

- **Board of Directors**
Engineering, Operations and Real Property Committee

June 12, 2001 Board Meeting

10-2

Subject

Status Report on the FERC Relicensing of the Oroville Facilities

Description

Oroville Facilities

As a part of the State Water Project (SWP), the Department of Water Resources (DWR) constructed the Oroville Facilities (Facilities) that include Oroville Dam and reservoir and the Hyatt-Thermalito power generation complex. Located on the Feather River ([Attachment 1](#) and [Attachment 2](#)), these facilities provide water supply and power for the SWP as well as flood control and recreation for the state. Facilities operations are also influenced by releases of water to satisfy downstream Feather River water rights and environmental uses. Lake Oroville is lowered for flood control each winter and then allowed to fill up to a maximum storage of 3.54 million acre-feet each spring. The licensed power generation capacity is 762 megawatts (peak capacity is about 850 megawatts). Power generated by the Facilities is used to offset energy demands for pumping water to the SWP contractors. Over the last two decades, on average, power supplied by the Facilities has produced about one-half of the SWP pumping power requirements.

FERC Licensing Process

The Federal Power Act (FPA) requires that hydropower generation facilities be licensed by the Federal Energy Regulatory Commission (FERC). FERC issued a license for power generation by the Facilities to the Department of Water Resources (DWR) for a 50-year term in January 1957. FERC regulations require that an application to renew the license be submitted two years in advance of license expiration and that applicants initiate an environmental assessment process at least five years in advance. The FPA was amended in 1986 to limit FERC's discretion in its decision-making and to require that FERC licenses include mandatory conditions imposed by federal and state agencies under certain laws (such as the Endangered Species Act, the National Historic Preservation Act and Section 401 of the Clean Water Act).

Traditional FERC processes have required license applicants to do limited agency and public consultation and develop information which FERC could use in its preparation of documentation required under the National Environmental Policy Act (NEPA) and its preparation of discretionary license terms and conditions. In an effort to promote issue resolution between licensees and interested parties prior to its consideration of license applications, FERC established an "alternative licensing process" (ALP) in 1997. This process permits the licensee to pursue a collaborative process that involves the public, state and federal agencies in the development of conditions proposed for the license application. The goal of this process is to develop settlement agreements with interested parties and agencies for inclusion in the license application to FERC. The ALP also requires applicants to include in their license application a draft environmental assessment that may be the basis for FERC NEPA compliance. DWR submitted an application to FERC to use the ALP in November 2000, received FERC approval in January 2001, and has commenced the ALP collaborative process. DWR is working with the public and state and federal agencies to identify issues and studies required for development of the license application. Work Groups are comprised of members of the public, special interest groups and state and federal agencies and

are meeting to identify issues and studies to be conducted to facilitate the development of proposals and solutions with respect to:

- Fisheries, wildlife and water quality
- Recreation and socioeconomics
- Facility operations
- Land use and esthetics
- Cultural resources

A Plenary Group meets regularly to discuss progress and resolve issues raised by Work Groups. Metropolitan staff is participating in many Workgroup and all Plenary Group meetings, and is actively coordinating such participation with the State Water Contractors. Metropolitan staff also participates in informal discussions between the State Water contractors and DWR on relicensing matters. Under the State Water Contract, the SWP contractors bear DWR’s cost of relicensing activities.

Schedule

The current schedule is as follows:

| | |
|-----------------------------------------------------------------|-------------------------------|
| File Notice of Intent to submit a license application | 4 th Quarter, 2001 |
| Complete study plans | 4 th Quarter, 2001 |
| Complete initial field studies | 4 th Quarter, 2002 |
| Complete all studies | 3 rd Quarter, 2003 |
| File license application and Environmental Assessment with FERC | 1 st Quarter, 2005 |

Upon receipt of the application, FERC will require two years to complete the required NEPA review and process the license. Environmental review for compliance with the California Environmental Quality Act (CEQA) will proceed concurrent with NEPA review. The California Department of Water Resources will serve as CEQA Lead Agency.

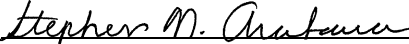
Staff will propose policies to the Board in the near future that would guide Metropolitan's strategy for FERC relicensing of the Facilities.

Policy

By Minute Item 42820, the Board adopted policy principles for support of legislation that allocates State General Funds for those programs that are the obligation of the general public.

Fiscal Impacts

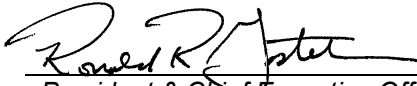
DWR’s cost for the relicensing process is expected to exceed \$20 million and Metropolitan will bear about two-thirds of that cost. A favorable outcome of the FERC relicensing process would be the retention of water supply and power generation capacity. Reductions in either power generation or water supply as a result of conditions imposed by FERC would result in increased SWP costs to Metropolitan for the term of the renewed license.



 Stephen N. Arakawa
 Manager, Water Resource Management

5/17/2001

 Date



 Ronald R. Foster
 President & Chief Executive Officer

5/19/2001

 Date

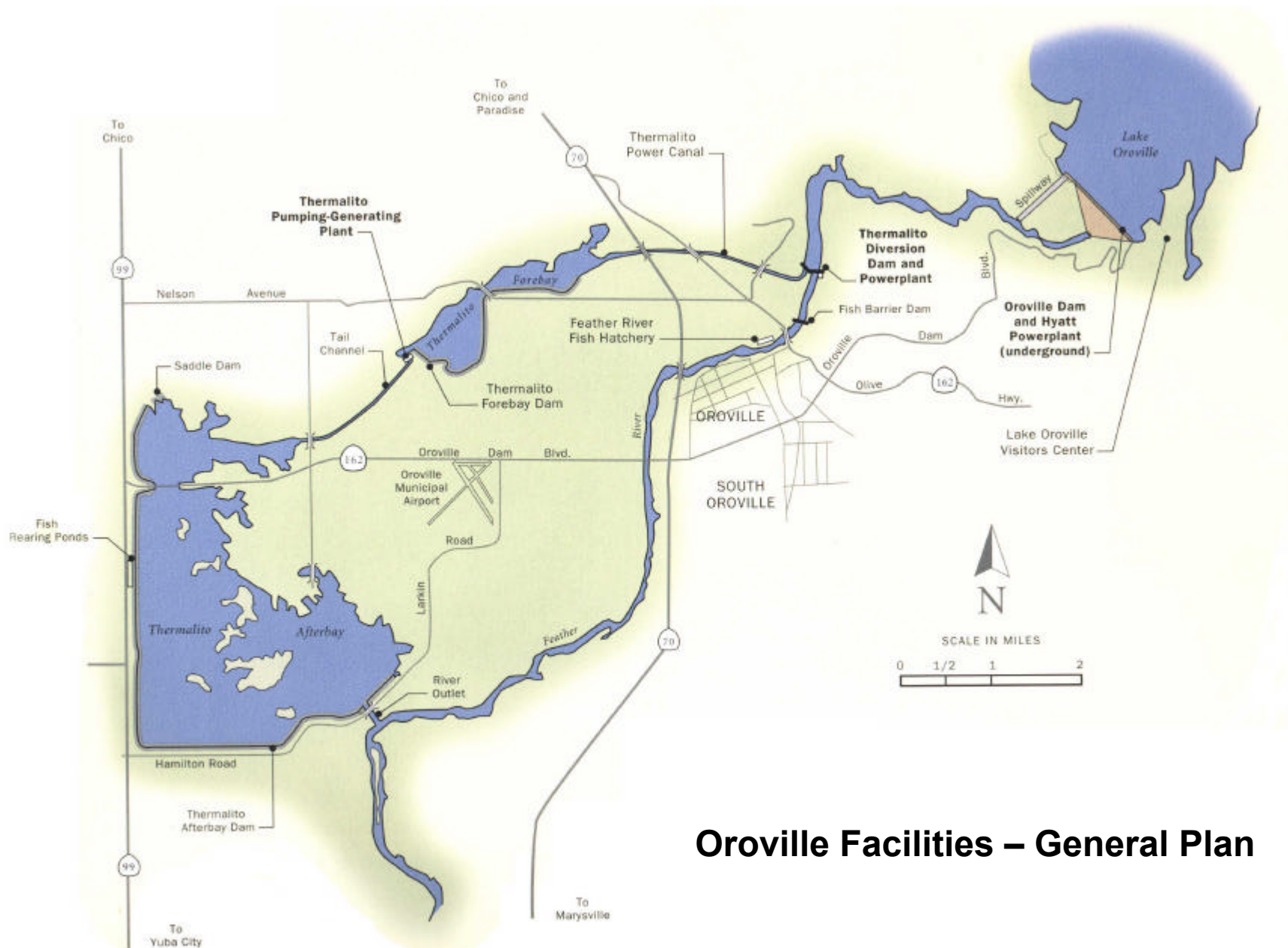
Attachment 1 – Location Map – Oroville Facilities

Attachment 2 – Oroville Facilities General Plan



Location Map Oroville Facilities

- 762 MW generation
- 3.54 MAF storage



Oroville Facilities – General Plan