

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

August 20, 2001 Board Meeting

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**10-2**

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**Subject**

Report on efforts regarding FERC relicensing of the Oroville Facilities

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**Description**

At the June 2001 Engineering, Operations and Real Property Committee meeting, Metropolitan staff described the process that the Department of Water Resources (DWR) has initiated to apply for the relicensing of hydroelectric power generation at the Oroville Facilities with the Federal Energy Regulatory Commission (FERC). The existing 50-year license allows 762 megawatts of power production and will expire in 2007. The licensed Oroville Facilities of the State Water Project (SWP) include two pump-generation plants and one generation-only plant and extend from Lake Oroville to the Thermalito Afterbay. FERC-imposed relicensing conditions could impair SWP power and water supply benefits and add cost for improvements, such as expanded recreation facilities.

FERC's relicensing process will extend over six years. DWR will file a preliminary draft environmental assessment to FERC in its relicense application by January 2005. These documents will be used by FERC to comply with federal environmental requirements before issuing a new license. DWR also hopes to submit a comprehensive settlement agreement containing proposed license conditions with the application that would facilitate FERC's relicensing process. DWR has initiated public outreach and scoping efforts to address the following areas:

1. Fisheries, wildlife, and water quality
2. Recreation and socioeconomics
3. Facility operations
4. Land use and aesthetics
5. Cultural resources

The relicensing process focuses on concerns of public participants and the requirements of designated state and federal resource agencies, some of which hold unilateral authority to impose conditions in the successor hydroelectric license. License preparation is expected to cost DWR about \$20 million with much of the cost going for outreach and consultant studies. Metropolitan will pay about two-thirds of the relicensing cost.

In light of the considerable risk to water supply, power generation, and other increased costs arising from the relicensing process, staff intends to vigorously participate in the process to protect Metropolitan's interests.

**Attachment 1** presents staff's strategic approach, which emphasizes working with DWR and the State Water contractors to achieve a favorable outcome. The Board will be kept informed of progress on relicensing as part of the periodic reports provided on Metropolitan's SWP Initiative effort.

## Policy

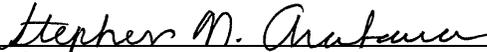
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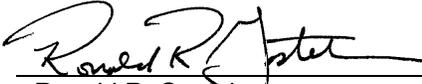
Administrative Code Section 2431 outlines duties and functions of the Engineering, Operations and Real Property Committee. By Minute Item 42820, the Board adopted policy principles for support of legislation that allocates state General Funds for those non-water supply programs that are the obligation of the general public.

## Fiscal Impact

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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	8/3/2001 Date
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 Ronald R. Gastelum Chief Executive Officer	8/3/2001 Date
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## Attachment 1 – Oroville Facilities FERC Relicensing Strategies

BLA #1188

## **Oroville Facilities Federal Energy Regulatory Commission (FERC) Relicensing Strategies**

**Goal:** Issuance of a Federal Energy Regulatory Commission (FERC) license for the Oroville Facilities (Project) that preserves water supply and power generation at minimum cost.

**Strategy:** Collaborate with the Department of Water Resources and the State Water Contractors to:

### Fisheries

Work with state and federal agencies and legislators and northern California partners in State Water Resources Control Board water right settlements to avoid duplication between Project relicensing requirements and CALFED solutions.

### Recreation

Explore innovative partnerships with local city and county agencies and interest groups in developing self-sustaining recreational plans - both within and adjacent to the Project boundary - that provide regional recreation opportunities, promote economic growth in the project vicinity and are mutually beneficial.

### Flood Control

Work with federal, state and county agencies that have flood control interests in the Feather River to identify potential means to address downstream flood protection without compromising water supply and power resources or adversely affecting recreation opportunities in the reservoir or fisheries downstream of the dam.

### Legislation/FERC Administration

Educate state and federal legislators on the importance of the Project to water supply and power generation to the State of California. Support legislation or FERC administrative actions that reform hydroelectric license processes and that compliment and facilitate the above resource strategies.

### Existing License

Work with the Departments of Water Resources and Parks and Recreation to resolve issues related to compliance with existing license conditions that hinder progress on renewing the license. Examine the potential for development of new power generation facilities under an amendment to the existing license.