

Respectfully submitted to the FERC by Sierra Pacific Industries, Redding, California, regarding FERC Project No. 606-212 on November 4, 2009, regarding the Kilarc portion of the project.

Sierra Pacific Industries owns the timberlands that completely surround the intake, water conveyance ditch, and forebay, which are all part of the Kilarc project, as well as thousands of acres in the upper reaches of the Old Cow Creek watershed. We understand that PG&E is currently going through the Project decommissioning process and that no parties expressed an interest and then a commitment to assume the re-licensing responsibilities during the allotted time. We also understand that there are now two parties expressing an interest in portions of the Project that we will reference in these comments as "Project Proponent". Sierra Pacific Industries would like to make the following narrative a part of the public record regarding the Kilarc portion of the project only:

- The water conveyance system: The water conveyance system associated with the Kilarc project is a series of ditches, flumes and tunnels, carrying water from the intake on Old Cow Creek and delivering it to the forebay. This conveyance system is located on very steep slopes, and the continuous maintenance of this ditch is of utmost importance. This maintenance must also be conducted during the periods of poor access and inclement weather common to the Project area, and should be of at least the level of maintenance and repair as currently exists in order to minimize the potential of a breach.

A breach/failure of this ditch could cause unmitigable resource damage, potentially removing hundreds of cubic yards of material from the side slope and depositing it in the main stem of Old Cow Creek. Such an event could also cause extreme damage to our timber and soil resources requiring agency involvement and mandated remedy, and follow-up rehabilitation of the soils and adjacent timberlands. The Project Proponent should be required to demonstrate their long-term ability to fulfill such maintenance responsibilities. The Project Proponent should also be required to demonstrate the financial ability to cover the potential damage and rehabilitation of those resources for the entire length of the re-licensing period. This should also cover the demolition and removal of the facilities if the water conveyance system is eventually abandoned, and should be modeled after the proposal submitted by PG&E during the license surrender process.

- Access roads: The road use currently granted to Pacific Gas and Electric Company (PG&E) by Sierra Pacific Industries involves the use of certain roads for the express purpose of power generation. Consideration must be given to whether this license-related access expires upon the completed decommission, since no substitute re-licensing party was formalized during the FERC process. In any case, there are standards which Sierra Pacific must meet for the state regulation of its forest management activities, and a new Project Proponent must, at a minimum comply with them. As a result, all access roads must be maintained to the following minimum

specifications, with additional mitigation measures potentially included in any final road access permit:

Roads, landings, and associated drainage structures used by the project proponent need to be maintained in a manner which minimizes concentration of runoff, soil erosion, and slope instability and which prevents degradation of the quality and beneficial uses of water during operations and throughout the access permit maintenance period. Waterbreaks, rolling dips, and drainage culverts need to be structured such that the outlets are kept open to the unrestricted passage of water. Road running surfaces on the permitted access roads need to be treated and maintained as necessary to prevent excessive loss of road surface materials by, but not limited to, rocking, watering, chemically treating, asphaltting or oiling. Drainage ditches, drainage structures, and any appurtenant trash racks must be maintained to allow free flow of water while minimizing soil erosion, and action must be taken to prevent failures of cut, fill, or sidecast slopes from discharging materials into watercourses in quantities deleterious to the quality or beneficial uses of water. Where not present, new trash racks should be installed if there is evidence that woody debris is likely to significantly reduce flow through a drainage structure.

- Proposed facilities on Sierra Pacific Industries property: Sierra Pacific Industries has not granted any person or Project Proponent additional access or right to construct any structures or roads on our property. Such permission for additional structures, flumes, or “fish returns”, as well as earthwork or construction, is not contemplated at this time. Special access has been granted on a temporary basis to PG&E to accomplish the demolition of the existing structures for the decommissioning process.

- Introduction of anadromous fish: Testimony has been repeatedly given by locals familiar with the watershed that “Whitmore Falls” located on Old Cow Creek is a fish barrier and that no anadromous fishery has ever been encountered above it. To our knowledge, no agencies have been able to document their presence either. In addition, there is a confirmed barrier in the W1/2 Section 27 T33N R1E, which is between the powerhouse and the Old Cow Creek project intake. New regulations just approved by the California Board of Forestry and taking effect January 1, 2010 place large setbacks along salmon-bearing creeks and their tributaries. If anadromous fish are introduced above the barriers, as proposed by one Project Proponent, the entire upper watershed of Old Cow Creek, composed of hundreds of miles of watercourses, could then have additional restrictions placed on existing timber management.

While Sierra Pacific has demonstrated a history of progressively supporting wildlife and environmental mitigations, these additional restrictions could severely affect the management of these lands, including other timberland owners in the area. Since we believe in science-based, site specific protections when need is demonstrated, we disagree with this new regulation package, and yet we will have no choice but to implement it in a very large area if this watershed falls under the new

regulations. The Project Proponent's proposal involving introduction of salmon above recognized fish barriers and using the water conveyance system as spawning habitat, together with the absence of any return system for placing these fish back in the creek, appears to us to be biologically risky, and at the expense of potentially significant negative effects on landowners in the area.

- Fire suppression/liability: The forebay area is used by the public for both fishing and picnicking as part of PG&E's previous license period. Sierra Pacific Industries owns the timberlands that surround this forebay, as well as the conveyances to it, and has concerns about the potential for an intentional or accidental fire start at this location. We expect that any Project Proponent will be required to demonstrate financial ability to cover the costs associated with the suppression of any such fires, and the loss and/or damages incurred by the company on these timberlands due to fires resulting from the Project area.

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