

1.0 PURPOSE OF ACTION AND NEED FOR POWER

On July 28, 2006, Avista Corporation (Avista) filed two applications with the Federal Energy Regulatory Commission (the Commission or FERC) for new licenses for its five hydroelectric developments on the Spokane River in Washington and Idaho. The applications are for the Spokane River Hydroelectric Project (referred to as the “Spokane River Developments”) and the Post Falls Hydroelectric Project (referred to as the “Post Falls Project”), with both collectively referred to as “the Projects.” The Projects consist of five hydroelectric developments located in Kootenai and Benewah counties, Idaho, and in Spokane, Lincoln, and Stevens counties, Washington, in and near the city of Spokane, Washington (Figure 1.0-1). The Post Falls Project, the farthest upstream development, is located in Idaho; it has an installed capacity of 14.75 megawatts (MW). The Post Falls Project, as proposed by Avista, has an annual generation of 76,855 megawatt-hours (MWh). The Spokane River Developments consist of the four lower river developments, which are located in Washington; they have an installed capacity of 122.9 MW. The Spokane River Developments, as proposed by Avista, have an annual generation of 795,948 MWh. Avista proposes no new capacity.

Avista reports that the Post Falls Project occupies 308 acres of land administered by the Bureau of Land Management (BLM) and 54 acres of land administered by the Forest Supervisor of Coeur d’Alene National Forest. Within the Post Falls Project boundary are 5,996 acres of lands owned by the United States and held in trust for the Coeur d’Alene Indian Tribe. The Spokane River Developments do not occupy any federal or Tribal lands. Currently, all five hydroelectric developments are operating under a single combined license issued by the Commission on August 17, 1972. That license will expire on August 1, 2007.

1.1 PURPOSE OF ACTION

The Commission, under the authority of the Federal Power Act (FPA), may issue licenses with terms from 30 to 50 years for the construction, operation, and maintenance of jurisdictional hydroelectric projects. The Commission is considering whether to issue a new license to Avista for the Projects. The purpose of the proposed projects is to provide continued, uninterrupted, low-cost electrical energy generation for the benefit of governmental, industrial, and residential customers in the region, while balancing the needs of resources and other public interests in the area.

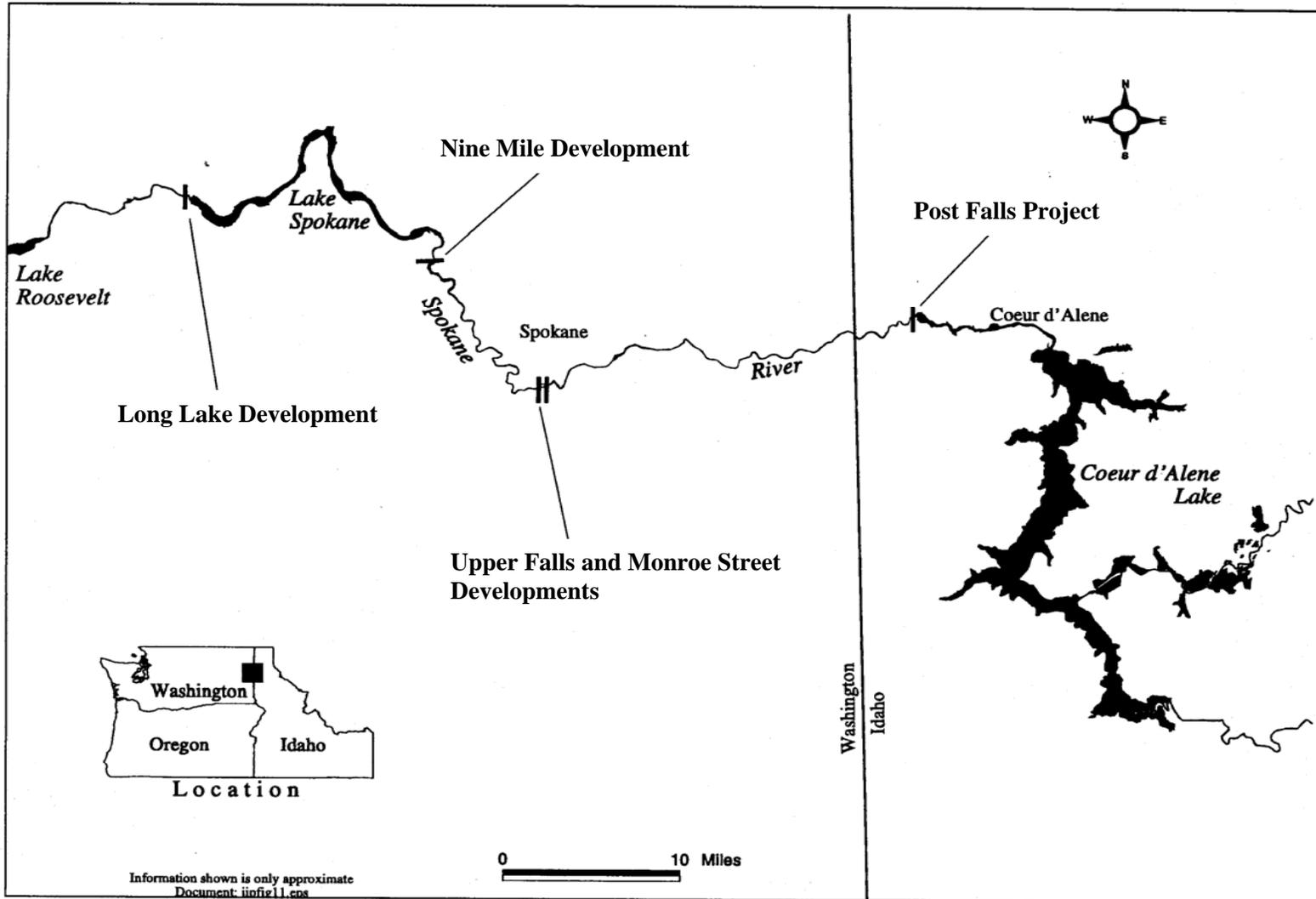


Figure 1.0-1. Location map - Spokane River and Post Falls Hydroelectric Projects

The Commission must decide whether to issue a new license and what conditions to place on any license issued. In deciding whether to authorize the continued operation of the Project and related facilities in compliance with the FPA and other applicable laws, the Commission must determine that the Project will be best adapted to a comprehensive plan for improving or developing a waterway. In addition to the power and developmental purposes for which licenses are issued (e.g., flood control, irrigation, and water supply), the Commission must give equal consideration to the purposes of energy conservation; the protection of, mitigation of damage to, and enhancement of fish and wildlife (including related spawning grounds and habitat); the protection of recreational opportunities; and the preservation of other aspects of environmental quality.

Commission staff (staff) prepared this draft environmental impact statement (DEIS) to ensure that the Commission makes an informed licensing decision and to comply with the National Environmental Policy Act of 1969 (NEPA), as amended, the Council on Environmental Quality (CEQ) guidelines implementing NEPA, and the Commission's regulations.

In this DEIS, we assess the effects of operating the Projects (1) with no changes or enhancements to the current facilities or operations (No-Action Alternative); (2) as proposed by Avista (Proposed Action); (3) as proposed by Avista with additional modified environmental measures (Avista's proposal with modifications, or the Staff Alternative); and (4) as proposed under the Staff Alternative with Mandatory Conditions. The No-Action Alternative represents baseline environmental and economic conditions for comparison with other alternatives. Other alternatives considered but eliminated from detailed analysis include (1) federal governmental takeover and operation of the Projects; (2) issuance of a non-power license upon expiration of the current Project license; (3) retirement of the Projects; and (4) implementation of a natural hydrograph alternative for the Post Falls Project.

The principal issues addressed in the DEIS involve (1) reservoir operations related to power generation and other purposes; (2) Project releases for protection of native fish populations and other purposes; (3) water quality; (4) fishery management and protection needs; (5) protection and enhancement of wildlife habitat; (6) potential effects on threatened and endangered species; (7) recreational access and facility improvements; (8) protection of cultural and historic resources; (9) waterway bank erosion; and (10) aesthetic flows and aesthetic resources.

1.2 NEED FOR POWER

Avista, an investor-owned utility supplying electricity to residential, wholesale, commercial, and industrial users, owns and operates the 14.75-MW Post Falls Project and the 122.9-MW Spokane River Developments. Avista

provides energy to more than 325,000 electric and 300,000 natural gas customers in a 30,000-square-mile service area that covers parts of four western states (Washington, Idaho, Oregon, and Montana) with a variety of energy resources.

The Projects include developments that operate both in run-of-river mode and with regulated reservoirs. The Projects are operated in a coordinated manner to contribute to Avista's electric generating resources.

Avista also operates the Clark Fork Hydroelectric Project facilities, including the 466-MW Noxon Development and the 257-MW Cabinet Gorge Development, totaling 723 MW of licensed nameplate capacity. On the Spokane River, Avista also operates the Little Falls Hydroelectric Project, which has a nameplate rating of 32 MW. These three Avista hydroelectric facilities, together with Avista's five Spokane River Projects, provide about 892 MW of hydro capacity (Avista, 1999). Energy from the eight developments accounts for 451 average MW (aMW)¹, or about 36 percent of Avista's 1,270-aMW resource portfolio in 2004.

The balance of Avista's firm generation resources are coal-fired thermal plants, gas-fired combustion turbine plants, purchases from independent power producers, and wholesale power purchases. Additionally, Avista participates in the Northwest Energy Efficiency Alliance, a non-profit consortium of energy providers and related industries involved in developing markets for energy-efficiency products and services, and in several regional energy conservation, audit, and weatherization programs.

The Bonneville Power Administration's (BPA's) *2004 Pacific Northwest Loads and Resources Study* (the 2004 White Book) is a snapshot of overall Pacific Northwest regional conditions as of December 2004 (including the revisions of November 2005), and incorporates load, contract, and resource estimates provided by BPA, federal agencies, public utilities, cooperatives, and investor-owned utilities (BPA, 2005). Figure 1.2-1 illustrates how the monthly peak firm MW deficit could grow to as much as 7,190 MW by operating year 2015.² For the month of January (a peak-demand month for the region), the total regional firm load is projected to be 38,052 MW in 2015, and total net power resources are expected to be 30,891 MW. The colder winter months are most susceptible to deficits; April and May also may experience deficits.

¹ An average megawatt (aMW) is a unit of electrical consumption or production over a year. It is equivalent to the energy produced by the continuous use of 1 MW of capacity served over a period of 1 year. One aMW is equivalent to 8,760 MWh, or 8.76 gigawatt-hours (BPA, 2005).

² An operating or energy year begins August 1 and ends July 31.

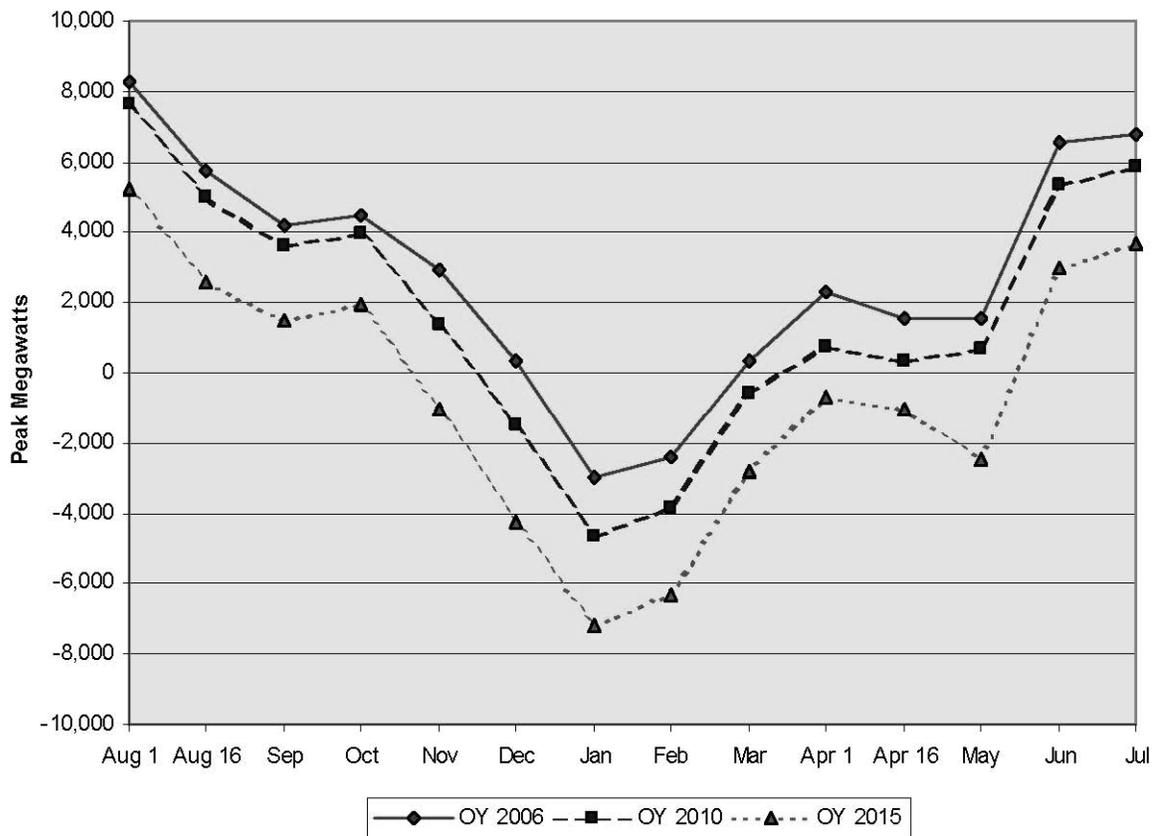


Figure 1.2-1. Regional firm monthly capacity surplus/deficit projections
Source: BPA, 2005

The average annual regional firm load is expected to rise from 20,039 aMW in 2006 to 23,334 aMW in 2015, excluding the load associated with exports. Additionally, energy exports are expected to decrease from 1,397 aMW in 2006 to 754 aMW in 2015. In general, the regional firm load is projected to be 21,707 aMW in 2006 and 24,088 aMW in 2015. Total net power resources are expected to grow from 23,953 aMW in 2005 to 24,007 aMW in 2015, resulting in a surplus of firm power of 2,235 aMW in 2005 and a deficit of 92 aMW in 2015. These BPA projections indicate a continued need for power in the Pacific Northwest.

The Projects are part of the 250 developments in the Columbia River system. The amount and timing of water released from the Columbia River system projects substantially affect both hydroelectric generation and the other benefits provided by the system (e.g., transportation, irrigation, and natural resource protection). The efficient management of this complex hydroelectric and water

resource system is facilitated by the Pacific Northwest Coordination Agreement (PNCA). Most public and private utilities and federal generators in the region, including Avista, are parties to the PNCA. The PNCA provides for the coordination of water releases from the participating hydroelectric projects to optimize energy production and other benefits.

The Projects fall under the purview of the PNCA and operates in coordination with other developments in the system. The amount of storage water provided by the Projects, however, is very small compared to the many other, much larger storage reservoirs in the Columbia River system, including Flathead Lake on the Flathead River, Lake Pend Oreille on the Clark Fork-Pend Oreille River system, the Canadian storage reservoirs on the upper Columbia River, Lake Roosevelt (formed by Grand Coulee Dam) on the main stem of the Columbia River, and the Snake River storage reservoirs.

Avista, through its resource planning process for the states of Washington and Idaho, regularly prepares comprehensive forecasted energy requirements and files integrated resource plans to the Washington (state) Utilities and Transportation Commission and Idaho Public Utilities Commission. Through this planning process, Avista anticipates that the overall growth in electricity sales will average 3.4 percent per year between now and 2023. By 2013, an energy shortfall of 411 aMW is projected for the year, and an energy shortfall of as much as 556 aMW could occur in January—the month with the largest energy shortfall.³

Similarly, on an annual basis, Avista forecasts surplus capacity through 2009. By 2013, a capacity shortfall of as much as 432 aMW is expected for the year, and a 547-aMW shortfall could occur in December—the month with the largest capacity shortfall.

Avista operates the Projects in concert with its other facilities and programs to minimize the overall cost of power production. Without these Projects, Avista would be faced with replacing the Project's energy and capacity at costs reflecting the value of new resource acquisition.

In summary, if licensed, the power from the Projects would continue to be useful in meeting Avista's needs as well as part of the local and regional need for power. The Projects help displace fossil-fueled electric power generation that the region now uses, thereby conserving non-renewable fossil fuels and reducing the emission of noxious byproducts caused by fossil-fuel combustion.

³ Avista uses an 80-percent confidence level for energy planning to account for abnormal monthly weather patterns and below-average monthly hydroelectric capability. Avista also maintains operating reserves in accordance with industry standards.

1.3 INTERVENTIONS

On January 13, 2006, the Commission issued a notice accepting Avista's applications to relicense the Post Falls Project and Spokane River Developments. This notice set a 60-day period, which ended on March 14, 2006, during which interventions and protests could be filed. In response to that notice, the following entities filed motions to either intervene or intervene and protest:

<u>Entity</u>	<u>Type.</u> ⁴	<u>Filed Date</u>
American Whitewater	I	March 1, 2006
Washington Department of Fish and Wildlife (WDFW)	I	March 3, 2006
Sierra Club	I/P	March 7, 2006
U.S. Department of Agriculture (USDA) Forest Service (Post Falls only)	I	March 8, 2006
Center for Environmental Law and Policy (CELP)	I/P	March 9, 2006
Washington Department of Ecology (WDOE)	I	March 9, 2006
State of Idaho	I	March 10, 2006
Spokane Canoe and Kayak Club and Northwest Whitewater Association	I	March 13, 2006
Friends of the Centennial Trail	I	March 13, 2006
City of Post Falls, Idaho	I	March 13, 2006
Hagadone Hospitality Co.	I	March 14, 2006
U.S. Department of the Interior (DOI)	I	March 14, 2006
The Lands Council	I/P	March 14, 2006
Coeur d'Alene Tribe of Indians	I/P	March 14, 2006
Spokane River Association	I	March 14, 2006
Idaho Rivers United	I	March 15, 2006
Washington State Parks and Recreation Commission (WSPRC)	I	March 15, 2006
Kootenai County, Idaho	I	March 15, 2006
Washington Department of Natural Resources (WDNR)	I	March 15, 2006
Washington Interagency Committee on Outdoor Recreation	I	March 15, 2006
Spokane Mountaineers, Inc.	I	March 15, 2006
Lake Spokane Protection Association	I	March 15, 2006
City of Coeur d'Alene, Idaho	I	March 20, 2006

⁴ "I" filings were Motions to Intervene; "I/P" filings were Motions to Intervene and Protest.

On May 5, 2006, the Commission published a notice granting late intervention status to the eight entities listed above that filed after March 14.

1.4 SCOPING PROCESS

Avista conducted the NEPA scoping process as part of the Alternative Licensing Process (ALP) and formally initiated public scoping on May 6, 2003, with the release of Scoping Document 1 (SD1). SD1 invited the public to provide comments on the Projects either through written or oral testimony. Two public scoping meetings were held in Spokane, Washington, on June 3, 2003. A court reporter recorded all comments and statements made at the scoping meetings. All comments and statements have been made part of the Commission's public record for the Projects.

In addition to the comments received at the scoping meetings, 67 individuals provided written comments during the 60-day comment period concluding July 6, 2003. The following entities also provided written comments:

<u>Commenting Entity</u>	<u>Date of Letter</u>
Coeur d'Alene Lakeshore Owner's Association	May 27, 2003
Idaho Nature Conservancy	May 28, 2003
Coeur d'Alene Chamber of Commerce	May 28, 2003
Kootenai County Assessor	May 29, 2003
Post Falls Area Chamber of Commerce	May 30, 2003
Kidd Island Bay Restoration and Conservation Project	May 30, 2003
Rivermill Investments, LLC.	June 2, 2003
The Greater Squaw Bay Association	June 11, 2003
City of Coeur d'Alene	June 25, 2003
Rockford Bay Terrace Community, Inc.	June 26, 2003
U.S. Fish and Wildlife Service (USFWS)	June 27, 2003
Leisurehaven Floathouses Inc.	June 28, 2003
The Hagadone Corporation	July 1, 2003
WDOE	July 1, 2003
BLM	July 1, 2003
USDA Forest Service	July 2, 2003
Kootenai County Sheriff's Department	July 3, 2003
Department of the Army	July 3, 2003
Idaho Department of Parks and Recreation (IDPR)	July 3, 2003
The Lands Council	July 6, 2003
WDFW	July 6, 2003

<u>Commenting Entity</u>	<u>Date of Letter</u>
Coeur d'Alene Tribe	July 7, 2003
Sierra Club, Upper Columbia River Group	July 7, 2003
Idaho Rivers United	July 7, 2003
Bureau of Indian Affairs (BIA)	July 8, 2003

Written and oral comments were summarized and addressed in Scoping Document 2 (SD2) issued on June 14, 2004. SD2 presented an expanded list of resource issues and alternatives to be examined in the NEPA analysis. The issues included potential effects on (1) geology and soils; (2) water quality and quantity; (3) aquatic resources; (4) terrestrial resources; (5) threatened and endangered species; (6) cultural resources; (7) recreation and aesthetics; and (8) socioeconomics. The alternatives included (1) Avista's preliminary proposed action, (2) no action, and (3) other alternatives that may be proposed by agencies, tribes, other governmental or non-governmental organizations, or other parties.

1.5 AGENCY CONSULTATIONS

In addition to the formal NEPA scoping described in the previous section, significant opportunities for public involvement were integrated into the Projects relicensing process. Opportunities began upon commencement of the ALP process when a Plenary Group of stakeholder organizations was formed to participate in and generally oversee the ALP and the desired development of a settlement agreement. The Plenary Group held its first meeting on May 21, 2002, and at that time established five additional work groups to focus on issues within major resource areas: water resources; fisheries; terrestrial resources; recreation, land use, and aesthetic resources; and cultural resources. The work groups met approximately monthly for almost 3 years to define issues, review and approve study plans and results, and recommend environmental measures to be included into the intended Settlement Agreement and incorporated into Avista's Proposed Action. Some, but not all, of the work groups' recommendations are included in Avista's Proposed Action presented in this DEIS.

On May 18, 2006, the Commission issued a notice soliciting recommendations, terms, conditions, and prescriptions for the Projects. This notice set July 17, 2006, as the deadline for these filings. In response to the notice, the following entities filed recommendations, preliminary terms and conditions, and preliminary prescriptions:

<u>Commenting Entities</u>	<u>Type</u>	<u>Dated Filed</u>
Kootenai County	10(a)	July 14, 2006
USDA Forest Service	10(a), 4(e)	July 14, 2006 ⁵
Center for Justice (Sierra Club)	10(a)	July 17, 2006
City of Post Falls, Idaho	10(a)	July 17, 2006
WDOE	10(a)	July 17, 2006
CELP	10(a)	July 17, 2006
Northwest Whitewater Association	10(a)	July 17, 2006
State of Idaho	10(a), 10(j)	July 17, 2006
The Lands Council	10(a)	July 17, 2006
WDFW	10(j)	July 18, 2006
Department of Interior (BIA, USFWS, BLM, National Park Service [NPS])	4(e), 10(j), 10(a), section 18	July 18, 2006 ⁶
City of Coeur d'Alene	10(a)	July 19, 2006

1.6 ALTERNATIVES TO AGENCY MANDATORY CONDITIONS

In DOI's July 18, 2006 filing, the BIA filed 15 preliminary 4(e) conditions applicable to the Post Falls Project. In a filing of August 17, 2006, to DOI's Office of Environmental Policy and Compliance and the Commission, Avista filed 12 alternative conditions to DOI's preliminary section 4(e) conditions. Of the 12 alternative conditions, only four involved Avista proposing any new measures and the other eight alternative conditions request DOI to delete the corresponding BIA condition in its entirety with the alternative asking that no condition be imposed at all. There were no alternatives proposed by Avista regarding the USDA preliminary 4(e) conditions. On September 1, 2006, Avista filed reply comments to recommendations, terms, and conditions filed by all parties, including DOI, on the Projects (Avista, 2006a).

⁵ The USDA Forest Service also provided modified preliminary recommendations, terms, and conditions in a letter filed on August 21, 2006.

⁶ DOI requested an extension on its filing and was granted a one-day extension.