

FINAL SCOPING DOCUMENT 2

BLUE LAKE HYDROELECTRIC PROJECT

FERC No. 2230

Prepared By:

City and Borough of Sitka Electric Department

105 Jarvis Street
Sitka, AK, 99835

August, 2004

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FINAL SCOPING DOCUMENT 2

BLUE LAKE HYDROELECTRIC PROJECT RELICENSING

FERC No. 2230

City and Borough of Sitka Electric Department

105 Jarvis St., Sitka, AK, 99835

August, 2004

INTRODUCTION AND BACKGROUND

INTRODUCTION

The City and Borough of Sitka, Alaska (“City”, “Licensee”) is in the process of relicensing the 7.5 megawatt (mw) Blue Lake hydroelectric project (“Project”), Federal Energy Regulatory Commission (FERC) No. 2230, 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. This document is one of a series of information and decision documents the City is required to prepare and distribute during the relicensing process.

While the Project’s FERC license is held by the City and Borough of Sitka, responsibility for it’s day-to-day operation and the relicensing process reside with the City and Borough of Sitka Electric Department, a regulated municipal utility.

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

City & Borough of Sitka
100 Lincoln Street
Sitka, Alaska, 99835
Phone: 907-747-3294

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: Charlie Walls, Utility Director
105 Jarvis Street
Sitka, Alaska 99835
Phone: 907-747-6633

Fax: 907-747-3208

BACKGROUND AND DEVELOPMENT OF SD2

This document is a revision of Scoping Document 1 (SD1) issued in September, 2003, as part of the relicensing process for the subject Project. In SD1, The City and Borough of Sitka, Alaska (“City”, Licensee for the Project) described the Scoping process to include a Scoping Meeting and Site Visit followed by a comment period on SD1 and proceedings of the Meeting.

Written comments on SD1 were received from Alaska Department of Fish and Game (ADF&G), National Marine Fisheries Service (NMFS, also known as “NOAA Fisheries”), US Forest Service (USFS) and US Fish and Wildlife Service (FWS) (Attachment I). Comment topics were generally consistent among the agencies, with some exceptions.

A draft of SD2 was distributed on April 2, 2004, for final review. In response, USFS, by letter dated May 7, 2004, provided other comments addressed in this document (see “Consultation” Section, below.

The City has responded to all Scoping comments through the modifications detailed in this document’s Consultation Section which affect either SD1 or specific relicensing study plans. New or modified text resulting from these changes has been italicized. We believe that there are no disputes on issues requiring resolution prior to preparation of the Draft License Application.

In addition to changes documented in the Consultation Section, other sections of SD1 were modified during development of SD2 to more accurately reflect the status of the relicensing process. New text in these sections is also italicized and underlined to highlight the additions. Note that these changes were not the result of agency comments, but were voluntary on the City’s part.

Finally, we have deleted the material from SD1 and the Draft SD2 describing, in future tense, public and agency meeting and site visit and schedules and requests for comments on those documents. All meetings, the site visit and comments are described in past tense in this Final SD2 to avoid confusion.

The Relicensing Process to Date.

The relicensing process has been active for several years, including the following activities:

- Early consultation meetings between the City and Alaska State and Federal resource agencies;

- Preliminary study planning meetings and planning leading to Sawmill Creek fisheries surveys conducted from 2000 through the time of this document; Fisheries reports (including Wolfe, 2002) are available through the contact address on page 5;
- Notification of Intent (NOI) to relicense the project, submitted to FERC on November 1st, 2002;
- Distribution of an Initial Consultation Document (ICD, City and Borough of Sitka, 2002) describing the Project, the relicensing process and preliminary environmental information, on November 15th, 2002. (The ICD contains detailed descriptions of existing resources, expected impacts and environmental studies, as known at the time of writing, and is a good source of background information);
- Initial Consultation Meetings (a technical agency meeting and a public meeting) and a site visit held in Sitka and at the Project site on December 17th and 18th, respectively, 2002;
- Formal study planning for potentially-affected fish and wildlife resources, including distribution of draft fish and wildlife study plans and consultation those plans at an inter-agency meeting held on April 24th, 2003, in Juneau;
- Finalized fish and wildlife study plans based on agency comments received during consultation;
- Submission to FERC of a request to utilize the Alternative Licensing Procedures (ALP) for Project relicensing. The ALP is a recently-approved method for relicensing which allows the applicant to prepare certain decision documents before license application, thus saving overall relicensing time (see following section).
- Distribution of Scoping Document 1 (SD1) on September 17th, 2003, and announcement of the Scoping Meeting;
- Scoping Meeting, held on October 22nd, 2003 in Sitka, followed by a site visit on October 23rd. Proceedings of the meeting were videotaped (tapes are available from the contact address below) and written minutes of the site visit prepared.
- Approval by the FERC of our request to utilize the ALP for relicensing, by letter dated October 22nd, 2003;

- *Proceedings of a conference call with ADF&G on November 12th, 2003, regarding Blue Lake fish population estimation study planning with subsequent agreement on study parameters;*
- *Proceedings of an interagency meeting in Juneau on October 22nd, 2003, to discuss the instream flow component of the fisheries and wildlife study plans. The instream flow study planning process is ongoing.*

All documents, meeting minutes, and submissions from these early relicensing activities are available from the City at the contact address on page 5 of this document and in the Blue Lake Project relicensing website at:

<http://www.cityofsitka/electric/pdf/relicensing.htm>

Alternative Licensing Process.

Under a recent amendment of the Federal Power Act (FPA), licensees may elect to use the Traditional Licensing Approach or the Alternative Licensing Procedure (ALP). Under the Traditional Approach, all activities and documents required under the National Environmental Policy Act (NEPA) are conducted by the FERC or their contractor after acceptance of the Application for new license. This FERC action may take as long as two years to complete. Under the ALP, the licensee may conduct NEPA Scoping (the public participation process to solicit comments on environmental issues) and may prepare a Preliminary Draft Environmental Assessment (PDEA) (first in a series of EA's) prior to submittal of the Application. This process may save as much as two years, but requires greater licensee time and effort prior to Application submittal.

The City applied to FERC for use of ALP by letter dated August 28th, 2003. *The FERC, by letter dated October 22nd, 2003, approved use of the ALP for relicensing of the Blue Lake Project.*

PURPOSE OF THIS SCOPING DOCUMENT

Scoping Document 2 addresses Scoping requirements outlined in the FERC regulations for relicensing and implementing the National Environmental Policy Act (NEPA) of 1969. FERC's NEPA regulations are found in 18 CFR Subchapter W-Revised General Rules, Part 380.

The purposes of NEPA, as stated in the original legislation, **Sec. 2 [42 USC § 4321]**, were, among others: "To declare a national policy which will encourage productive and enjoyable harmony between man and his environment; to promote efforts which will prevent or eliminate damage to the environment and biosphere and stimulate the health and welfare of man....."

To carry out this purpose, NEPA authorized the Federal Government “to use all practicable means, consistent with other essential considerations of national policy, to improve and coordinate Federal plans, functions, programs, and resources...”

In terms of the Blue Lake project relicensing, NEPA requires the FERC, prior to its preparation of an Environmental Impact Statement (EIS) or Environmental Assessment (EA), to consult with Federal agencies with jurisdiction within the Project area, and with State agencies with expertise in the various potentially-affected resources. This early consultation includes the Scoping process, the primary purpose of which is to solicit, from agencies, the public, Non-Governmental Organizations (NGO’s) and Tribe(s) (collectively, “Stakeholders”) input on existing information and environmental and development-related impact issues.

These requirements shape the relicensing proceedings by placing high priority on inter-agency and Stakeholder collaboration, comprehensive issue identification, incorporation of agency terms and conditions, and preparation of environmental documents which reflect agency jurisdiction, expertise, and resource protection measures.

The purpose of the Scoping process is to:

- identify important environmental and developmental issues related to the proposed project relicensing;
- identify reasonable alternatives that should be evaluated in the Environmental Assessment (EA);
- determine the scope and depth of analysis for project purposes and environmental issues identified for evaluation in the Environmental Assessment; and
- identify issues that do not require detailed analysis.

CONSULTATION

Copies of SDI were distributed electronically on September 17th, 2003, with a cover letter describing the review process and dates and places of the Scoping Meeting and Site Visit. After the meeting and site visit (held on October 28th and 29th, 2003, respectively) comments were received from ADF&G, NMFS, USFS and FWS. Copies of the comment letters and assigned comment numbers are in Attachment I.

All comments were address either through changes in the SDI text or by explanation in the Tables in Attachment II. The City believes that it has adequately addressed all comments, and that we have made all proposed changes as requested unless specifically explained in Attachment II. We have no disputes with the changes requested in the comment letters.

A draft of SD2 was distributed on April 2, 2004, for final review. In response, USFS, by letter dated May 7, 2004, commented that the draft SD2 had not addressed its earlier requests for three study plans, specifically those for cultural, recreation and subsistence resources (Attachment III). The City, through spring and summer, 2004, continued consultation with various agencies and prepared draft study plans for those three resources. At the time of this SD2, the three study plans are in various phases of finalization.

PROPOSED ACTION and ALTERNATIVES

Descriptions in the following sections are restated from ICD, with the exception of the Project Boundary Map (See Figure 3). Those familiar with the previous descriptions need not review the following in detail.

PROJECT LOCATION and FACILITIES

The Project is located approximately 5 miles east of the City of Sitka, Alaska, on Sawmill Creek (formerly the Medvetche River). The Project consists of ten major features: the dam; a submerged intake structure; a power conduit; three powerhouses; a switchyard and a primary and two secondary transmission lines (Figures 1 and 2). The Project Boundary Map (Figure 3) shows the FERC-designated boundary around the project features and primary transmission line to Sitka.

Throughout this document, the Project features are discussed relative to their Stream Mile (SM), or the centerline distance on Sawmill Creek upstream from the Creek's mouth at tidewater, as determined from the project map. Reservoir and stream or roadway directions (left or right) are looking downstream or down-road. Elevations are referenced as heights in feet above or below mean low sea level, denoted by the term "El".

PROJECT FEATURES.

Names of project features are in bold type on first reference in this section to introduce project terminology which will be used throughout this document.

Dam

Located at SM 2.31 on Sawmill Creek, the concrete arch **dam** is 211 feet high with a base width of 25 ft and a crest width of 256 ft. The 140 ft wide **spillway** at El 342 is centrally located in the dam, and is sized to transport 14,000 cubic feet per second (cfs). A **release valve**, installed at the base of the dam, is used to release water when the reservoir is below the spillway elevation. The valve capacity is 800 cfs. A natural **plunge pool** is located downstream of the dam, to dissipate energy from the spillway discharge.

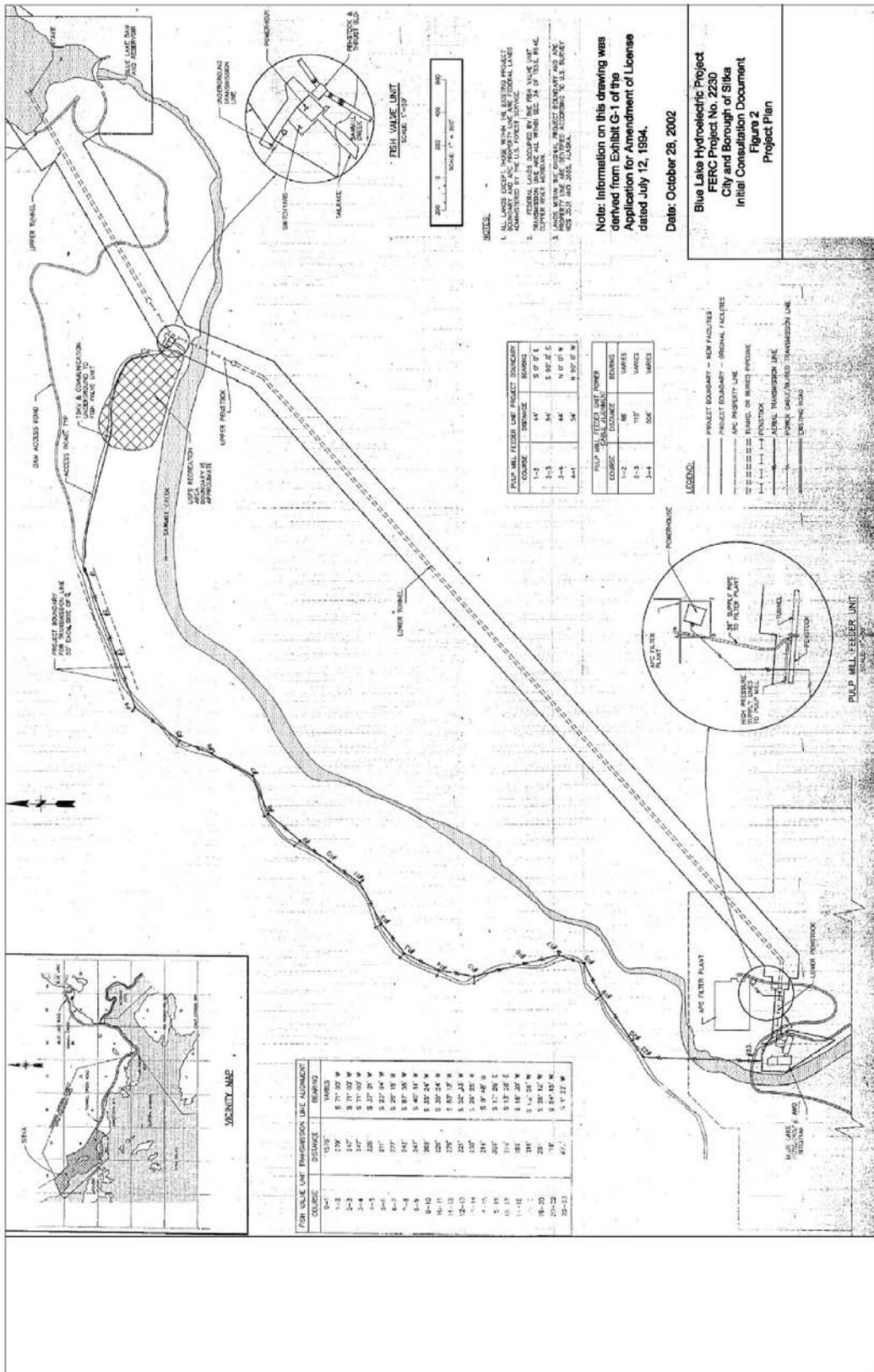




Figure 3. Blue Lake Project FERC Project Boundary (shaded)

Reservoir

A **reservoir**, known as **Blue Lake Reservoir**, was created when the dam raised the natural Blue Lake water surface from El 208 to El 342 and increased the lake surface area from 490 to 1,225 surface acres. Blue Lake is 3.25 mi long and 0.625 mi in average width. The deepest point is at El minus 126 at a depth of 468 feet below the lake surface at spill elevation. The reservoir has gross storage capacity of 145,200 acre/feet (af) and usable storage of 102,200 af at spill level. A submerged concrete **intake structure** is located approximately 400 feet north of the dam at El 210.

Power Conduit

A 7,110 ft. long **power conduit** extending from the intake structure to the Blue Lake powerhouse branches to provide water to the various powerhouses and other facilities described below.

The power conduit consists of an **upper tunnel** with an unlined, 11.5 ft. diameter modified horseshoe cross-section extending 1,500 feet from the intake structure to the **upper penstock** on the right side of Sawmill Creek. The upper penstock, an 84 in. diameter, 460 ft. long, steel pipe crosses the stream supported on concrete piers and enters the **lower tunnel** on the left side of Sawmill Creek. The 4,650 ft. lower tunnel has an unlined, 10 ft. diameter modified horseshoe cross-section and extends to the **lower penstock**.

The lower penstock, an 84 in. diameter, 500 ft. long, steel pipe, has two taps immediately below the lower tunnel portal. A 36" tap supplies water to the Pulp Mill Feeder Unit and an 24" tap supplies water to the Sawmill Cove Industrial Park (SCIP), site of the former Alaska Pulp Company (APC) mill.

Approximately 90 feet below these two pipes is a 20 in. tap (the "**water supply tap**") leading into the adjacent water treatment plant for municipal water supply. Approximately 50 feet below this tap is an 84 in. butterfly valve which allows shutdown of the main powerhouse and dewatering of the turbines while maintaining water to the Industrial Park and the Water Treatment Plant.

Project Powerhouses

The project consists of three powerhouses, including the Blue Lake, Fish Valve Unit and Pulp Mill Feeder Unit powerhouses. The Blue Lake powerhouse is the primary generating unit, and the other two units provide additional generation capacity, as described in detail below.

Blue Lake Powerhouse

The **Blue Lake Powerhouse** is the primary Project generating unit. It is located on the left bank of Sawmill Creek at SM 0.15 and is a 35 ft. X 70 ft. steel superstructure, precast concrete foundation structure housing two horizontal shaft Francis **turbines** each rated at 3000 kilowatt (kW) with provision for future installation of a third unit. The turbines discharge water into the approximately 150 ft long **tailrace** which carries water from the turbines to Sawmill Creek.

The **Blue Lake Switchyard**, located adjacent to the powerhouse, receives generation energy from the Blue Lake powerhouse, the Fish Valve Unit and the Pulp Mill Feeder Unit (described below). The switchyard includes 12.47/4.16 kV and 4 .16/69 kV transformers, with associated bus-work and disconnect switches. Power from the Green Lake Project, FERC No. 2818, another hydroelectric facility owned by the City of Sitka, is also transmitted to the Blue Lake switchyard at 69 kV.

By FERC Order Amending License dated September 6, 1991, the Project was modified to include two additional generating units. These were:

Fish Valve Unit (FVU)

The **FVU**, located at SM 1.91, generates power from flows released for instream purposes through a valve located about 1900 ft. downstream of the dam. It is housed in a concrete powerhouse located approximately 175 feet below the upstream end of the upper penstock on the right side of the stream. A 36 in. diameter wye branch on the upper penstock supplies water to the FVU. An automatic bypass valve opens when the Fish Valve Unit is tripped off-line to maintain the required flow of 50 cfs in the stream at all times. A single Francis turbine spins a generator rated at 670 kW.

Pulp Mill Feeder Unit (PMFU)

The **PMFU** generates power from the water supply to the former Alaska Pulp Corporation (APC) filter plant. Since closure of the APC plant in 1993, the PMFU uses releases for bulk water export and other future uses. The PMFU consists of a 36 in. tee connected to the existing pulp mill feeder pipe and a 36 inch diameter, 24 ft. long penstock from the tee to the generating unit. The single horizontal, Francis turbine spins a generator rated at 870 kW.

Regular PMFU operation was discontinued in 1993 because of shutdown of the APC mill. The unit was returned to regular service in August, 2003.

Transmission Lines

Primary Transmission Line.

A 69 kV **primary transmission line** extends 5 miles from the Blue Lake Switchyard to the Jarvis Street and Marine Street substations in Sitka. The line consists of both H-frame and single pole, wood structures. The transmission line right of way occupies 27 acres of

land. This land is administered by the U.S. Forest Service, the State of Alaska along the Sawmill Creek Highway right of way and private land owners.

Pulp Mill Feeder Unit Transmission Line.

Power from the PMFU is transmitted over a 470 ft. long, underground transmission line to the Blue Lake Powerhouse and connected to the main generation bus.

Fish Valve Unit Transmission Line.

Power from the FVU is transmitted over a 7,700 ft. long transmission line to the Blue Lake switchyard where it is transformed to 4.16 kV and connected to the main generation bus. The first 1,400 feet of the transmission line through the U.S. Forest Service Sawmill Creek recreation area is underground. The remaining portion is overhead.

Access Roads.

The **dam access road** is the USFS road No. 5755 (Blue Lake Road) and extends 2.19 miles to the dam from Sawmill Creek Road. Just downstream of the FVU, a **footbridge bridge** crosses Sawmill Creek at SM 1.90. Access to the Blue Lake powerhouse and the PMFU is along a licensee owned road connected to Sawmill Creek Road at mile 5.5; access to the FVU is via USFS road No. 5755. At SM 0.25, the **Blue Lake Powerhouse bridge** crosses Sawmill Creek just upstream of the Blue Lake powerhouse.

PROJECT LANDS

The existing facilities of the Blue Lake Project occupy 812 acres of U.S. lands administered by the Forest Service.

The project lies within U.S. Geological Survey Sitka A-4 and A-5 Quadrangle maps, within the land descriptions presented in Table 1.

Table 1. Land Descriptions of Blue Lake Project Features.

Project Features	Map Locations
Dam, Spillway and Intake Structure	Section 35 of T55S, R64E, Copper River Meridian.
Power Conduit	Sections 34 and 35 of T55S, R64E, Copper River Meridian.

Fish Valve Unit	Section 34 of T55S, R64E, Copper River Meridian.
Pulp Mill Feeder Unit	Section 34 of T55S, R64E, Copper River Meridian.
Blue Lake Powerhouse	Section 34 of T55S, R64E, Copper River Meridian.
Primary Transmission Line	Section 33 & 34 of T55S, R64E, Copper River Meridian; Section 4, 5 and 6 of T56S, R64E, Copper River Meridian; Section 1 of T56S, R63E, Copper River Meridian; Section 35 & 36 of T55S, R63E, Copper River Meridian.

PROJECT HISTORY

The Federal Power Commission (FPC) Order issuing the original license is dated April 4, 1958. Construction began April 30, 1958 and commercial operation commenced July 23, 1961. In 1979, to meet increased electrical demands, the City obtained a license for the Green Lake project (FERC No. 2818), which was constructed in 1982 in the Vodopod River basin approximately 8 miles to the southeast of the Blue Lake project. The Blue Lake and Green Lake Projects operate conjunctively to supply the City's electrical needs.

The original Blue Lake license remains in effect, but with several amendments addressing various additions and upgrades to the original project design and/or operation. The following amendments are described relative to their provisions and respective issuance order dates:

- Due to increased loads and several dry years, an order amending the license to allow the current instream flow releases was issued on September 7, 1977, as described in subsequent sections;
- The construction of the Green Lake project necessitated upgrading of the Blue Lake transmission line capacity from 34.5 kV to 69 kV. The order amending the license for this change is dated June 12, 1980;
- An order was issued on November 15, 1983 to allow the 20" municipal water tap on the penstock.
- An amendment was ordered on September 6, 1991 to increase the Project nameplate capacity from 6000 kW to 7500 kW with the addition of the Fish Valve Unit and the Pulp Mill Feeder Unit (City and Borough of Sitka, 1990).

The Project maintains an excellent record of environmental license article compliance, dam safety and dependable generation. It's access roads and Blue Lake reservoir support excellent recreation opportunities for residents and visitors alike, and the reservoir is the primary source of Sitka's potable water. Sitka's predominantly hydroelectric generation base, of which the Project is a major feature, avoids use of approximately 7 million

gallons of diesel fuel annually, significantly reducing air and noise pollution and fuel storage and transportation risks.

PROJECT OPERATION

Project Role in Sitka's Electrical System

The Blue Lake Project is operated in conjunction with the Green Lake Project to meet the City's electric demand ("load"). The Blue Lake powerhouse is the control center for Sitka's entire electric system and is manned around the clock. Generally, the Blue Lake Project is operated as a "base-load" resource, that is, at a pre-set generation output. The Green Lake Project is used for "load-following" or at a continually changing generation output to meet the shifting load in addition to Blue Lake generation. Generation is also allocated between the Blue Lake and Green Lake Projects to manage storage levels in the reservoirs. Back-up generation for the hydroelectric system is supplied by four diesel powered electric generators totaling 11.9 mw nameplate capacity. The 2002 annual electric system load was 99024 Megawatt hours (MWh).

Blue Lake reservoir levels are determined by two major factors: 1) reservoir inflow, resulting from precipitation and/or snowmelt, and 2) water releases for hydroelectric generation, spill, instream flow needs, municipal water use and water sales. Hydroelectric generation is the largest of these releases, and has the greatest effect on Blue Lake reservoir levels.

Reservoir inflow is highest in summer and fall due to snowmelt and rainfall. During mid-winter, inflow decreases because precipitation is stored as snowpack. Sitka's electrical loads vary during the year due primarily to energy needs for heating. Demand is highest in winter and lowest in summer (Figure 4).

Because electrical load is lowest in summer and early fall, when inflow is highest, reservoir levels generally rise during this period. During winter, increased loads and reduced inflow cause the reservoir level to fall. Often, in early fall during the highest period of precipitation, reservoir levels exceed the height of the dam and water is "spilled" over the spillway at EL 342. Spilling in particularly wet years may last for several months. The reservoir is operated to maintain the highest possible level to maximize generation unless lower levels are desired for maintenance operations. Typically the lowest normal operational level is about El 280 at current load average precipitation.

Project Operation Criteria

The Project is operated according to conditions in the Original FPC License and certain license Amendments (described above) which specify Sawmill Creek streamflows. In addition, the City controls Blue Lake reservoir elevations on a monthly basis to assure adequate storage (in conjunction with the Green Lake Project), flood protection capacity, and maintenance access to the dam and intake, as required.

The City is required, under provisions of the Original license, to release flows for instream purposes (“instream flows”) at the FVU, which generates power from these releases. From May through November, the minimum instream flow requirement is 50 (cfs), regardless of reservoir elevation. The license Amendment of 1977 provided that, from December through April, the 50 cfs flow could be reduced if the lake elevation

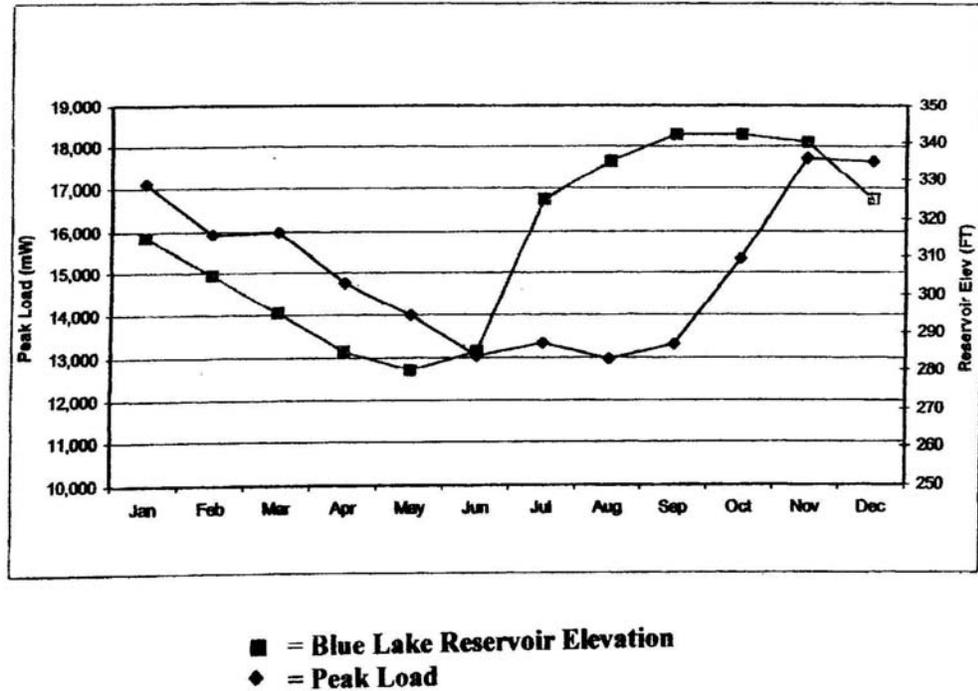


Figure 4. Typical monthly peak loads and reservoir elevations, Blue Lake Project

dropped below certain critical levels (Table

2). Since the FVU was installed in 1992, the City has consistently exceeded the minimum Sawmill Creek instream flow requirements.

Table 2. Sawmill Creek minimum Instream Flow requirements allowed at various Blue Lake levels (FERC Order dated September 7, 1977).

Month	Lake Surface Elevation (feet)	Minimum Flow (cfs)
December	336	37
January	324	22
February	311	22
March	295	22
April	274	22

An automatic bypass valve opens when the FVU is not operating to maintain the required flow of 50 cfs in the stream. The reservoir release valve is used to maintain flow in the stream when the power conduit is out of service.

In addition to hydroelectric generation and instream flows, water is also released from Blue Lake reservoir to serve commercial interests, including bottled water and bulk water export operations located at or near the SCIP. *The water rights for bulk water export, held by the City, require that withdrawals for this purpose cease when reservoir elevations fall below the elevations listed in Table 3. This is to assure priority for instream flow releases.*

Table 3. Blue Lake reservoir elevations below which bulk water export must be discontinued.

Month	Lake Surface Elevation (feet)
<i>March</i>	285
<i>April</i>	255
<i>May</i>	252
<i>June</i>	265
<i>July</i>	294
<i>Aug-Feb</i>	295

Pulp Mill Feeder Unit operation.

The PMFU was installed to generate power from process water for the APC mill. The mill was closed in 1993 and the PMFU operated only periodically. The PMFU was reactivated in August, 2003. This unit will be used to deliver water for bulk export and

other potential uses. Water from the PMFU is discharged into Sawmill Creek when the water is not used concurrently for other uses.

SAWMILL CREEK HYDROLOGY.

Prior to construction of the Blue Lake Project, Sawmill Creek streamflow was characterized by large seasonal variations with high flows due to the Basin’s heavy rainfall and snowmelt, and low flows due to cold periods when the Basin’s water was stored as snow and ice. Since the impoundment, flows below the dam have become more stable because of storage of peak flows and minimum releases which prevent extreme low flows during droughts or very cold periods.

Streamflow data applicable to the Project has been gathered in a variety of locations over the years at the stations and timeframes described below:

The US Geological Survey (USGS) “Original” Gage.

This gage, USGS gage No. 15088000, Sawmill Creek near Sitka, Alaska, was installed in 1921 near the mouth of Sawmill Creek. It was retired upon completion of Blue Lake Dam. Data from this gage generally characterized Sawmill Creek streamflow prior to impoundment. The gage had a 29-year period of record that included water years 1921 and 1922, and 1929 to 1957. Median (the flow exceeded 50% of the time) flow at this gage was 390 cfs for the period of record. Extreme (highest or lowest among hourly recordings) low flow during this period was 9.1 cfs, and extreme high flow was 7,100 cfs (Figures 5 and 6).

Maximum daily flows from this period ranged as high as 5,500 cfs, and minimum low flows fell to as low as 11 cfs. (4). These extremes indicate the effects of heavy storms, cold periods and droughts, without the regulating effects of the reservoir.

Table 4. Maximum and Minimum Average Daily Flows in Sawmill Creek, by Month, for 29-year Period of Record. Original USGS Gage 15088000.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Max	2,270	2,410	1,250	1,050	1,640	1,780	2,170	4,940	4,980	5,500	4,430	3,770
Min	24	16	11	14	57	308	311	200	71	84	46	34

“New” USGS Gage, or “Lower Staff Gage”.

In May 2001 the USGS installed a new gage on Sawmill Creek just downstream of the Blue Lake Powerhouse access bridge, approximately 400 feet from mean high tidewater. The USGS has assigned the original gage number, 15088000, to this new gage location. This gage is currently referred to as the “**Lower Staff Gage**” to distinguish it from the Upper Staff Gage described next. Continuous streamflows have been recorded at this gage by the USGS since May 17, 2001, but are not presented here because they are considered provisional by USGS pending a longer period of gage operation.

Upper Staff Gage.

A staff gage was installed on the footbridge near the FVU in 1995 for the stream gaging plan. Under this plan and subsequent orders, this gage is required to be read once every seven days. The Upper Staff Gage readings depict recent Sawmill Creek streamflow in the reaches between the FVU and the Blue Lake powerhouse.

As described in the Project Operation section, the FERC Project license requires a continuous minimum release of 50 cfs from the FVU Powerhouse into Sawmill Creek. From January through April, however, the minimum release may be lowered from 50 cfs to 22 cfs when the surface elevation of Blue Lake reservoir falls below specified levels. The high flow events, which are well above the minimum flow requirements, reflect periods of spill at Blue Lake Dam. During these spill events, flow data from the Upper Staff Gage represents the total of the spill and the FVU releases.

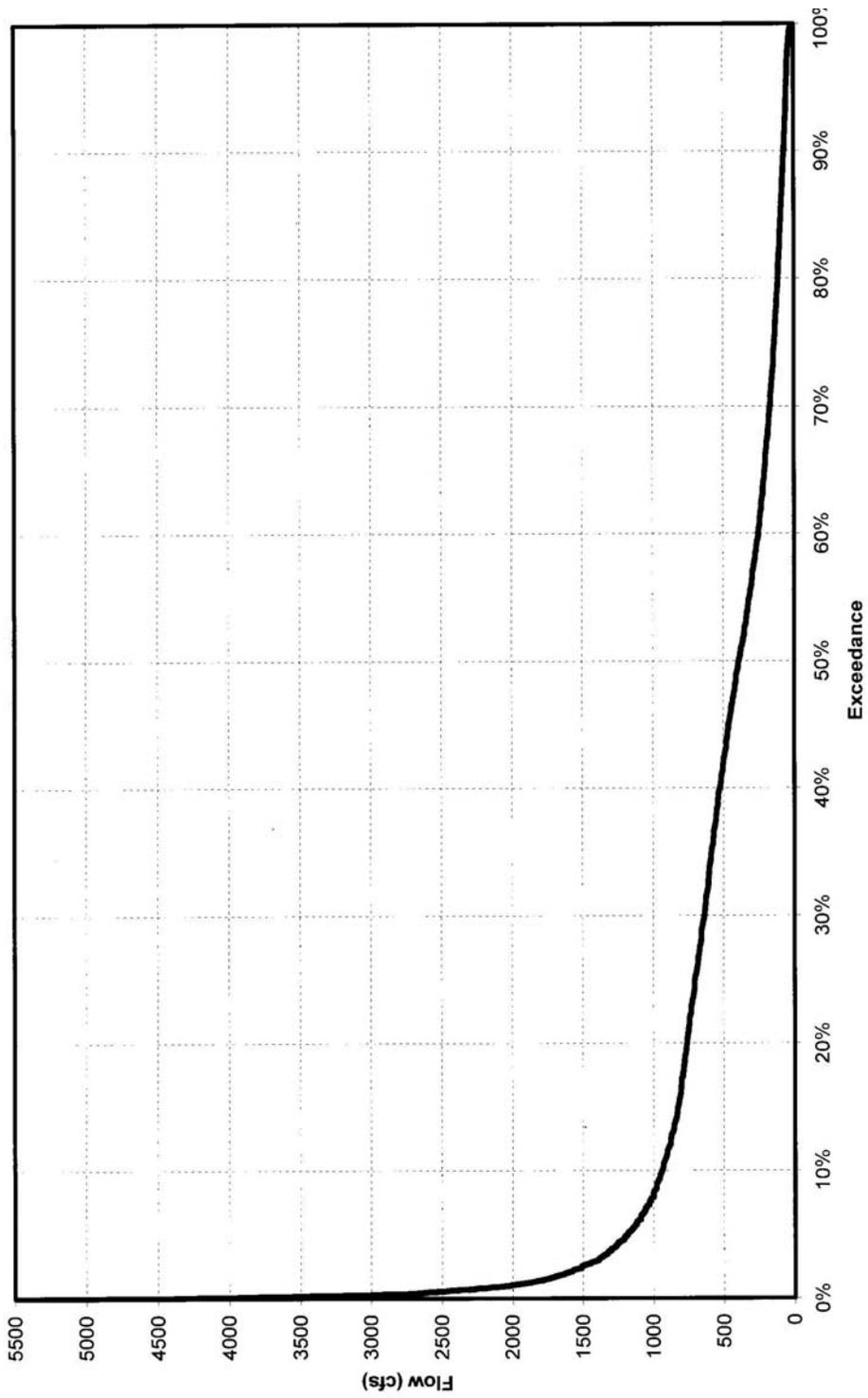


Figure 5. Exceedence Graph for Original USGS Gage, Sawmill Creek Near Sitka, Alaska.

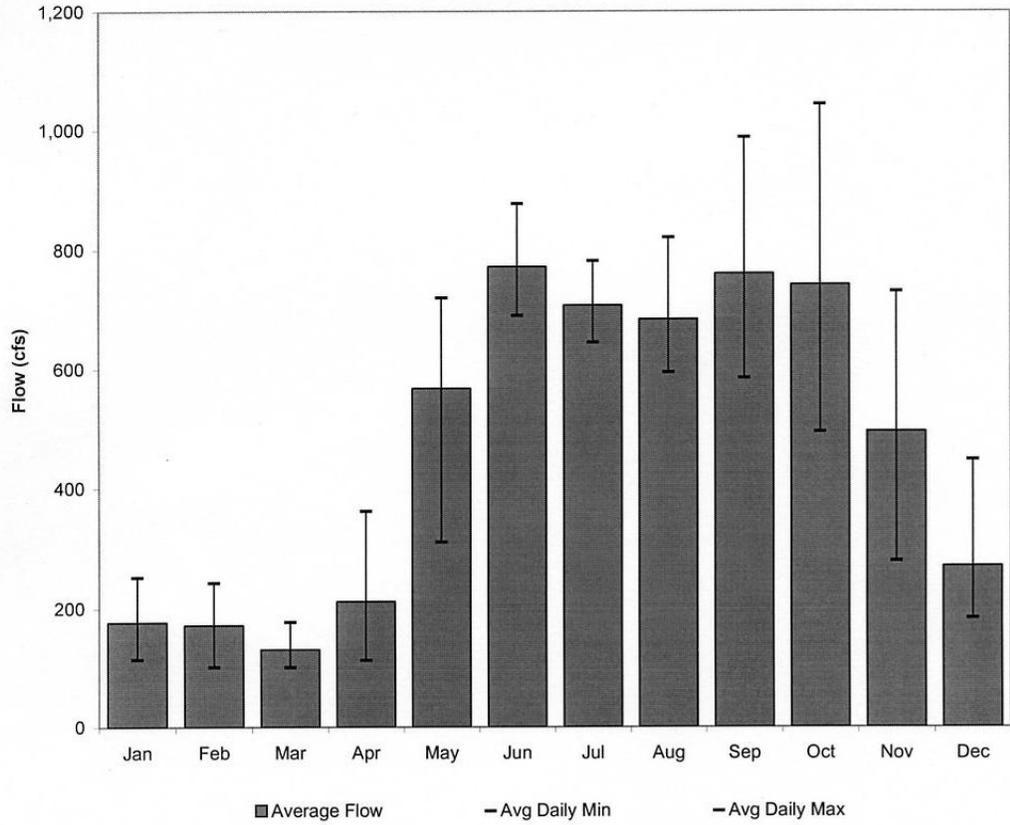


Figure 6. Average, average minimum, and average maximum streamflow, Original USGS Gage, Sawmill Creek near Sitka, Alaska.

EXISTING ENVIRONMENTAL PROTECTION MEASURES

The current project operational constraints include several environmental protection measures. The primary means of protection is via control of Blue Lake levels on a seasonal basis, and via implementation of minimum instream flow releases to Sawmill Creek. The various lake level and streamflow requirements have resulted from different actions over the life of the project, and are described in Tables 2 and 2a, above.

PROPOSED PROTECTION AND ENHANCEMENT MEASURES

The City has begun the process of consultation leading to its proposed environmental protection and enhancement measures. As currently envisioned, the primary areas for protection and enhancement relate, as do the current measures, to provision of specified seasonal Sawmill Creek instream flows and minimum and maximum Blue Lake levels. The City recognizes that there is the potential for optimizing Blue Lake storage and release schedules to provide additional water quantity for Sawmill Creek fisheries while meeting the need for adequate reservoir storage capacity, drought protection and dependable generation and municipal, industrial and bulk water supply.

Beginning in fall, 2003, and continuing through the relicensing process, the City and a selected resource agency sub-group will implement a computer-based method for simulating operations of the Blue Lake-Green Lake electric generation system which will provide outputs including seasonal (or monthly, depending on consultation decisions) lake level(s), Sawmill Creek streamflow and energy generation. The objective of this simulation model system will be to optimize monthly and yearly operations, first to predict potentially-beneficial operating scenarios, then to evaluate a range of alternative operations, and finally to reach agreement on the operation(s) which will become the City's relicensing operational proposal. The same computer-based system used to develop the operational alternatives will be the one used subsequently on which to base real-time project operations.

Other protection and enhancement proposals may include, but not be limited to, those addressing the issues identified for Cultural, Aesthetics, Land Use and Recreational Resources.

PROJECT ALTERNATIVES

The City's Proposed Action

The City proposes to obtain a new license to continue to operate the Blue Lake Project. The City anticipates that specific environmental protection, mitigation, or enhancement (PM&E) measures will be recommended by the ALP participants and that these may be crafted into a settlement agreement that forms the basis of the proposed action. At this time, no structural or operational modifications or specific resource enhancements have been proposed by the City; therefore, this alternative cannot be defined in detail.

Other Alternatives to be Formulated and Considered

The City proposes to develop alternatives to the proposed action based on agency and public comments during the Scoping process and ongoing consultation. These alternatives will be composed of various PM&E measures. These measures could be adopted by the City for inclusion in the PDEA as the preferred alternative. Issues to be considered during development of alternatives would include:

- 1) Evaluation of the potential for developing a new streamflow release regime based on system operational modeling to optimize storage-release-energy production and fisheries benefits;
- 2) Review of water allocations for the Blue Lake watershed to evaluate various use priorities.

No Action

The No Action Alternative is required under NEPA regulations to reflect how the Project would continue to operate under the terms and conditions of the existing license and amendments, and no new environmental PM&E measures would be implemented. Pursuant to NEPA, this alternative establishes the baseline environmental conditions against which all other “action” alternatives will be compared.

Alternatives Eliminated from Further Study

FERC NEPA implementation regulations require consideration of a full range of reasonable alternatives to the proposed action. The PDEA is expected to consider a number of alternatives. Some of these alternatives are expected to be considered in detail, and others may be eliminated from further evaluation for such reasons as feasibility or reasonableness. At this point, it is not proposed that project retirement or issuance of a non-power license be considered for further detailed evaluation.

Also, during the Initial Consultation Stage, the City discussed an alternative to raise the height of the Project dam to increase generation and operational flexibility. After further consideration of that alternative, the City announced at a study planning meeting held with fish and wildlife agencies in April, 2003, that it was no longer considering raising the dam. All changes in downstream release and Blue Lake levels will be considered based on the current dam height.

RESOURCE ISSUES

Resource issue identification is a very important step in the NEPA and relicensing processes. Issue identification through the Scoping process allows the public and resource agencies to describe and discuss potential impacts which relicensing might cause. Each issue which remains in the SD2 must be addressed in the subsequent EA’s and FERC’s Order Issuing New License, if FERC chooses to relicense the project. Issues identified during Scoping may be added or changed, but those in SD2 can neither be added nor changed without consensus among all participants in the Scoping process. It is

therefore highly important for all participants to read issues in this document carefully relative to their language and content, and to offer new issues or modifications of the existing issues as you feel necessary.

Comments from NMFS and FWS requested further discussion of the following section regarding Impact Baseline. Our intent in this section was to define the baseline as current, not pre-project, conditions. Our discussions with FERC staff confirmed that this is generally true, particularly with respect to evaluation of the “no action” alternative (see below).

Our statement in SD1 (page 21, 3rd full para, second sentence) that “Under the FERC impact baseline concept, however, the City is not required to mitigate or compensate for these existing or ongoing impacts” was not considered correct. The FERC staff noted that the Commission routinely requires mitigation for “ongoing” impacts, as defined during consultation and resource issue identification. In other words, the definition of “baseline” does not predetermine conditions on a new license. We have therefore eliminated the SD1 language describing FERC’s actions relative to impact baseline.

We have retained the following language from SD1, and believe that it correctly reflects the intent expressed by FERC staff:

“The FPA, however, requires that Licensees or Applicants, during relicensing or original licensing, strive to “protect, mitigate and enhance” resource values to the extent possible. In this light, the City recognizes the past and ongoing effects of the Blue Lake project, and includes those effects among resource issues for the purpose of evaluating ways to improve the existing environment through the relicensing process.

Because the City envisions few changes to the project design or operation on relicensing, the list of issues related to those proposals would be short, and the potentials for environmental improvement limited. It is the City’s objective, however, to work from a more extensive list of resource issues, many of which relate solely to existing project features or operations, to better examine potentials for protection and enhancement.”

The FERC staff further suggested that we include in our definition of the “no action” alternative reference to existing conditions, e.g., if no relicensing action were taken, current conditions, not conditions before the project, would continue. Language in the “No Action” section of SD1, we believe, is consistent with this suggestion.

Comments from NMFS included a request to introduce the term “reference condition” to describe environmental conditions prior to Project construction and operation. We have no objection to this request and will use the term as applicable in subsequent NEPA and other documents.

Issues in the following sections are listed in relative order of their significance. The order is subjective at this time, however, and very much subject to change based on reviewer comment. While issues with lower significance may require less study or a lower level of treatment, the City must address all issues which remain in the SD2.

FISHERIES

Issue F1. Sawmill Creek Instream Flow. Whether the project-related streamflow in Sawmill Creek affects populations of anadromous and resident fish in that waterway. Under this issue, the City would examine potentials for implementation of a new flow regime which might *improve* fish habitat, water storage needs, and electric generation.

Issue F2. Blue Lake Level. Whether Blue Lake surface elevation fluctuations and/or seasonal levels affect resident fish populations in that water body. Changes in lake level may be harmful to fish during certain life stages, such as spawning and rearing, causing stranding, migration impediment, and habitat loss. Under this issue, the City would examine Blue Lake water surface level fluctuations during certain yearly periods, and determine the potential for and costs of minimizing impacts.

Issue F3. Habitat Potential of the “Dewatered” reach. Whether there is significant potential fish habitat in the “dewatered” reach directly downstream of Blue Lake dam, and the extent to which continuous streamflow from dam releases might improve existing fish habitat conditions. Under this issue, the City would examine potential benefits and costs associated with releasing water to the dewatered reach.

Issue F4. Fish Entrainment. Whether the existing Project intake in Blue Lake might be a source of fish mortality due to entrainment of fish during Project operations. Increased water velocities in the area of the active intake might draw fish, particularly those of smaller size, into the intake, causing impingement on the intake features and entrainment into the power conduit, with associated mortality passing through the turbines. Under this issue, the City would examine the likelihood of fish entrainment based on presence or absence of fish in the intake area and other estimates of entrainment likelihood.

Issue F5. Reservoir Woody Debris Storage. Whether the existing dam and reservoir might block the downstream transport of woody debris, thereby depriving Sawmill Creek of stream habitat features. Woody debris is an important element of instream fish habitat and contributes to bank stability, shade and cover. Large dams and diversions often impede downstream contribution of LWD, affecting fish habitat. Under this issue, the City would examine existing throughput of LWD and the need for and costs of enhancement measures.

Issue F6. Reservoir Sediment Storage. Whether the existing dam and reservoir might block downstream transport of sediment, thereby depriving Sawmill Creek of a range of sediment sizes necessary and sufficient to maintain channel configuration and geomorphic process related to fish habitat retention. Under this issue, the City would examine sediment storage and transport potentials, and evaluate the need for and cost of enhancement measures.

Issue F7. Water Release Temperature. This issue is addressed under the Water Quality and Quantity Section, Issue WQ1, on the following page.

Issue F8. Tailrace Attraction. Whether water velocity in the Project tailrace might serve to attract migrating anadromous fish, thereby delaying their upstream migration in Sawmill Creek. Experience has shown that differential water velocities offer various levels of attraction to migrating fish; increased velocities serve as “keys” to attract fish up one water course over another. Under this issue, the City would evaluate, through observations, whether anadromous fish concentrate in the tailrace and the effects such concentration might have on anadromous fish migration into Sawmill Creek.

Issue F9. Ramping Rates. Whether short-term (over minutes or hours) fluctuations in streamflow and resulting water level might affect various life-stages of fish in Sawmill Creek. Rapid increases or reductions of water level or velocity have been shown to displace, strand or otherwise stress fish below hydroelectric dams. Under this issue, the City would examine ramping rates associated with current Project operations, determine whether they offer significant potential for improvements, and evaluate costs and benefits of improvement measures.

Issue F10. Draft Tube Injuries. Whether the Blue Lake Powerhouse draft tubes are situated in such a way as to allow for fish passage into the tubes when one or both generating units were shut down. On certain hydroelectric projects, fish have been able to swim up the tubes during shut-down, and were injured on start-up. The City believes that the vertical alignment of the Project draft tubes completely prevents access into the turbines during shut-down. The City does not propose to address this issue in detail at the time of SD1.

Issue F11. Load Rejection. Whether, following a load-rejection, when the generating units trip off, there would be a period of dewatering in Sawmill Creek during the period when no water was flowing through the generators. On certain projects without by-pass valve provisions, short-term dewatering has caused fish mortality in both by-passed reaches and below project powerhouses. The Blue Lake Project is fitted with rejection valves at the powerhouse which preclude the effects of load rejection in terms of dewatering. The City does not propose to address this issue in detail at the time of SD1.

Issue F12. Barrier Effects of Falls at SM 0.78. Whether, at various discharge rates implemented on relicensing, the Falls acts as more or less a barrier to fish migration than it does in the current situation. Documentation of the ability of fish to migrate across a range of flows will assist habitat analyses associated with Issues F1 and F3.

WILDLIFE AND BOTANICAL RESOURCES

Issue W1. Blue Lake Nearshore Habitat Inundation

Whether habitat inundation related to water elevation increase might reduce habitat for such large mammals as Sitka black-tailed deer, goats and small mammals and birds. Several large and small mammal species are known to utilize Blue Lake’s shoreline areas and areas along tributaries which feed the Lake. This issue was raised early in the

relicensing process when the City had not decided on whether or not to raise the elevation of the Project dam. The City has decided not to raise the dam on relicensing, and changes which result from adoption of different Sawmill Creek streamflow regimes with the current dam height would be minimal and within the current reservoir high water mark. The City therefore does not propose to address this issue in detail at the time of SD1.

Issue W2. Aquatic Mammal Effects of Flow Reduction.

Whether existing instream flows in Sawmill Creek would effect life histories, movement or feeding of aquatic mammals known to utilize the near stream environments. Under this issue, the City would evaluate the extent to which streamflow may affect existing aquatic mammal populations, and, if there are significant effects, seek alternative instream flow regimes which might reduce these effects. Streamflow optimization would be necessary to ensure that impacts and benefits for both fish and wildlife were adequately addressed.

Issue W3. Transmission Line Effects.

Whether existing or new transmission lines pose the potential for raptor electrocution. Although no raptor interactions with existing Project-related electrical transmission lines or towers have been observed since original licensing or through the Amendment process, the City will evaluate all existing or new transmission facilities in the Application and related environmental documents.

WATER QUALITY AND QUANTITY

Issue WQ1. Effects of Blue Lake Water Temperature on Sawmill Creek Aquatic Resources.

Whether water temperature from Blue Lake releases might affect aquatic resources in Sawmill Creek. The releases draw water from a zone of the lake which is usually colder than it would be were it drawn from the lake surface, or from the surface of the pre-project lake. Under this issue, the City would evaluate Blue Lake dam release temperatures together with Sawmill Creek temperature regimes, and examine potentials for changes in release temperature regimes.

Issue WQ2. Effects of Relicensing on existing Sawmill Creek and Blue Lake Water Rights and Related Requirements.

Whether instream flow or Blue Lake level regimes adopted during relicensing would affect existing permanent and conditional water rights in the Blue Lake basin. The Project and its water distribution system are subject to several water rights issued by the Alaska Department of Natural Resources (ADNR), which relate to both Blue Lake reservoir levels or Sawmill Creek streamflows. The water rights address several important water uses. Adoption of different lake levels or streamflow requirements

would entail changes in this water rights and use structure. Under this issue, the City would evaluate the extent to which these changes might affect joint water uses among all permitted users, and the necessity for ADNR to reapportion the Basin's water rights.

CULTURAL RESOURCES

Based on earlier surveys *and tribe and agency comments to date*, no cultural resource issues are identified at this time. However, we seek any comments as to potential issues as part of the Scoping process. *Based on USFS comments on the Draft SD2, the City has prepared a Draft Cultural Resources Study Plan which is under review at the time of this document. Review of this study plan and results of cultural resources studies may result in identification of issues. All such issues will be documented in writing by the City following consultation with appropriate agency and tribal parties.*

LAND USE AND AESTHETICS

Based on current knowledge, there are no existing land use or aesthetics issues. However, we seek any comment on potential land use of aesthetics issues as part of the Scoping process.

SOCIOECONOMICS

Issue SE1. Effects of relicensing-related changes for non-developmental resources on economics, particularly electric rates within the Electric Department's service area, and related effects on Sitka cost of living.

An increase in electric rates might effect the overall quality of life in Sitka through cost impacts on both residences and businesses. Under this issue, the City would evaluate the effects, in particular, streamflow and lake level constraints resulting from relicensing on electrical rates and water sale revenue.

THREATENED AND ENDANGERED SPECIES.

Issue T and E1. Effects of relicensing on threatened and endangered species. *Section 7 of the Endangered Species Act requires that all federal agencies, in consultation with the US Fish and Wildlife Service and National Marine Fisheries Service ensure that their actions are not likely to jeopardize the continued existence of threatened or endangered species or adversely modify their habitat.*

Under this issue, the City will continue to consult with appropriate federal and State agencies to determine whether listed threatened or endangered species might occur within the area potentially affected by relicensing, and, if such species are found, to assure that relicensing does not adversely affect these species.

RECREATION RESOURCES

Issue R1. Whether or not current and/or proposed project operations will affect recreational activities and opportunities within or adjacent to the project area. The USFS operates the Sawmill Creek campground and administers the Beaver Lake hiking trail. Additionally, initial planning has begun for the reconstruction of the trail between Heart and Thimbleberry Lakes that lies within the transmission line corridor (Sitka Trail Plan 2003). Other recreational activities such as fishing on Blue Lake and Sawmill Creek, and hunting (goats and Sitka black-tailed deer), are known to take place on national forest lands accessed from the Blue Lake road and by boat from Blue Lake.

Based on USFS comments on the Draft SD2, the City has prepared a Draft Recreation Resources Study Plan which is under review at the time of this document. Review of this study plan and results of recreation resources studies may result in identification of additional issues. All such issues will be documented in writing by the City following consultation with appropriate agency and tribal parties.

SUBSISTENCE RESOURCES.

Issue Sub1. Effects of relicensing on subsistence related resources. Alaska statutes identify groups and individuals qualifying to take or otherwise utilize resources for subsistence purposes. Generally, the City believes that Project relicensing will not affect existing or future subsistence uses in the Project area, but will discuss existing uses and their related entitlements in all subsequent environmental and licensing documents.

Based on USFS comments on the Draft SD2, the City has prepared a Draft Subsistence Resources Study Plan which is under review at the time of this document. Review of this study plan and results of subsistence resources studies may result in identification of additional issues. All such issues will be documented in writing by the City following consultation with appropriate agency and tribal parties.

CUMULATIVE EFFECTS

According to FERC NEPA implementation regulations (§1508.7), an action may cause cumulative impacts on the environment if its impacts overlap in space and/or time with the impacts of other past, present and reasonably foreseeable future actions, regardless of what agency or person undertakes such other actions. Cumulative effects can result from individually minor but collectively significant actions taking place over a period of time to include hydropower and other land and water development activities.

In SD1, we noted no reasonably foreseeable actions in the Project area. Based on comments from ADF&G (See Attachments I and II), we have added the bulk water export and industrial water sales as such an action. Inclusion of this action is appropriate because of the interactions between such water uses under existing water rights with

other uses, such as those for fish and wildlife, which may be evaluated during relicensing.

TEMPORAL SCOPE

Cumulative analyses will include past, present, and future actions and their effects on aesthetic, recreational, fisheries and wildlife resources. Based on the potential 30-year license term for the project, the temporal scope will look 30 years into the future, concentrating on environmental effects from reasonably foreseeable future actions which may be identified during Scoping.

GEOGRAPHIC SCOPE

The geographic scope of analysis for the resources that could be cumulatively affected is defined by the physical limits or boundaries of: 1) the proposed action's effect on the resource; and 2) contributing effects from other hydropower and non-hydropower activities. Since the actions affect the resources differently, the geographic scope for each resource may vary. The exact geographic scope of cumulative effects analysis will be determined through further consultation with resource agencies, and from comments received during Scoping.

APPLICABLE COMPREHENSIVE PLANS

Five primary comprehensive state and federal management plans were identified in SD1 and through agency comment as having relevance to the Project relicensing. These plans, with their applicable state or federal agencies, are the:

1. City of Sitka Comprehensive Plan (CSCP), City and Borough of Sitka;
2. Sitka Coastal Management Plan, Alaska Department of Natural Resources;
3. Tongass Land Use Management Plan, United States Forest Service, Tongass National Forest, Juneau; and
4. Northern Southeast Area Plan, Alaska Department of Natural Resources.
5. *Sitka Trail Plan, US Forest Service.*
6. *Sawmill Cove Industrial Park Plan. City and Borough of Sitka Water Front Development Plan.*

During the relicensing process, we plan to fully address enforceable policies and conditions of all plans to determine consistency of Project proposals and alternatives with Plan conditions. We seek any input from the applicable agencies or others which might aid in our review of Comprehensive Plans during relicensing.

TRIBAL COMPREHENSIVE PLANS

No applicable plans have been prepared by STA, according to preliminary contact with the Tribe. Again, we request any additional information on Plans which might apply during relicensing.

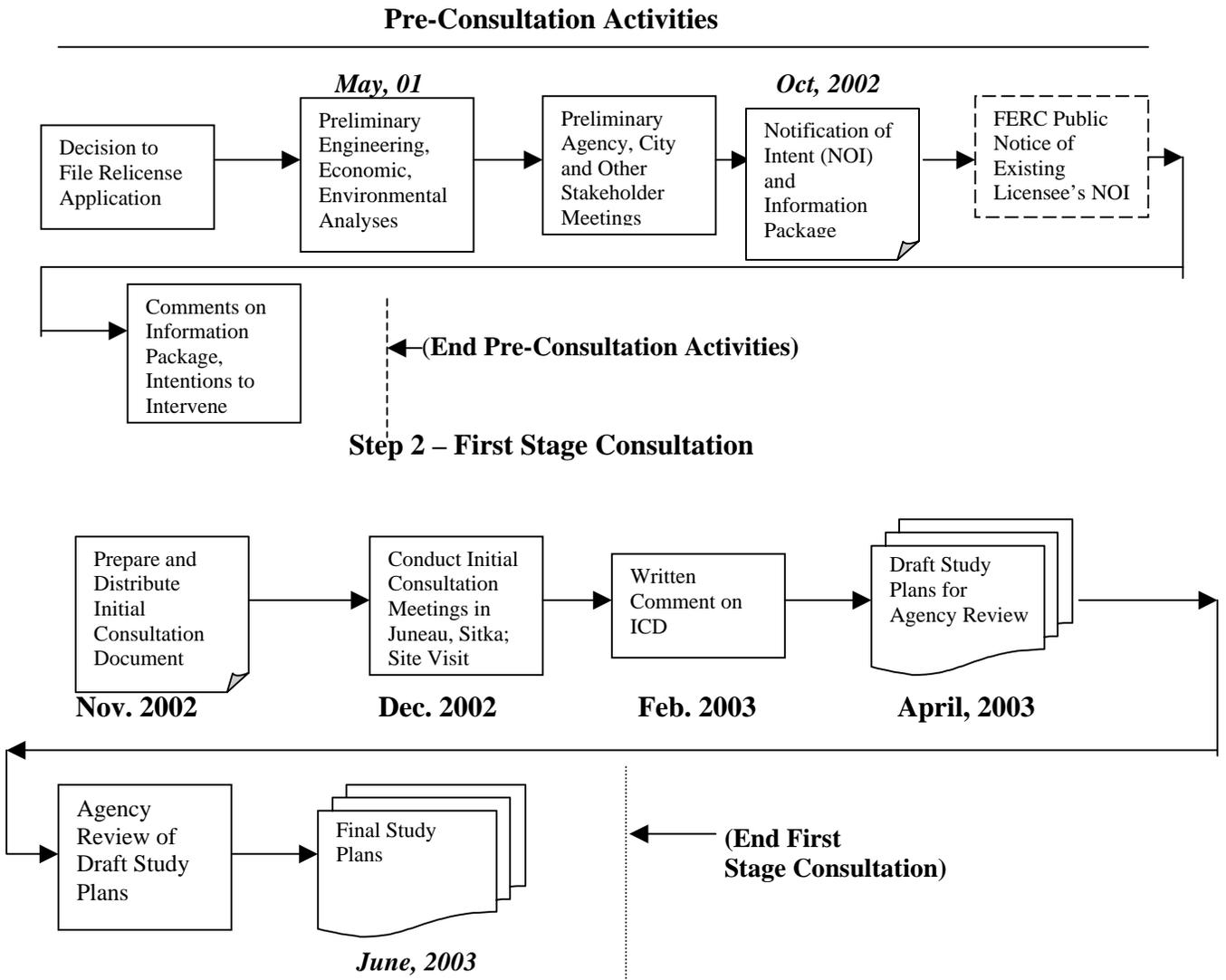
PROCESS PLAN AND SCHEDULE

The plan and schedule for the Project relicensing is shown in Figures 7 through 9. This schedule is based on our proposal to use the Alternative Licensing Process (ALP) as described above.

Generally, the schedule is divided into pre-filing (licensee's activities prior to submittal of the final Application) and post-filing (FERC and licensee's activities after Application submittal). The pre-filing period is from October 1, 2002 to March 31, 2006. During this period, the City will consult with agencies, the Sitka Tribe, the public and NGO's to conduct studies, conduct the preliminary NEPA process phases under the ALP, and negotiate recommendations and prepare the final Application.

Post-filing activities will extend from April 1, 2006 to issuance of a new license. During the post-filing period, the FERC may request additional information prior to preparation of its own NEPA documents.

Step 1 – Decision to File and Initial Actions.



ALP Process, (May-June, 2003)

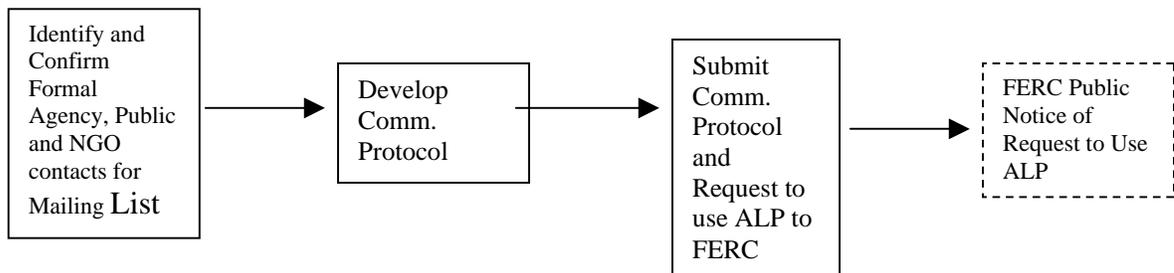


Figure 7. FERC Relicensing Process, Steps 1 and 2

Step 3, Second- and Third-Stage Consultation

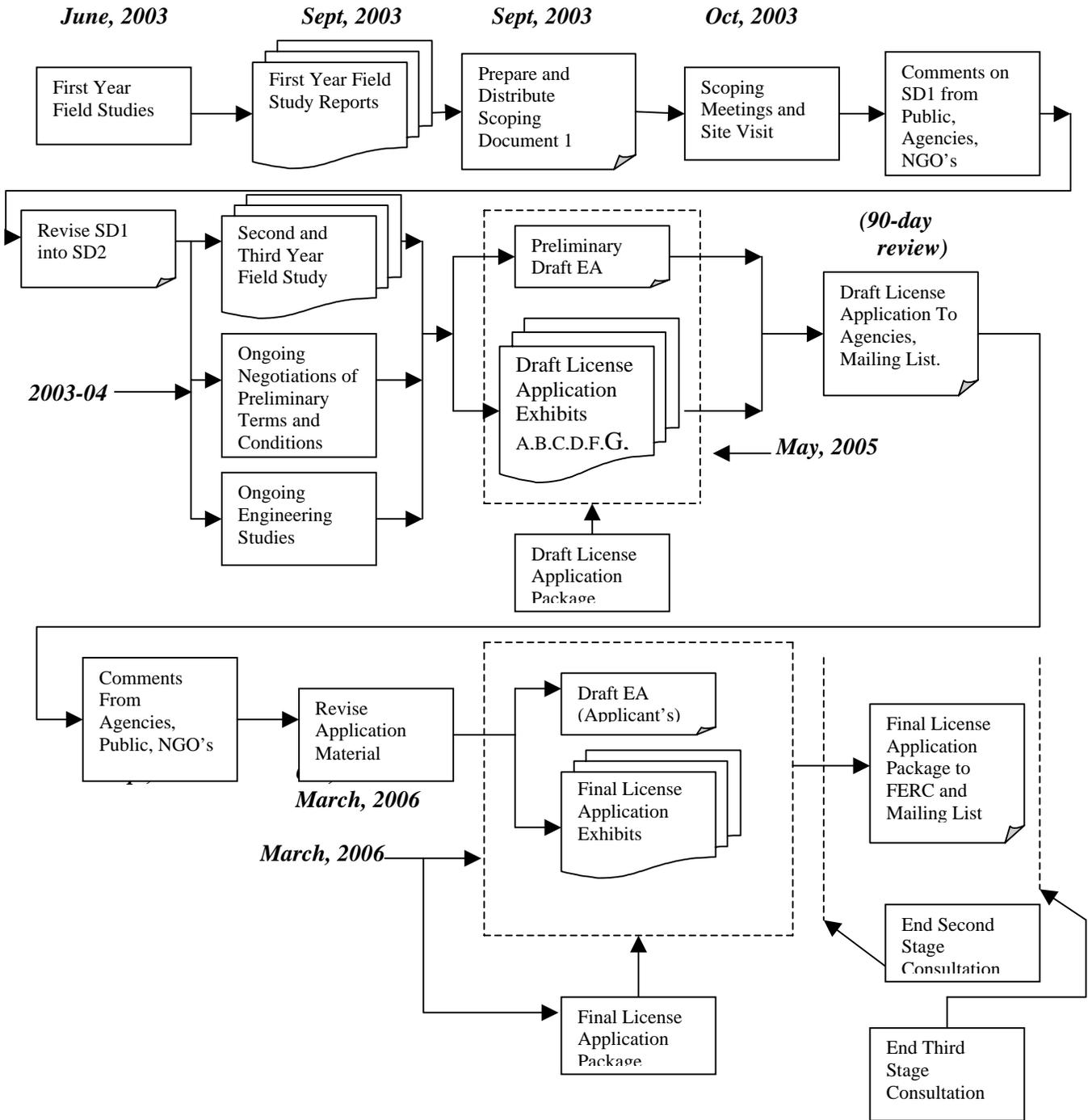


Figure 8. FERC Relicensing Process, Step 3.

Step 4, FERC Actions on License Application.

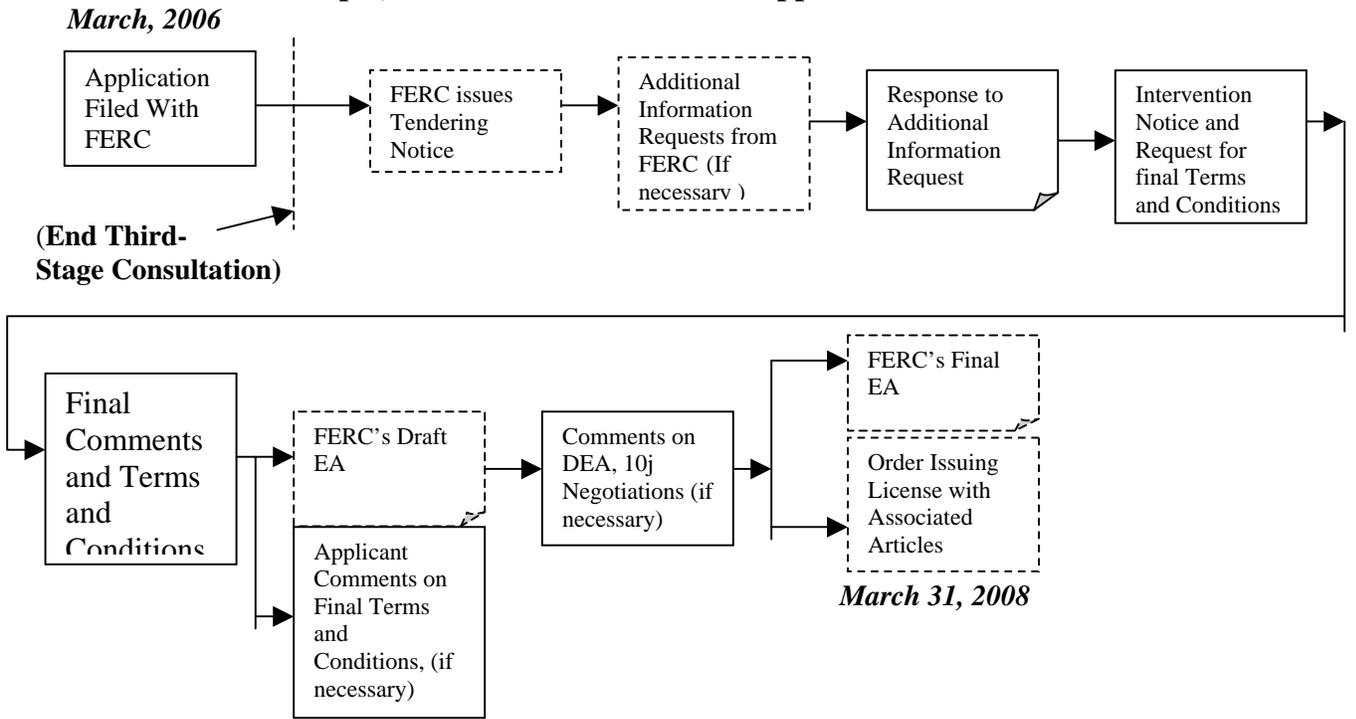


Figure 9. FERC Relicensing Process, Step 4

PRELIMINARY DRAFT EA OUTLINE

The tentative outline for the Blue Lake Project PDEA is shown below. The outline is based on general NEPA guidelines and recent FERC recommendations; the final contents and organization of the PDEA may be revised, depending on input received during Scoping and further consultation.

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GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ADEC	Alaska Department of Environmental Conservation
ADF&G	Alaska Department of Fish and Game
ADNR	Alaska Department of Natural Resources
af	Acre foot or feet
ALP	Alternative Licensing Process
APC	Alaska Pulp Company
Cfs	Cubic foot or feet per second
CMT	Culturally-Modified tree
EA	Environmental Assessment
EIS	Environmental Impact Statement
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FVU	Fish Valve Unit
FWS	United States Fish and Wildlife Service
HPA	Historic Preservation Act
ICD	Initial Consultation Document
kW	Kilowatt
mgd	Million gallons per day
mw	Megawatt
NEPA	National Environmental Policy Act
NGO	Non-governmental Organization
NMFS	National Marine Fisheries Service
PJD	Preliminary Jurisdictional Determination
PMFU	Pulp Mill Feeder Unit
SCIP	Sawmill Cove Industrial Park
SHPO	State Historic Preservation Officer
SM	Stream Mile
USFS	United States Forest Service
USGS	United States Geological Survey

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City and Borough of Sitka, Alaska, 2002. Initial Consultation Document for Relicensing, Blue Lake Hydroelectric Project, FERC No. 2230. City and Borough of Sitka Electric Department, Sitka, AK.

Wolfe, Karl, 2002. Fisheries Survey Annual Report, Sawmill Creek, 2001. Blue Lake Project, Federal Energy Regulatory Commission (FERC) No. 2230. Available at City and Borough of Sitka Electric department.

ATTACHMENT I

COMMENTS ON SD1 RECEIVED FROM NMFS, USFWS, ADF&G AND USFS

(Comment numbering corresponds to comment numbers in Attachment II)



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
National Marine Fisheries Service
P.O. Box 21668
Juneau, Alaska 99802-1668

November 11, 2003

Ms. Margalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

RE: Comments on Scoping Document 1 (SD1), Blue Lake Hydroelectric Project, FERC No. 2230

Dear Ms. Salas:

The National Marine Fisheries Service (NMFS) has reviewed the SD1 document for the Blue Lake Hydroelectric Project. We also attended the scoping meeting held on October 22. Our written comments on SD1 follow.

Fisheries Issue Identification: NMFS 1

The list of fisheries issues for analysis should include the waterfall at stream mile 0.84, which may be a barrier for anadromous fish. Instream flow reduction due to the hydropower operations may increase the barrier effect of the waterfall. NMFS understands that a Powers and Osborne (1985) analysis of the waterfall as a fish barrier is planned by the applicant for the summer of 2004.

Impact Baseline and Reference Condition: NMFS 2

Page 22 of SD1 discusses the concept of an "impact baseline." The definition given should be reviewed by the Federal Energy Regulatory Commission (FERC) to ensure that it is accurate. In addition, NMFS recommends that the term "reference condition" be used to represent conditions of the stream and its resources prior to construction of the Blue Lake dam. The reference condition is an important concept in assessing the potential of the Blue Lake watershed for fishery production and overall ecological health. The "reference condition" should be used in evaluating cumulative impacts, as required by the National Environmental Policy Act, including past, present, and future actions and their effects on aesthetic, recreation and fisheries resources.

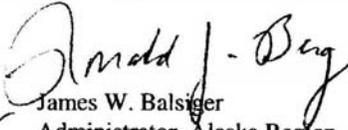


Proposed Protection and Enhancement Measures: NMFS 3

Based on results of a limiting factor analysis for fisheries resources in Sawmill Creek, and a Powers and Osborne salmon barrier method (1985) analysis of the waterfall at stream mile 0.84, enhancement measures for Sawmill Creek should be investigated in the NEPA document. Such measures may include, but are not limited to, design of a fish passage structure at the waterfall, creation or improvement of spawning gravels, and creation of side channel habitat for juvenile salmonid summer rearing and overwintering.

We look forward to continuing to work with you on this project through the Alternative Licensing Process. Linda Shaw is our contact for this project, and can be reached at (907)586-7510.

Sincerely,


For  James W. Balsiger
Administrator, Alaska Region

LITERATURE CITED

Powers, P.D., and J. F. Orsborn. 1985. Analysis of barriers to upstream fish migration: An investigation of the physical conditions affecting fish passage success at culverts and waterfalls. Final Report 1984 (Project No. 82-14). Portland, OR: U.S. Department of Energy, Bonneville Power Administration, Division of Fish and Wildlife. Xiii +120pp.

Distribution

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RECEIVED 11/26/03

November 18, 2003

Ms. Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Comments on Scoping Document 1 (SD1), Blue Lake Hydroelectric Project,
FERC Project No. 2230-033, City and Borough of Sitka, Alaska

Dear Ms. Salas:

The U.S. Fish and Wildlife Service (FWS) has reviewed the Federal Energy Regulatory Commission's (FERC) October 10, 2003, notice soliciting scoping comments for the Blue Lake Hydroelectric Project. We also attended the scoping meeting held on October 22, 2003, and the site visit conducted on October 23, 2003.

IMPACT BASELINE FWS 1

The concept of "impact baseline" is mentioned on page 22, paragraph 2, of the SD1. There is no documentation referenced to support the statement that FERC has determined that the "impact baseline" represents the environmental conditions at the time of the relicensing action. We recommend that a definition by FERC be provided in the National Environmental Policy Act (NEPA) document. A clear understanding of the concept is important for assessing the potential of the Blue Lake watershed for fishery production and overall ecological health. FERC's definition of the concept will validate its use for evaluating cumulative impacts as required by NEPA.

FISHERIES FWS 2

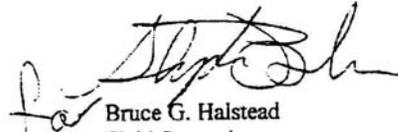
The Fisheries section beginning on page 22 of the SD1 lists eleven issues for analysis that include Blue Lake Nearshore Habitat Inundation, Blue Lake Level, Reservoir Sediment Storage, Water Release Temperature, Ramping Rates, and Load Rejection. Our concern is that instream flow reduction due to the operations at the hydroelectric power plant may increase the barrier effect of the waterfall located at Sawmill stream mile 0.84. We recommend that the waterfall be

FWS 2 (cont.)

evaluated for fish passage limitations as described by Powers and Orsborn (1985). Following such an analysis, the City of Sitka should examine the potential benefits and costs associated with providing flows or physical manipulations that will decrease the barrier effect of the waterfall.

The FWS appreciates the opportunity to review the SDI and provide scoping comments and recommendations. We also appreciate the efforts of the City and Borough of Sitka to hold the public meeting and to tour the site with our staff and representatives of other agencies and interest groups. We look forward to working with the City of Sitka to relicense this hydroelectric project. If you have any questions regarding our comments, please contact Mr. Richard Enriquez at (907) 586-7021.

Sincerely,



Bruce G. Halstead
Field Supervisor

cc: Sheila M. Huff, OEPC, Washington, D.C.
Regional Environmental Officer, Anchorage, AK
ADF&G, Douglas, AK
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J. Klein, ADF&G, Anchorage, AK
K. Coffin, USFS, Sitka, AK
D. Orbison, CBS, Sitka, AK

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

SPORT FISH DIVISION

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GOVERNOR**

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November, 21 2003

Honorable Magalie R. Salas, Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Dear Secretary Salas:

Subject: Blue Lake Hydroelectric Project (FERC No. 2230-033),
Scoping Document 1 Comments

On October 1, 2003, the Federal Energy Regulatory Commission (FERC) issued notice of a scoping meeting, site visit and solicitation of scoping comments for the proposed relicensing of the Blue Lake Hydroelectric Project (FERC No. 2230) in Sitka, Alaska. The Alaska Department of Fish and Game (ADF&G) provides the following comments based on review of City and Borough of Sitka's (CBS) September 17, 2003, Scoping Document 1 (SD1) and attendance at the October 21, 2003 scoping meeting and October 22, 2003 site visit.

Pursuant to 6 AAC 50 [Project Consistency with the Alaska Coastal Management Program (ACMP)] the following information is also necessary to develop conditions that ensure the project is consistent with Standards of the ACMP (6 AAC 80). The information will also be used to develop Fish Habitat Permit stipulations pursuant to Alaska Statute (AS) 41.14.870 and 41.14.840. As a result of the reorganization mandated by State of Alaska Executive Order 107, the authority for issuance of Fish Habitat permits was transferred to the Alaska Department of Natural Resources (ADNR) Office of Habitat Management and Permitting (OHMP). Pursuant to a recently signed Memorandum of Understanding (MOU) between ADF&G and ADNR, ADNR submits comments to ADF&G regarding FERC actions.

Evaluation of Project Alternatives ADFG 1

In the Project Alternatives section of SD1, the CBS proposes to evaluate the No Action Alternative and two alternative actions that involve assessment of water allocation alternatives and optimization of project operation and fisheries benefits. The first fisheries issue (F1) states, "...the City would examine potential for implementation of a new flow regime which might optimize fish habitat, water storage needs, and electric generation". Unfortunately, as identified in earlier consultation, and based on previous analyses of the instream flow needs for fisheries in Sawmill Creek, a flow regime that actually optimizes fish habitat would likely be uneconomical

ADFG 1 (cont.)

for the CBS to maintain. We suggest instead that alternative release schedules should be described as evaluating the potential to "improve" existing fish habitat.

As discussed at the Scoping meeting, a detailed summary of project operations is needed under existing energy demands during normal and dry hydrologic conditions. This information is needed to understand current project operations under varying hydrologic conditions and should include a summary of the timing, magnitude and duration of spills over the dam. **ADFG 2**

Resource Issues ADFG 3

In order for the City to consider project alternatives, it will be necessary to reference pre-project conditions so that changes in habitat due to project operation may be evaluated and enhancement or mitigation measures may be considered. The "impact baseline" concept discussed in SD1 will not be a sufficient baseline in all cases from which alternatives can be assessed. Referencing only current habitat conditions may not allow for sufficient scope in consideration of the potential fisheries and wildlife benefits of the City's project alternative of developing a "new flow regime" as stated in the Project Alternatives section.

Wildlife

In our February 18, 2003, Request for Studies, we recommended surveys of overhead transmission lines associated with the project. In particular, we suggest that the transmission line that connects the Fish Valve Unit to the Blue Lake switchyard should be included in this discussion (not shaded on the Project Boundary map – page 9 of SD1). Particular attention should also be paid to the potential for electrocution of raptors near Thimbleberry Lake and Heart Lake. **ADFG 4**

Other Issues ADFG 5

ADFG 6

In the cumulative effects section of the initial scoping document, the CBS makes the statement that there are "no reasonably foreseeable activities in the Project area." The proposed bulk export of water that is planned for this area, but has not yet taken place, should be included because of its potential interaction with the project. The environmental document should include some discussion of the proposed bulk export facilities, operation of the Pulp Mill Feeder Unit (PMFU), and demand on water from Blue Lake for operation of these facilities. Also, SD1 states the PMFU returned to regular service in August 2003 (page 11). CBS staff stated during the October site visit that the unit is currently being operated in order to minimize spill from the dam. We recommend that a description of the proposed operational status of the PMFU be presented in order to evaluate the effect of operation of the unit on reservoir storage and instream flow. **ADFG 7**

Thank you for the opportunity to comment. Please contact me at (907) 276-2148, or Kevin Brownlee (907) 465-4276 if you have any questions or need further information.

Sincerely,

Joe Klein
Statewide Instream Flow Coordinator

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R. Bentz, ADF&G/SF HQ-Juneau *
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R. Holmes, ADF&G/SF-Juneau*
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M. Ingle, ADNR-Juneau *
M. Eberhardt, ADNR/P&OR-Juneau *
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M. Stringer, Sitka Tribe of Alaska *
B. Halstead, USFWS-Juneau *
R. Enriquez, USFWS-Juneau *
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United States
Department of
Agriculture

Forest
Service

Alaska Region
Tongass National Forest

Sitka Ranger District
204 Siginaka Way
Sitka, AK 99835
Phone: (907) 747-6671

File Code: 2770

Date: December 23, 2003

City & Borough of Sitka, Electric Department
Attn: Dean Orbison, Engineering Manager
105 Jarvis Street
Sitka, AK 99835

RE: USDA Forest Service – Tongass National Forest, Sitka Ranger District comments on
Scoping Document 1, Blue Lake Hydroelectric Project, FERC No. 2230

Dear Mr. Orbison,

Thank you for the opportunity to comment on the Blue Lake Hydroelectric Project, FERC No. 2230. I have reviewed Scoping Document 1 (SD1) and am providing the following comments.

Fisheries FS 1

Page 22, Issue F1 Sawmill Creek Instream Flow: There has been considerable discussion throughout the pre-filing process regarding the falls at stream mile 0.78 and whether or not it poses a barrier to fish movement. I support efforts to determine how fish movement is affected by these falls.

Wildlife and Botanical Resources FS 2

Page 24, Issue W1 Blue Lake Near shore Habitat Inundation: While fluctuating water levels may not have significant impacts on mammal populations in the area, waterfowl nesting at the upper end of Blue Lake could be impacted. Wetland areas adjacent to Blue Lake and Sawmill Creek may also provide key habitats for many sensitive plants which could also be impacted by fluctuating water levels.

Section 7 of the Endangered Species Act requires that all federal agencies, in consultation with the U.S. Fish and Wildlife Service and National Marine Fisheries Service, ensure their actions are not likely to jeopardize the continued existence of threatened or endangered species or adversely modify their habitat. Because your project occurs on federal land and is permitted by a federal agency, project effects to threatened, endangered, and sensitive species and their habitats should be evaluated and documented.

FS 3



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Cultural Resources FS 4

While there are no known cultural resource issues at this time, to our knowledge, the City and Borough of Sitka (CBS) has not yet completed an inventory of cultural resources in the project area. We concur with the methods proposed by the CBS in the Initial Consultation Document (pages 33 and 34) and encourage the CBS to complete a thorough cultural resource inventory to document the presence or absence of cultural resources affected or potentially affected by project activities.

Resource Issues Not Identified in Scoping Document 1 FS 5

Recreation Resources

At issue is whether or not current and/or proposed project operations will affect recreational activities and opportunities within or adjacent to the project area. The USFS operates the Sawmill Creek campground and administers the Beaver Lake hiking trail. Additionally, initial planning has begun for the reconstruction of the trail between Heart and Thimbleberry Lakes that lies within the transmission line corridor (Sitka Trail Plan 2003). Other recreational activities such as fishing on Blue Lake and Sawmill Creek, and hunting (goats and Sitka black-tailed deer), are known to take place on national forest lands accessed from the Blue Lake road and by boat from Blue Lake.

Subsistence Resources FS 6

In our February 14, 2003 response to the Initial Consultation Document, we requested the CBS to determine the effects of the project on subsistence activities and resources in or near the project area. Thus far in the pre-filing process the CBS has not outlined within the Initial Consultation Document or SD1 how they will address subsistence uses within or near the project area.

Applicable Comprehensive Plans FS 7

The CBS should review and consider the Sitka Trail Plan. This plan will guide future trail construction and reconstruction in the Sitka area and could be of use to the CBS for future trail planning in the project area.

Please contact Hans vonRekowski (747-4217) or Ken Coffin (747-4343) if you have any questions.

Sincerely,

/s/ Carol A. Goularte

CAROL A. GOULARTE
Sitka District Ranger

cc: B. Chadwick, ADFG/SF, Sitka*
K. Brownlee, ADFG/SARCU*
M. Stringer, Sitka Tribe of Alaska
R. Enriquez, USFWS – Juneau*
L. Shaw, NMFS – Juneau*
M. Beilharz, USFS/RHAT*
L. Thomas, USFS/Tongass SO*
M. Prewitt, CBS*

*e-mail

ATTACHMENT II

AGENCY COMMENTS SUMMARY TABLES

ADF&G Comments of November 21, 2003.

Comment Number	Comment Summary	Response and Location
ADFG 1	Questions use of term “optimize” relative to instream flow changes, suggests use of term “improve”	p. 24, under Issue F1, “optimize” replaced with “improve”.
ADFG 2	Request for detailed summary of project operations under normal and dry conditions.	CBS agrees to this need, and will provide, during consultation on project-related hydrology and operations, the requested data.
ADFG 3	Impact baseline based on current conditions may not allow sufficient scope for evaluation of new flow regime(s).	See response to NMFS1, below.
ADFG 4	a). FVU-Blue Lake t-line should be included in wildlife discussion; b). Include potential for raptor electrocution near Thimbleberry and Heart Lakes.	a.) The City will add the FVU-Blue Lake powerhouse t-line segment to Project maps and descriptions; b.) P. 26, Issue W3, Transmission Line Effects, added to issues list.
ADFG 5	Proposed bulk water export should be included as a foreseeable action in Cumulative Effects Section.	P. 28, 2 nd Para. Under Cumulative Effects. Sentence added to reflect addition of bulk water export and industrial uses as foreseeable actions.
ADFG 6	Environmental documents should include description of bulk water export facilities and operation of PMFU.	Agreed; Environmental and licensing documents will contain these descriptions. No modification of SD1 required.
ADFG 7	Provide description of	Agreed. See response to

	operational status of PMFU.	ADFG6, above.
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NMFS Comments of November 11, 2003.

Comment Number	Comment Summary	Response and Location
NMFS 1	Add waterfall at SM 0.84 to list of issues.	Page 25. Addition of Issue F12, Barrier Effects of Falls, as requested.
NMFS 2	a). Impact baseline definition should be reviewed for accuracy by the FERC; b). use “reference condition” to describe pre-project conditions.	P. 23, language added to address this comment, and agreeing to future use of term “reference condition” as appropriate.
NMFS 3	Request for Powers and Osborne analysis and subsequent list of enhancement measures.	P&O analysis is underway; enhancement measures will depend largely on results of passage studies.

USFWS Comments of November 18, 2003.

Comment Number	Comment Summary	Response and Location
FWS 1	Request FERC definition of “impact baseline”.	See response to NMFS2, above.
FWS 2	Evaluate barrier effect of falls at SM 0.84.	See response to NMFS 1, above.

USFS Comments of December 23, 2003.

Comment Number	Comment Summary	Response and Location
USFS 1	Supports efforts to determine how falls at SM 0.71 (sic) affect fish migration.	See response to NMFS 1, above.
USFS 2	a.) Evaluate effects of water level fluctuation on waterfowl nesting in upper end of Blue Lake; b.) Evaluate effects of	a.) As discussed under Issue W1, page 25, since there will be no increase in Blue Lake water level on relicensing, we see no related impact issue.

	water level fluctuations on sensitive plants associated with wetlands.	b.) As part of the Affected Environment information required in the Application-related Environmental Assessment(s), the City will describe all existing wetlands and sensitive plants in the Project area. We expect no wetland or sensitive plant impacts from Project operations because neither stream nor lake levels will exceed current elevations.
USFS 3	Evaluate effects on endangered and threatened species.	P. 27, Issue T&E1 addressing threatened and endangered species added to text.
USFS 4	Suggest completion of cultural resources inventory.	Agreed; the City will submit a draft Cultural Resources Study Plan during Spring, 2004.
USFS 5	Evaluate current or proposed operation effects on recreation within project area.	Agreed; the City will submit a draft recreation resources plan during Spring, 2004.
USFS 6	Evaluate effects of current or proposed operations on subsistence activities in or near the project area.	P. 28, Issue Sub1 addressing subsistence resources added to issues list.
USFS 7	Review and consider the Sitka Trail Plan.	Page 29. Sitka Trail Plan added to the list of Plans.

ATTACHMENT III

Letter from USFS in response to Draft SD2

File Code: 2770

Date: May 7, 2004

Charles Walls
Electric Utility Director
City & Borough of Sitka, Electric Department
105 Jarvis Street
Sitka, AK 99835

RE: Blue Lake Hydroelectric Project FERC No. 2230,
USDA Forest Service, Tongass National Forest, Sitka Ranger District comments on Scoping
Document 2 (SD2)

Dear Mr. Walls:

Thank you for providing the opportunity to comment on Scoping Document 2 (SD2). I offer the following comments:

Cultural Resources, page 29

You state, "Based on earlier surveys", if such surveys exist we would like to see this information incorporated into the Cultural Resources Study Plan. We look forward to your submittal of a draft Cultural Resources Study Plan (page 56.)

Recreation Resources, page 56

In our December 23, 2003, response we identified resource issues not identified in SD1. Thus far in the pre-filing process the CBS has not outlined how they will address recreation resources within or adjacent to the project area. An issue is whether or not current and/or proposed project operations will affect recreational activities and opportunities. We look forward to your submittal of a draft Recreation Resources Plan.

Subsistence Resources, page 29 and 30

In our February 14, 2003, response to the Initial Consultation Document, and our December 23, 2003, response to SD1, we requested the CBS to determine the effects of the project on subsistence activities and resources in or near the project area. I feel the response (Sub1) to our comment (FS6) dismisses the issue without any study.

Charles Walls, Electric Utility Director

Page 2

I am requesting that the CBS submit a Subsistence Resources Plan that identifies subsistence resources within the project area and how the project will affect use of these resources.

Please contact Melissa Dinsmore (747-4201) or Hans von Rekowski (747-4217) if you have any questions.

Sincerely,

/s/ CAROL A. GOULARTE
CAROL A. GOULARTE
District Ranger

cc: B.Chadwick, ADFG, Sitka, K.Brownlee, ADFG, J.Lorrigan, Sitka Tribe of Alaska, R.Enriquez, USFWS-Juneau, K.Miller, NOAA, M.Beilharz, USFS.RHAT, L.Thomas, USFS, M.Prewitt, CBS

*All cc's sent via e-mail

ATTACHMENT IV BLUE LAKE PROJECT RELICENSING MAILING LIST

FERC Project No. 2230

City and Borough of Sitka

August 2004

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