EXECUTIVE SUMMARY

On August 26, 2004, Portland General Electric (PGE) filed an application for a new license for the existing, 173-megawatt (MW) Clackamas River Hydroelectric Project (Project) (FERC No. 2195-011) located in the Clackamas River Basin in Clackamas County, Oregon. The license for the Project expired on August 31, 2006 and PGE is currently operating the Project under an annual license. The Project occupies 2,365 acres of lands within the Mount Hood National Forest administered by the U.S. Forest Service and 113 acres of lands administered by the Bureau of Land Management.

On March 29, 2006, PGE filed a Settlement Agreement that they reached with 32 other parties on proposed environmental measures to be implemented as part of any new license for the project. The 32 settlement parties included federal, state, and local government agencies, Indian tribes and non-governmental organizations. The Settlement Agreement contains 55 proposed license articles that PGE and the settlement parties recommend the Commission incorporate into a new license. The proposed articles describe how PGE would operate the Project and PGE's responsibilities for certain environmental measures related to: geology and soils, aquatic resources, terrestrial resources, threatened and endangered species, cultural resources, recreation, and aesthetics.

In this final EIS, we assess the effects of operating the Project: 1) with no changes or enhancements to the current facilities or operation (No-Action Alternative); 2) operating the Project as proposed by PGE in the Settlement Agreement (Proposed Action); and 3) operating the Project as proposed by PGE with staff-recommended modifications (Staff Alternative). Specifically, this final EIS evaluates the potential natural resource benefits, the environmental effects, and the development costs associated with relicensing the Clackamas River Hydroelectric Project. The principal issues addressed in the final EIS include: 1) erosion and sedimentation control; 2) water quality and quantity; 3) fish resources and habitat protection and enhancement; 4) fish passage; 5) terrestrial resources, including barriers to wildlife movements and terrestrial habitat connectivity; 6) potential effects on threatened, endangered, or rare fish, wildlife, and plant species; 7) cultural resources; 8) recreation; 9) land use; 10) aesthetic resources; and 11) socioeconomics.

NO-ACTION ALTERNATIVE

Under the No-Action Alternative, the Clackamas Project would continue to operate under the terms and conditions of the existing license and no new environmental measures would be implemented. We use this alternative to establish the environmental conditions for comparison with other alternatives.

With the average annual generation of 755,591 megawatt-hours (MWh), the existing Project costs $9.4 million annually to operate, has an annual power value of approximately $32.4 million, and has net annual benefits of about $23.1 million.

PROPOSED ACTION

Under the Proposed Action, PGE would implement the environmental measures contained in the Settlement Agreement. Issues addressed through the proposed measures include: 1) erosion and sedimentation control; 2) fluvial geomorphologic processes; 3) water quality and quantity; 4) instream flows and ramping rates; 5) lake levels; 6) anadromous and resident fish habitat; 7) fish passage and aquatic connectivity; 8) vegetation and noxious weed management; 9) wetland and riparian habitat; 10) wildlife connectivity and entrapment; 11) threatened and endangered species management and protection; 12) cultural resources management and protection; 13) recreation facilities and management; and 14) operations compliance.

Under the Proposed Action, the Project would cost $18.8 million annually to operate ($9.4 million more than the No-Action Alternative), have an annual power value of $30.2 million ($2.3 million less than under the No-Action Alternative), and have a net annual benefit of $11.4 million ($11.7 million less than under the No-Action Alternative). The Project's average annual power generation would be 695,366 MWh (60,225 MWh less than under the No-Action Alternative)

STAFF ALTERNATIVE

After evaluating the Applicant's Proposed Action and the agency prescriptions, terms and conditions, and recommendations made pursuant to sections 18, 4(e), 10(j), and 10(a) of the Federal Power Act, we considered what, if any, modifications to the Proposed Action would be necessary or appropriate with continued operation of the project. The Staff Alternative consists of the Proposed Action with modifications recommended by staff. These additional staff-recommended measures include: (1) identifying in the proposed Operations Compliance Plan, the priority between a minimum Timothy Lake elevation of 3,189.0 feet at any time before the day after Labor Day and proposed minimum flows below Timothy Lake; (2) undertaking any and all additional measures necessary to ensure that the proposed stranding evaluation downstream of River Mill dam is completed, notwithstanding the proposed limitation on expenditures for the study; (3) undertaking any and all additional measures necessary to ensure that the proposed upgrade of Forest Road 5700 is completed, notwithstanding the proposed limitation on expenditures for the upgrade; (4) in consultation with the

Forest Service, include with its Form 80 Recreation Report, any proposals for recreation enhancement at Lake Harriet; (5) enclose within the project boundary, three improved recreation sites in the Three Lynx reach; (6) fully implement the proposed pulse flow evaluation and interim pulse flow protocol if not completed under the existing license; and (7) file for Commission approval proposed interim and final pulse flows to be released downstream of the Faraday diversion dam.

Under the Staff Alternative, the project would cost approximately $18.7 million annually to operate ($9.3 million more than under the No-Action Alternative), have an annual power value of $30.2 million ($2.3 million less than under the No-Action Alternative), and have a net annual benefit of $11.5 million ($11.5 million less than under the No-Action Alternative). The Project's average annual power generation would be 695,366 MWh (60,225 MWh less than under the No-Action Alternative and equivalent to the Proposed Action).

Section 10(j) of the Federal Power Act (FPA) requires the Commission to include license conditions based on recommendations provided by federal and state fish and wildlife agencies. We have addressed the concerns of the federal and state fish and wildlife agencies and have made recommendations which are consistent with all of the agencies' recommendations that fall within the scope of section 10(j).

The Staff Alternative does not include the following measures proposed in the Settlement Agreement: (1) provide funds for non-project facilities; (2) fund or implement as yet uncertain or unidentified future measures; (3) provide funds for agency administrative activities; (4) provide funds to third-parties to perform proposed environmental measures at the Project; (5) conduct studies to determine whether to transfer cutthroat trout from below Timothy Lake dam to above the dam for genetic exchange; (6) comply with future juvenile lamprey passage standards, should such standards be established; (7) conduct juvenile lamprey guidance efficiency studies at proposed juvenile bypass collection facilities at the River Mill and North Fork dams, if the technology for performing such evaluations would be developed in the future; (8) enhance wetlands in an adjacent river basin (Sandy River basin); (9) provide funds to the U.S. Forest Service and Oregon State Marine Board for law enforcement in the project area; and (10) make modifications of Commission-approved plans without prior Commission approval.

CONCLUSION

Under the Staff Alternative, the Project would: (1) provide a significant and dependable source of electrical energy for the region; (2) avoid the need for an equivalent amount of fossil-fuel-fired, electric power generation and capacity, thereby continuing to help conserve non-renewable energy resources and reduce

atmospheric pollution; and (3) implement reasonable environmental measures to ensure protection and enhancement of environmental resources. The overall benefits of this alternative would be worth the cost of the recommended environmental measures and would outweigh the consequences of the other alternatives or license denial.