



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning, and Mital
FROM: Mike McCann, Generation and Fleet Services Manager
DATE: January 22, 2016
SUBJECT: Resolution No. 1604; Revisions to Board Policy SD13,
Carmen-Smith Hydroelectric Project Relicensing
OBJECTIVE: Board Action

Issue

As part of the regular cycle of policy revisions, the Carmen-Smith Hydroelectric Project Relicensing Policy was reviewed and updated. The Carmen-Smith Relicensing Policy (SD13) has not been reviewed and updated since 2006. The attached resolution (Resolution No. 1604) for Board action recommends adoption of a revised SD13.

Background

The Carmen-Smith Hydroelectric Project Relicensing Policy was originally adopted in January 2006, to guide staff in the pursuit of a new operating license for the Carmen-Smith Project. In the years subsequent to the adoption of SD13, staff has submitted draft and final license applications for the Carmen-Smith Project to the Federal Energy Regulatory Commission (FERC), and modified the final license application with a settlement agreement negotiated and signed by EWEB and sixteen other parties. Staff continue to work with the FERC and the settlement parties in the pursuit of the new operating license for Carmen-Smith. SD13 remains the guiding Board policy in conducting that work.

Discussion

In the ten years since SD13 was originally adopted, a number of factors identified in the policy have become outdated or modified. In general, the policy is due for review and updating. The goal statement remains unchanged. The goal is still to “obtain a new operating license for the Carmen-Smith Hydroelectric Project, thus allowing the Project to continue operating in an environmentally, socially and economically sustainable manner.” The objectives, likewise, primarily remain unchanged. The addition of the term “cost-effective” in relation to capital additions and operational modification in the last objective reflects the current effort to reduce project costs while maintaining environmental benefits and operational flexibility. In the success criteria, reference to the 2006 Integrated Electric Resource Strategy has been removed, but the criterion to minimize and reduce the environmental impacts from the project remains. Finally, the list of non-governmental organizations has been modified to reflect the NGOs that are party to the 2008 Settlement Agreement.

The revised policy will continue to guide staff efforts to obtain a new operating license for Carmen-Smith as EWEB enters the next phase of license negotiation with the FERC and the settlement parties.

Recommendation

Adopt Board Resolution No 1604, which approves revisions to Board Policy SD13, the Carmen-Smith Hydroelectric Project Relicensing Policy.

Requested Board Action

Review and pass Board Resolution No. 1604.

Policy Number: SD13
Policy Type: Strategic Direction
Policy Title: Carmen-Smith Hydroelectric Project Relicensing
Effective Date: February 3, 2016

The Eugene Water & Electric Board (EWEB) owns and operates the Carmen-Smith Hydroelectric Project (Project) on the McKenzie River, in Linn and Lane counties, Oregon, approximately 113 km (70 mi.) east of the Eugene-Springfield Metropolitan Area. The Project provides power to Eugene and area residents (over ~~91,000~~ ~~83,000~~ customers) and represents almost half of EWEB's total generation capacity. The Project is strongly associated with the history of Eugene, Oregon, and the growth of the environmental movement in Oregon. Historically, the Project was designed and built in response to debate over the appropriate balance between power development and recreation and scenic values. The success of the Project in striking that balance and maintaining it over a 45-year period of time is remarkable.

To retain the benefit of the Project as a source of power, EWEB is applying for a new operating license for the Project. The new license will allow continued operation of the Project for a 30 to 50 year period.

Goal

To obtain a new operating license for the Carmen-Smith Hydroelectric Project, thus allowing the Project to continue operating in an environmentally, socially and economically sustainable manner.

Objectives

To accomplish this goal through relicensing, EWEB has identified the following objectives:

- Submit a license application and obtain a license that is consistent with EWEB's Statement of Legacy (Policy #SD1) and the organization's Environmental Policy (Policy #SD2).
- Comply with all federal, state, and local laws, rules and regulations, with FERC as the lead agency defining the licensing products and schedules.
- Use a collaborative, transparent approach that includes the sharing of information and the solicitation of public and regulatory agency participation.
- Identify, propose, and implement cost-effective measures that reduce negative impacts of the Project on the environment and the community, based on scientific study, engineering analysis and investigation.
- Consider cost-effective capital additions and operational modifications that will maximize generation capability of the Project in terms of capacity, efficiency and production.

Success Criteria

Ultimately, the success of the relicensing effort will be based on receiving a new FERC license that meets the stated objectives, represents an appropriate balance of river uses, and includes:

- Long term economic viability
Goal: The Project remains economically beneficial under the terms of the new license.
- Operational flexibility
Goal: EWEB receives a license that allows for flexibility in Project operation to meet changing environmental, social, and economic requirements.
- No significant uncertainties
Goal: The new license limits the amount of uncertainty regarding the financial stability of the Project while meeting the needs of our customers, minimizing environmental impacts and providing a reliable source of power.
- Minimize environmental impacts
~~Goal: Consistent with the Long Term Resource Policy Objectives contained in EWEB's 2006 Integrated Electric Resource Strategy, The~~ new license results in a reduction of the environmental impacts from the project: and is compliant with all regulatory requirements.
- Maintain credibility with stakeholders
Goal: EWEB's relicensing application development process is open and transparent so that the utility's owners, customers, the general public, resource agencies and other stakeholders feel they have been given adequate opportunity to express their ideas and viewpoints.

Roles & Responsibilities

Board's Role:

- Obtain a new license that allows continued operation of the Project in a manner that balances the many facets of EWEB's Statement of Legacy and Environmental Policy.
- Represent the interests of and advocate on behalf of EWEB's owners and customers.
- Provide direction to staff if the proposed or final license requirements appear to conflict with the Board's stated objectives.

Staff's Role:

- Develop a license application that is based upon scientific study, engineering analysis and investigation.

- Evaluate the license application against the established success criteria each time there is a submittal or significant amendment during the relicensing process.
- Develop alternatives and provide recommendations that achieve the optimal balance between environmental enhancement and mitigation, social or non-generating interests, and economic sustainability of the Project.
- Maintain flexible, positive working relationships with the regulatory agencies and non-governmental organizations that have an interest in the future operation of the Project while advocating the Board's policy direction.
- Implement a process for resolving conflicts that may arise between interested parties.
- Provide the Board with proactive and periodic updates on the status of the relicensing process.

Glossary of Terms

- **Operational Flexibility:** This definition includes limited operation and maintenance flexibility that will allow for changes that take place over the life of the license to respond to changes in power generation, environmental, social, and economic needs. Environmental needs would include changes such as listing or de-listing of endangered species, and/or changes in recreational uses. Operating and maintenance flexibility would maintain the economic and environmental viability of the project.
- **Environmental:** In this context, the term environmental is used as defined by FERC and includes various species and life stages of fish, aquatic resources, wildlife, botanical, and historical and cultural values, recreational uses, socioeconomics, wetlands and riparian vegetations, water quality, geology and soils, aesthetics, and land uses. This broad definition is inclusive of economic and social considerations that are often viewed separately from environmental consideration when discussing sustainability.
- **Mitigation:** The term mitigation means the reduction or elimination of the negative impacts on other river uses when new facilities or operational changes are implemented at the project.
- **Enhancement:** The term enhancement means the reduction or elimination of negative ongoing impacts on other river uses caused by the project without new facilities or operational changes at the project. The difference in the terms mitigation and enhancement is small, but has significance in FERC relicensing. Mitigation is seen as almost mandatory while enhancement is more flexible.
- **Non-Generation Interests:** Non-generation interests would include all environmental or other interests not related to generation.

- Non-Governmental Organizations: Non-governmental organizations refer to organizations that have an interest in the project, but are private or non-profit in nature. This would include organizations such as the Trout Unlimited, American Whitewater, Oregon Wild and Cascadia Wildlands, McKenzie Watershed Council, McKenzie River Guides, American White Water Boating, American Rivers, etc.

Source: Staff, Board Approved 01/17/2006, Revised February 2, 2016 Resolution No. 1604.

**RESOLUTION NO. 1604
FEBRUARY 2016**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING BOARD POLICY SD13 REVISIONS**

WHEREAS, the Eugene Water & Electric Board (EWEB) maintains a Board Policy Manual that contains governing policies for the Board of Commissioners; and

WHEREAS, the Board of Commissioners periodically reviews said policies and identifies required modifications or amendments to those policies; and

WHEREAS, the Board of Commissioners periodically determines that new policy is required to adequately document the work or intention of the Board with regard to governance, Board-staff linkage, strategic direction or executive limitations; and

WHEREAS, the Board of Commissioners has reviewed a modification to Board Policy SD13, Carmen-Smith Hydroelectric Project Relicensing Policy and has determined that the modification is appropriate and necessary.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board of Commissioners hereby grants approval to the modification of SD13 which will be reflected in updated Board Policies.

DATED this 2nd day of February 2016.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

Acting President

I, ANNE M. KAH the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the amended Resolution adopted by the Board at its February 2, 2016 Regular Board Meeting.

Assistant Secretary