

SIX-MONTH PROGRESS REPORT

For the Period October, 2004, through March, 2005

BLUE LAKE HYDROELECTRIC PROJECT

FERC No. 2230

City and Borough of Sitka Electric Department

April, 2005

This report documents relicensing activities for the Blue Lake Hydroelectric Project (“Project”) during the period October, 2004 through March, 2005. Biannual progress reports are required by a Federal Energy Regulatory Commission (FERC) letter accepting the City and Borough of Sitka Electric Department’s (City’s) application to utilize the Alternative Licensing Procedure (ALP) for relicensing the Project. This is the third biannual progress report for the Project.

PROJECT BACKGROUND and CONTACT INFORMATION.

The Project is a 7.5 megawatt (mw) installation located near Sitka, Alaska. The City holds a fifty-year license (the “original license”) from the FERC to operate the Project. The current license became effective on April 4, 1958, and expires on March 31, 2008. The FERC regulations require that the City submit an application for new license (“Application”) no later than March 31, 2006, or two years prior to the existing license expiration.

The exact name, business address and telephone number of the Licensee is:

City & Borough of Sitka
100 Lincoln Street
Sitka, Alaska
99835

The exact name, business address and contact numbers of the person authorized to act as agent for the Licensee is:

City & Borough of Sitka, Electric Department
Attn: Charles Walls, Utility Director
105 Jarvis Street
Sitka, Alaska 99835
Phone: 907-747-6633
Fax: 907-747-3208

Three license amendments have been issued since original licensing, the first in 1977 changing the minimum flow requirements relative to specified lake levels, and the second, in 1980 to upgrade the transmission line to 69kV. The third, in 1992, to construct and operate two small hydroelectric facilities, the Fish Valve Unit (FVU) and the Pulp Mill Feeder Unit (PMFU) both of which used Project related water.

DOCUMENT AVAILABILITY

Most of the documents and correspondence, including comment letters, meeting invitations and other notices described in this report are available on the City's Blue Lake Project Relicensing website: relicense.cityofsitka.com. In the website, the user may select the document of interest by simply clicking on the document file name.

Hard copies of all documents referenced in this report are also available through the contact address listed above. Please contact Mr. Walls to request any paper or electronic files you might need.

PROGRESS DURING THE OCTOBER, 2004 through MARCH, 2005 PERIOD

Progress during this reporting period was primarily in the area of studies and reports and consultation. In the following section, we document progress by resource area.

INSTREAM FLOW

During this reporting period, the City completed several steps in instream flow study planning and execution, as described below. All documents, comments and meeting minutes are available on the relicensing website.

The City conducted an instream flow technical meeting in Juneau on September 19, 2004, to discuss how the instream flow analysis would be performed, and on what schedule. Draft meeting minutes were distributed on January 27th, 2005, and timely comments were received from ADF&G, USFS, NMFS, ADNR water department and ADNR OHMP. Comments were addressed and final meeting minutes distributed on March 11, 2005.

On September 23, 2004, Miller Ecological Associates (MEC) of Ft. Collins, CO, distributed a preliminary report documenting initial runs of the hydraulic models for which data had been collected during spring, 2004.

In response to comments after the September 19th meeting, the City prepared two documents: 1) a proposed schedule for instream flow finalization and negotiations, distributed on November 22, 2004; and 2) a position paper describing the City's proposals for instream flow guidelines, distributed on November 23, 2004..

The City distributed a draft Habitat Suitability Criteria (HSC) paper on January 10, 2005, prior to a meeting in Juneau scheduled for January 19, 2005. At the January 19 meeting, attendees discussed the HSC paper and made recommendations on coordinates for the curves as well as on how to incorporate substrate in the IFIM analysis.

The draft HSC paper was revised according to comments made during the January 19 meeting and a revised HSC paper, with curves reflecting all comments from the meeting, was distributed on February 15, 2005. Responses from all major agencies reflected agreement with curves in the revised HSC paper.

On April 5, 2005, the City distributed a revised description of the Sitka Electrical System Operations Model for review by the IFT.

During March 2005, the City provided computer-based Sawmill Creek hydraulic model data to the USFS and ADF&G. No comments were received at the time of this report.

FISHERIES and WATER QUALITY MONITORING

Blue Lake Rainbow Trout Populations Studies

On September 3, 2004, ADF&G transferred initial results of the 2004 Blue Lake mark-recapture population estimate to the City. The City met with ADF&G shortly thereafter to discuss relative responsibilities and timeframes for reports on the Blue Lake population studies. At the time of this report, the City is in the process of preparing a draft report, expected in mid-summer, 2005.

Blue Lake Tributary Temperature and Rainbow Trout Spawning Observations

On October 13, 2004, the City distributed a revised Blue Lake and Sawmill Creek temperature study plan, documenting additional temperature monitoring in areas of both water bodies. Specifically, the plan described final locations of Sawmill Creek data loggers; 2) installation of an array of data loggers to document Blue Lake temperature stratification and 3) final locations and monitoring intervals for Blue Lake tributary temperature monitoring necessary to determine rainbow trout spawning times.

No comments on the revised temperature study plan were received at the time of this report.

US Forest Service Tier III Survey Report

On December 6, 2004, the City distributed a draft report documenting results of the US Forest Service Tier III Fish Habitat Evaluation method applied during spring, 2004, on Sawmill Creek. The report documented habitat “scores” resulting from USFS prescribed calculations, and compared scores for Sawmill Creek with those from other Tongass National Forest streams previously assessed by USFS.

No comments have been received on the draft Tier III Survey report at the time of this report.

Powers and Orsborn Fish Passage Evaluation Report

On January 27, 2005, the City distributed a report documenting application of the Powers and Orsborn passage barrier evaluation technique to the “Falls” at Stream Mile (SM) 0.84 on Sawmill Creek. In this report were results of field studies and calculations to determine whether, at the flows observed, the Falls represented a barrier to the target Sawmill Creek fish species. No comments have been received on this report at the time of this document.

Sawmill Creek Fisheries Studies

City researchers continued their frequent observations and fish captures on Sawmill Creek through the fall and winter of 2004-05.

An annual Sawmill Creek fisheries report was distributed by the City on March 14, 2005. This reported compared results among all of Mr. Karl Wolfe’s (City fisheries contractor) reports since field studies began in 2001.

No comments were received on this report at the time of this progress report.

WILDLIFE and TERRESTRIAL RESOURCES

As described in the previous biannual report, Mr. Kent Bovee of Sitka was retained as wildlife field study manager. Mr. Bovee continued his wildlife observations and captures on both Sawmill Creek and around Blue Lake through fall and winter, 2004-05. His draft 2004-05 wildlife report is in preparation at the time of this report.

RECREATION

The primary recreation study activity has been emplacement of movement sensors at various locations along the Blue Lake road in near the US Forest Service campground, as described in the Recreation study plan approved in October, 2004. The movement monitors were deployed by the City during the first week of December, 2004, and data has been retrieved on the first day of each ensuing month. Monitoring data have been transferred to the USFS after each retrieval. Particular emphasis will be placed on monitoring before and after opening of the gate on the Blue Lake road, expected to occur during April, 2005.

CULTURAL RESOURCES

On December 14, 2004, the City contracted with Paul Rushmore of Wrangell, Alaska, (dba Wrangell Research Associates) to serve as cultural resources consultant for the Blue Lake Project relicensing. Mr. Rushmore traveled to Sitka and performed an initial

reconnaissance of the Project area. On March 18, 2005, he submitted a draft report documenting his initial reconnaissance and literature review. That report is currently under review by the City.

On January 13 2005, the City contracted with the Sitka Tribe of Alaska (STA) in Sitka to perform interviews among tribal members as part of the Project relicensing. On March 28, 2005, STA informed the City that it had conducted 4 interviews and retrieved information on a fifth interview which had been conducted prior to this study period. The draft interview documentation was submitted to Mr. Rushmore, who was reviewing it at the time of this report.

ITEMS to be COMPLETED DURING NEXT 6-MONTH REPORTING PERIOD.

Task	Estimated 2005 Term or Completion	Comments
Instream Flow Negotiations	April-December, 2005	Negotiations will seek to reach agreement on instream flow regime for Sawmill Creek, for use in license application.
Blue Lake and Sawmill Creek temperature logger emplacement	April- July, 2005	Temperature array at Blue Lake installed October, 2004.
Sawmill Creek Fisheries Studies	April-December, 2004	
Draft License Application and Preliminary Draft Environmental Assessment	June, 2005	DLA submission was changed to June, 2005, to allow for progress on instream flow and mitigation negotiations.
Blue Lake rainbow trout spawning observations	May-June, 2005	Observations to determine temperature-spawning relationships.
2004 Wildlife Report	May, 2005	Studies to continue through 2005
Cultural Resource Studies	To continue through summer, 2005	
Recreation Resource Studies	To continue through summer and fall, 2005.	