

FINAL MINUTES FOR MITIGATION MEETING

BLUE LAKE HYDROELECTRIC EXPANSION PROJECT, FERC NO. 2230

Friday, November 5, 2010

Prepared by:

City and Borough of Sitka Electric Department (“City”)

The City held a meeting with selected stakeholders in Sitka, Alaska on November 5, 2010 discuss protection and mitigation measures relative to the Blue Lake Hydroelectric project (FERC No. 2230) Expansion.

The meeting was held in the Electric Department conference room and began at about 1:30 p.m.

In attendance were:

Melissa Dinsmore, US Forest Service (USFS) Lands Specialist

Peggy Marcus, USFS Supervisory Natural Resource Specialist

Chris Leeseberg, USFS Fisheries/Wildlife Biologist

Linda Speerstra, US Army Corps of Engineers (USACE) Regulatory Specialist

Patrick Fowler, Alaska Department of Fish and Game (ADF&G) Fishery Biologist

Jeff Feldpausch, Sitka Tribe of Alaska (STA) Resource Protection Director

Shawn Johnson, ADF&G Fishery Biologist

Andrew Thoms, Sitka Conservation Society (SCS) Executive Director

Marlene Campbell, City Coastal Management Coordinator

Mark Buggins, City Environmental Superintendent

Dean Orbison, City Generation Engineer

Mike Prewitt, City FERC Licensing consultant

Mary Ann Jones, City Project Assistant

(by phone) Kate Kanouse, ADF&G Habitat Biologist (Juneau)

(by phone) Monte Miller, ADF&G Fishery Biologist (Juneau)

Following introductions, Mike said that the meeting objective was to discuss preliminary measures to protect, mitigate and enhance resources potentially-affected by the Blue Lake Project Expansion (“Expansion”). Mike said that the Final Amendment Application was to be submitted to FERC within the next two months. He said that FERC processing takes about one year, so the amendment should be issued in about December 2011. Mike said that the scheduled date for start up for the expanded Blue Lake Project is September, 2013.

Mike said that there is normally a six-month period after the amendment is issued during which FERC requires various mitigation, protection and monitoring plans to be approved.

He said that the City was accelerating this process and plans to facilitate having as many of those measures finalized at the time the amendment was issued as possible.

Dean then gave the project description in which he discussed proposed construction at the dam/intake and powerhouse areas as well as the new electrical distribution line and Blue Lake Road modifications.

He said that there would be a 12.5 kilovolt (kV) distribution line built from the Fish Valve Unit (FVU) to the intake area to provide power for intake gate operation, and showed the proposed alignment for the line. He said the line would be buried along its entire length.

He said that a dam site staging area would be constructed by removing the rock knob above the overlook and constructing a turnaround. He said that the Blue Lake Road would have to be raised by about 10 feet to access the staging area.

Andrew asked what would happen to the staging area after construction. Dean said they would stockpile usable organics and perhaps revegetate some of the area. Andrews said there was a need for a lake overlook which might be used by tour operators.

Dean said that the Blue Lake Road would be modified near Station 103 to decrease the curve at station 103, so forty foot trailers can negotiate the turn. Rock will be blasted to round off the curve and the road will be resurfaced before and after the construction. At the powerhouse area, a new access road will be built across Sawmill Creek Road to allow for equipment that is too large to come across the current access bridge.

Monte Miller asked if Herring Cove Road was up to standards. Dean replied that it's a private City road, gated beyond Herring Cove. He said it's used regularly by NSRAA and is in good shape. It's closed to the public now. Monte asked if the increased traffic during the construction would be negative for the hatchery to which Dean replied no.

Dean said that, due to concerns for water temperature effects on fish, the new intake would be located at El (elevation above mean sea level) 313, or 109 ft. above the existing intake level. He said that, without this modification, the intake would be much deeper after the dam raise and that release water temperature would be significantly colder. This could negatively affect fish in Sawmill Creek below the powerhouse.

Dean said that the construction schedule has not been changed since it was last discussed. The licensing and design will be accomplished in 2010 - 2011. The construction will take place in 2012 - 2013 and the lake will be filled in 2014 - 2015.

Mike described the proposed protection and mitigation measures and plans. He said that, among protection measures already considered is the intake modification. He said that the proposal to construct the new intake would prevent the temperature problem but would cost the City nearly \$5,000,000.

Also in terms of impact prevention, Mike said that CBS had prepared a draft Erosion and Sediment Control Plan (ESCP) and a Timber Removal and Management Plan to prevent water quality impacts of construction. He said that CBS would also implement measures to limit boat launching access to Blue Lake to alleviate concerns for increased recreation access. He said that CBS proposes to change limit access at the end of the Blue Lake Access road by installing a gate.

Dean discussed the ESCP and said that it contains spoils disposal and site-specific sediment and erosion controls. The spoils disposal will be on-site or in designated areas, such as Green Lake Road for overburden and Sawmill Cove Industrial Park (SCIP) will be used to stockpile rock and timber. There will be site specific control measures, as described in detail for each construction area in the plan. He emphasized that this is a draft plan to present the concepts. Detailed sizes and descriptions of control measures will be determined during the final design.

Dean said that there will be silt fences around the work areas and material storage. Settling basins at low points will allow drainage into the appropriate locations. There's a concern about construction taking place over the city's water source. It is imperative that material be kept out of the water at the existing intake in order to accomplish this a cofferdam would collect runoff and allow for drainage control. The silt fences on downhill sides will ensure that the silt is retained in the settlement basins before it goes into a water body. The volumes and other details will be worked out in the final design.

Regarding the Timber Removal and Management Plan, Dean said that the plan out for review is a draft. The City is also open to proposals for alternate uses of timber. He said that the dam raise would inundate 362 acres containing 4700 MBF (thousand board feet) of saw logs and 800 MBF of utility wood which will have to be removed. The logger will be a subcontractor to the general contractor and will take ownership of the saw logs as partial payment for the work. Dean said that the timber would be stockpiled at the Sawmill Creek Industrial Park (SCIP).

Dean said that the City was requesting that the saw logs be exported because of the lack of demand in Sitka for such timber. He said that export would offer a higher price, and perhaps make funds available for the City help fund a firewood program.

Andrew asked about the source of information on the export of the timber. Dean replied that he consulted with George Woodbury, a timber expert, about the economics of timber.

Dean then described the methods and schedule from the Draft Timber Removal and Management Plan in some detail. (Readers are referred to the draft plan for details about how the logging, storage and removal of logs and brush will be done, and the proposed schedule.)

Generally, Dean said that logging in steep areas would be done using manual methods and that slash and brush would be left in place to floated and collected as the reservoir filled. He said that in areas where terrain was suitable, such as in most of the Blue Lake

Creek Valley, shovel logging could be used. In these areas, timber would be moved using equipment to about El 410 where it would be floated after the reservoir began to rise.

Melissa asked about the plan to burn brush and then bury the ash. Dean responded that this method had been used at Green Lake.

Andrew asked if the buried ash would be stable. Dean replied that it would be, again noting the method was used at Green Lake. Andrew asked if the Forest Service wood products lab would be involved. Dean said the city would like them to comment on the draft plan.

Andrew asked what contractors would do with the top soil and if it could be used locally. Dean said that it might be but that it would be mostly be stumps and the City will need to retain much of the topsoil for revegetation at the various construction sites.

Andrew asked if the timber could be used in Sitka and if export would provide the most value. He noted that there should be a premium on local processing. He added that there are local carvers interested in some of this wood. Dean said that craft wood would be made available.

Melissa said the current policy of the USFS is not to allow export from a settlement sale of Spruce and Hemlock, but do allow export of yellow cedar. There are steps whereby the City can ask for the authority to do it, however.

Melissa said that, regarding applying for an export permit, if the value of the timber goes up, the price to the Forest Service goes up. If exported, there would be more monetary value. Dean replied that this would be negotiated to find out what's best.

Andrew asked what mills are in the region that can process wood. Melissa replied that there were mills in Klawock and Hoonah.

Dean said that the utility wood would be harvested, hauled out, stacked at the SCIP and used for firewood according to what USFS wants. He added that there will be a large volume of utility wood and that storage area at the SCIP would be limited.

Andrew suggested that the utility wood be made available to local businesses. Melissa said she is interested in proposals for how this would be done.

Linda Speerstra asked how the City would get heavy equipment into the various areas around the reservoir. Dean said that they would barge it in.

Linda asked if the contractor will be the one to sell the timber. Dean said that the city might have to buy timber back for local use.

There was some discussion about how the City and USFS might view a firewood or pellet program. Melissa said that USFS would not participate directly in these programs and Dean agreed that it is a Stakeholder concern not just the USFS.

Next, Dean described the City's Watershed Control Program, which, he said, is required by EPA and DEC. Dean said that, because Blue Lake is the City's primary drinking water supply, access to and recreation use of the reservoir are restricted. He said that the City's Water Treatment Rule allows no increased activity on or around Blue Lake.

Mark added that lake recreation levels would be evaluated by monitoring water quality in the lake. He said that any approved level of access and recreation could have no adverse effects on existing water quality.

Dean said the objective is to maintain the existing level of lake access, which is primarily by boat. He said that, after the dam raise, the water level would be higher than at present and that boat launching areas would be accessible by two-wheel-drive vehicles, potentially allowing higher boat use of the reservoir. (The road to the water's edge is currently unmaintained, and requires 4-wheel drive vehicle to access the launching area).

Dean said that the City proposes to install a gate at the terminus of the Blue Lake road. This will require that watercraft will have to be carried to the water level thereby restricting the size and number of watercraft accessing the reservoir.

Dean said that Blue Lake water quality will be monitored in Blue Lake at points about 1 and 2 miles up the lake from the intake on a bi-monthly basis. Water quality monitoring will also be done at the Fish Valve Unit, the Water Treatment Plant and in town at the Fire Hall to assure that all water quality standards are met during construction, logging and long-term operation.

Melissa asked about construction- and logging-related sediment and whether it will be covered with water after the reservoir fills. Dean explained that Blue Lake has a three month retention time and that it's 500 feet deep, making it a very good settling basin. He said that most of the silt will settle out long before it reaches the intake. The floating debris and other materials that the wind blows will be the biggest problems.

Andrew asked if vegetable based hydraulic fluids would be used in the construction equipment. Dean said that they will consider it in the plan.

Andrew asked if DEC or EPA would be involved. Mark answered that DEC will have primary jurisdiction and were aware of what they're planning to do. They're watching and will give comments.

Jeff Feldpausch asked if the City would monitor for gas supersaturation at the FVU. Mark and Dean said that it is not monitored now, and that they would consider the request.

The discussion turned to mitigation for the inundated areas.

Melissa asked if the City is looking for one-time mitigation measures or things that would be done over an extended period. Dean said they would rather have one-time measures.

Mike said that there could be cash mitigation settlements but that FERC doesn't like them unless they are tied to a specific program. He said that FERC would rather have in-kind in-place measures, and that land procurement and management to offset habitat losses were also possible. He added that land acquisition in the area was difficult.

Mike added that, for the final amendment application, they need a section on terms and conditions that show that we've worked with the stakeholders. They need to be tied to specific impacts.

Melissa said that she thought the primary issue was the loss of trout habitat and fishing in Blue Lake Creek and that USFS was considering having the City stock trout in Blue Lake and Beaver Lake to provide a similar fishing experience.

Melissa also suggested that the City consider providing fertilizer for the Redoubt Lake sockeye salmon population. She said that this would also address some subsistence impacts.

Andrew mentioned fly-fishing and hunting in the Blue Lake Creek Valley and areas accessed from it, and that SCS membership was very concerned about this. He said that he would email his suggestions for mitigation for this area.

Chris Leeseberg said that we are potentially affecting native fisheries and need to know how we will mitigate for this effect, i.e. supplementing the Redoubt Project. Mike said that the Blue Lake rainbow trout population had been stocked.

Linda asked if there were detailed resource inventories in the affected areas. Mike said that there were very detailed reports on fish, wildlife, botanical resources and cultural resources, among others. He suggested she read the reports for baseline resource descriptions and that she read the Environmental Assessment for impact analyses. Linda received these reports at the meeting.

Linda asked if a wetlands delineation had been performed. Mike said that it had not been but would be contracting for one next season.

Questions were asked about mitigation. Linda described the USACOE policy on avoidance, minimization and compensatory mitigation. Once impacts to wetlands and drainages are identified the Corps can begin reviewing the project. Linda continued on to discuss functional analysis and its' association with credits and debits. She said that the Corps of Engineers used credits and debits (not dollar amounts) through a functional

analysis. SE Alaska Land Trust incorporated this method for mitigation planning for the Sitka airport project. Linda will forward information to Dean and Mike.

Shawn Johnson asked if there were plans for an Environmental Compliance Monitor. Mike answered yes, and that the plan would be based on recent plans for this position on other projects.

Andrew suggested improvements at Salmon Lake to increase recreation there, and to protect the area from further development. He further suggested improvements to local trail systems, including a bridge over the Vodopad River near the Green Lake Project. This trail would increase access to the Salmon Lake basin, without the need for a boat.

Mike said asked attendees to confer with their agencies/organization about other suggested PM&E measures, and to forward these suggestions and other comments to Dean as soon as possible. Mike added that it would be helpful for agencies to confer among themselves to avoid conflicting proposals, even if the lists were not final.

Mike asked that attendees forward their suggested list in less than 30 days. Dean said that the City had scheduled a meeting with FERC in Washington, DC at the end of this month, and would like to have some suggestions from the stakeholders by then.

Mike said that we as a group can proceed independently of the FERC amendment schedule. He said that it would be great if several of the plans and mitigation proposals as possible could be ready at the time of issuance of the amendment.

Dean thanked the attendees for their time and efforts. The meeting adjourned at about 4:00 pm.