.** The purpose of acquisition is to preserve and protect in perpetuity the ecological, natural, physical and scenic values of the subject property for the benefit of fish and wildlife resources and services that were injured in the *Exxon Valdez* oil spill. ADF&G will manage this parcel. The parcel will probably be classified Habitat/Public Recreation Land."

**Public Comment.** Support for acquisition of this parcel was expressed by representatives of Trout Unlimited, Alaska Fly Fishers, and the Alaska Sportfishing Association citing concerns regarding access in this stretch of the river.



Attachment B
Map

## Attachment B: Vicinity Map





# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178



### **MEMORANDUM**

TO:

Trustee Council

FROM:

Molly McCammon

Executive Director

RE:

Status of Project 99514 / Lower Cook Inlet Waste Management

Plan

DATE:

April 23, 2001

In FY 99 the Trustee Council funded the Alaska Department of Environmental Conservation to prepare a plan to reduce marine pollution from land-based sources near the lower Cook Inlet communities of Port Graham, Nanwalek, and Seldovia. The project was patterned after similar Council projects in the Prince William Sound and Kodiak regions, which focused on environmental hazards such as used oil, household hazardous wastes, and runoff from solid wastes.

For a number of reasons, completion of the plan has been substantially delayed, but we have recently agreed to a new schedule for its completion (see attached). Following technical review of the plan by the Chief Scientist (expected mid-May), a proposal to implement the plan will be prepared for the Trustee Council's consideration (expected early June). The sum of \$800,000 for plan implementation has been included in the Council's spending projections since FY 99 when the plan itself was funded.

In order for plan implementation to begin in FY 02 (i.e., spring/summer 2002), legislative authorization to receive this large capital appropriation is necessary. Because the deadline had passed for ADEC to request an amendment to the state's FY 02 capital budget for such authorization, I contacted Senator Torgerson, who agreed to sponsor the amendment. Senator Torgerson's amendment would authorize the Alaska Department of Community and Economic Development to receive \$800,000 in EVOS funds for a named recipient grant to the Chugach Regional Resources Commission for lower Cook Inlet waste management. The capital budget is currently under active consideration by the legislature, and should be voted on by May 8.

Should this amendment be approved by the legislature, none of the \$800,000 could be spent unless the Trustee Council first approves a waste management

proposal. Ideally we would have sought legislative authorization <u>after</u> Council approval, but because of the particular timing of the legislative and Council funding cycles, waiting until next legislative session to request authorization would have delayed implementation of the project an additional year.

### Proposed Motion:

Approve Chugach Regional Resources Commission to be the named recipient of a future grant for implementing a waste management plan for lower Cook Inlet. A detailed proposal of how the funds will be spent will be presented to the Trustee Council at a later date.

# Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401. Anchorage, AK 99501-3451 907/278-8012 fax:907/276-7178

#### MEMORANDUM

TO:

Marianne See/ADEC, Patty Brown-Schwalenberg/CRRC, Sarah Ward/CRRC,

Sandra Schubert/EVOS

FROM:

Molly McCammor

Executive Director

RE:

Lower Cook Inlet Waste Management Plan Schedule

DATE:

early June

April 18, 2001

I thought it would be useful for all of us to have a copy of the schedule we agreed to at today's meeting. The schedule covers finalization of the waste management plan and development of a proposal to implement the plan.

Completion Date Thursday, April 19	Tasks  ✓Contact key legislators about authorization in capital budget or commitment to bring up at LB&A and	Who Molly McCammon
	✔Prepare project summary for legislative use	Marianne See
ASAP if needed	Trustee Council meet to approve CRRC as grantee	
Monday, April 23	Complete redraft of plan	Marianne See
Tuesday, April 24	Deliver plan to RO (1st thing)	Marianne See
	and Goldstreak plan to communities	RO (Brenda)
Wednesday, May 2	Deadline for comments from communities	
Monday, May 7	Incorporate comments as necessary and submit for peer review	Marianne See
Tuesday, May 15	Complete peer review	Bob Spies
Friday, June 1	Submit proposal for implementation funding	Marianne See/CRRC

Trustee Council meet to approve funding proposal;

funding will be contingent on CRRC hiring a project coordinator, resolutions from communities committing

to O&M of any equipment, final approval by ED

Misc and News Clippings

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S

Molly McCammon **Executive Director** Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, Alaska 99501

Fax: (907) 276-7178

Ms. McCammon,

I am a member of the village of Karluk; I want to have it on record that I do not want EVOS or anyone else to purchase, permanently acquire, or lease our 1860 acres of land on and around Karluk, Sturgeon River, Grants Lagoon, and Halibut Bay areas.

S

Molly McCammon
Executive Director
Exxon Valdez Oil Spill Trustee Council
645 G Street, Suite 401
Anchorage, Alaska 99501

Fax: (907) 276-7178

Ms. McCammon,

I am a member of the village of Karluk; I want to have it on record that I do not want EVOS or anyone else to purchase, permanently acquire, or lease our 1860 acres of land on and around Karluk, Sturgeon River, Grants Lagoon, and Halibut Bay areas.

Melodi Chichenoff (Print Name)

(Sign Name)

(Date)

04/05/2001 10:25

Molly McCammon **Executive Director** Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, Alaska 99501

Fax: (907) 276-7178

Ms. McCammon,

I am a member of the village of Karluk; I want to have it on record that I do not want EVOS or anyone else to purchase, permanently acquire, or lease our 1860 acres of land on and around Karluk, Sturgeon River, Grants Lagoon, and Halibut Bay areas.

4 Combrosi de 4-1-01
(Date)

Molly McCammon Executive Director Exxon Valdez Oil Spill Trustee Council 645 G Street, Suite 401 Anchorage, Alaska 99501

Fax: (907) 276-7178

Ms. McCammon,

I am a member of the village of Karluk; I want to have it on record that I do not want EVOS or anyone else to purchase, permanently acquire, or lease our 1860 acres of land on and around Karluk, Sturgeon River, Grants Lagoon, and Halibut Bay areas.

HERNARMAL WIT. N. III.
(Print Name)

(Sign Name)

(Date)

S

Molly McCammon
Executive Director
Exxon Valdez Oil Spill Trustee Council
645 G Street, Suite 401
Anchorage, Alaska 99501
Fax: (907) 276-7178

Ms. McCammon,

I am a member of the village of Karluk. I want to have it on record that I do not want EVOS or anyone else to purchase or permanently acquire our 1,860 acres of land.

Print Name

Print Name

Clonne Sign Name 4-6-2001

Date