

- **Engineering and Operations Committee**

March 10, 2003 Committee Meeting

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Subject

Status on efforts to secure a new FERC license for the Oroville Facilities

Description

Metropolitan staff reported to the Engineering, Operations and Real Property Committee in August 2002 on the status of the process that the Department of Water Resources has implemented to secure a new license for the hydroelectric power generation at the Oroville Facilities from the Federal Energy Regulatory Commission. The existing 50-year license permits 762 megawatts of power production and will expire in 2007.

DWR made a decision in 2001 to pursue the Alternative Licensing Process (ALP). The emphasis of the ALP is to develop the license renewal application by involving interested parties in developing protection, mitigation and enhancement (PM&E) measures that reflect the public interest. The benefit of this collaborative approach is that it allows DWR to manage development of PM&E measures to be included in license conditions imposed by FERC through execution of settlement agreements. Under its "traditional" licensing process, FERC's development of license conditions would be heavily influenced by resource agency recommendations that would not be developed until after the license application is complete.

While there are distinct benefits of the ALP, there are associated costs. DWR has held more than 150 public meetings over the last 2½ years and the process has resulted in initiation of 71 distinct studies. The resource areas of major interest in those meetings and studies include recreation, cultural resources and fisheries. Study results are beginning to emerge, and some of the studies suggest that continued investigation in a number of areas is not warranted, while other studies require an additional year of data collection and analysis. The goal of this extensive review is to develop a thorough environmental impact assessment that will support final state and federal determinations under the California Environmental Quality Act and the National Environmental Policy Act.

Metropolitan has actively participated in the relicensing process in an effort to help guide and support DWR in efficiently implementing the collaborative process. Metropolitan steadfastly opposed inclusion of proposed flood management studies that we maintained were unrelated to FERC licensing. Flood management was ultimately eliminated from the process, significantly reducing financial and water supply risk.

The study plan development process and discussion of recreation development under the existing license has stimulated dialogue among the participants and paved the way for upcoming negotiations regarding settlement agreement on PM&E measures. Recent changes in DWR management have increased focus on relicensing that has resulted in improved process and accountability.

DWR costs through FY 2001/02 have been about \$10 million. Total costs for development and submittal of the license application in January 2005 are projected to be about \$37 million. Additional costs will likely be incurred by DWR prior to issuance of a new license in 2007. In 1999 (a relatively wet year) and 2001 (a relatively dry year) the power generated under the license accounted for about 50 and 16 percent of the State Water Project power requirements, respectively.

The new license will be issued for a 35- to 50-year period. Metropolitan's goals for the license process are:

- Sustain project water supply
- Sustain project power supply

- Assure that the PM&E measures imposed under the new FERC license are reasonable and cost-effective
- Influence the process to assure that costs for obtaining a new license are necessary and reasonable
- Obtain public support for FERC granting the new license

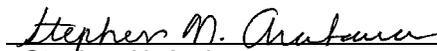
We expect that the scope of PM&E measures - and associated cost and resource implications - will emerge over the next year. As the discussions proceed, Metropolitan will take an increasingly active role in settlement agreement negotiations and we will have more frequent communications with the Board.

Policy

Administrative Code § 2431 outlines duties and functions of the Engineering and Operations 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 Impacts

DWR's cost for development of the license application is expected to be about \$37 million, and Metropolitan will bear about two-thirds of that cost. Increased capital or operating costs related to PM&E measures 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	2/21/2003 Date
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 Ronald R. Gastelum Chief Executive Officer	2/21/2003 Date
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