



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mike McCann, Generation Manager, Patty Boyle, Principal Project Manager,
Mark Zinniker, Generation Engineering Supervisor
DATE: May 3, 2016
SUBJECT: Carmen Smith License Renegotiation
OBJECTIVE: Information Only

Issue

This memo is intended to provide the Board with an update regarding the Carmen-Smith Project License and the efforts to renegotiate the terms of the 2008 Settlement Agreement and anticipated license. Staff continue negotiation with the Settlement Parties looking for opportunities to decrease implementation costs associated with the Settlement Agreement while preserving as much of the environmental benefit as possible. Similarly, staff continue to critically analyze ways to decrease the Project implementation costs by pursuing alternate methods of improving the powerhouse and other project facilities. An update to these efforts is provided.

Background

Since EWEB and 16 other parties signed the Settlement Agreement for the relicensing of the Carmen-Smith Hydroelectric Project in October 2008, the economics of the relicensing project have deteriorated to the point that reassessment is necessary. In July 2015, the Board reviewed several alternatives to accepting a new FERC operating license and supported Management's recommendation to pursue strategies to renegotiate the Settlement Agreement in order to improve the likelihood of the project remaining economic over the license term. On August 28, 2015, the FERC granted EWEB's request for a stay of license issuance until at least January 31, 2016, and requested that EWEB inform them of EWEB's intentions for the Project at that time.

In January, EWEB reported to the FERC that the parties had made significant progress toward agreement on a revised Settlement Agreement and requested a one year extension of time to complete the revisions and the assistance of FERC staff to help consult on both the content and procedure for resubmission. Recall that in addition to very serious economic issues regarding this project, the FERC has indicated that it is interpreting its authority regarding licensing within the Wild and Scenic Rivers Corridor more conservatively and anticipated that the license would be issued with several inconsistencies with the Settlement Agreement. In February, the FERC responded to our request granting both an extension to August 2016 and assignment of two separated staff members. The FERC further requested a progress update from EWEB in mid-May 2016.

Discussion

Staff continue to meet regularly with the Settlement Parties and have now incorporated the FERC staff into the process. In February, the group was able to establish the specific terms for the revised agreements and the group has now moved to the long and complicated task of redrafting the agreement and associated management plans. FERC staff have been very helpful in articulating how the FERC Commission is likely to view the proposed changes.

To date we expect changes to the following settlement documents:

- Joint Explanatory Statements – Updated to reflect the changes to the underlying agreements
- License Articles – Amended and restated to reflect changes to upstream and downstream passage and to remove items in the Wild and Scenic River Corridor.
- Settlement Agreement and associated Aquatics Management Plan and Recreation and Aesthetics Management Plan – Major revisions to reflect changes to fish passage and items in the Wild and Scenic Corridor.
- Other Management Plans – Minor revisions to reflect changes associated with items in the Wild and Scenic River Corridor.

Having settled most terms of the revised agreement and having a better understanding of the extensive nature of the revisions and refiling requirements, staff will begin drafting correspondence with FERC to inform them of our progress. While it is our intention to complete the necessary revisions by the August 2016 deadline, it is likely that EWEB and the Settlement Parties will need additional time to complete legal and management review as well as final Board approval to sign the revised Settlement Agreement and license application.

It is important to note that in addition to changes in fish passage facilities that will be reflected in the revised Settlement Agreement, EWEB staff have made a number of cost reductions to other elements of the Carmen-Smith capital improvement plan (CIP). Significant non-fish passage cost reductions that are included in the current CIP include the following:

Carmen Diversion Dam and Reservoir

- Elimination of Carmen Diversion Tunnel remote operation capability and the associated operations building that would have housed the requisite diesel generator and electrical service systems. The current plan is to continue using a mobile boom truck to adjust the intake gate position when necessary.

Carmen Power Plant

- Completely overhaul only one of the two generating units. The second unit would receive minimal refurbishment to simply ensure safe operation capability. The overhauled unit would be used during the majority of operating hours while the refurbished unit would only operate when economically advantageous.
- The substation will remain in its current location on the top deck of the Carmen Plant rather than relocated to a new site on the nearby hillside.

- Elimination of a power plant bypass road for public traffic. Continued public traffic through the power plant will remain subject to disruptions during maintenance/construction and vehicle size restrictions will remain.

Carmen Campus

- Many campus master plan features have been eliminated including a new office, new shop space, warehousing space, and much of the covered equipment storage space.
- Most likely transitioning to a well for domestic water supply rather than a surface water treatment system.

Trail Bridge Power Plant

- Minimal work at the Trail Bridge Plant, focused on ensuring adequate reliability of flow passage facilities for dam safety and accommodation of spillway maintenance.
- Reliance on mobile cranes rather than rehabilitation of the existing permanent derrick crane.

Campgrounds

- Elimination of the surface water treatment system planned for Ice Cap Campground, reliance on hand pumped wells instead.
- Elimination of flush toilets, reliance on vault toilets at both Ice Cap and Trail Bridge Campgrounds, similar to other USFS campground facilities.

EWEB staff intend to continue scrutinizing all elements of the Carmen CIP for cost reduction opportunities.

Requested Board Action

There is no request for Board Action at this time. For additional information regarding the projects to relicense and refurbish Carmen Smith, please contact Mike McCann, Patty Boyle or Mark Zinniker.