

RELICENSING SMUD'S UARP

Overview



For more than 40 years, SMUD's Upper American River Project (UARP) has played a major role for SMUD in meeting the growing electrical demand of its customer-owners in the Sacramento area. Over this time, the UARP has consistently provided dependable, reliable and economic power in a safe and environmentally responsive manner.

The operation and maintenance of the many UARP project facilities are regulated under a license granted to SMUD by the Federal Energy Regulatory Commission (FERC). The current license expires in 2007, and because SMUD plans to continue operating the UARP into the future, it must seek a new license from FERC. The process of applying for and receiving a new license is known as "relicensing".

The relicensing process is a thorough evaluation of all aspects of the hydroelectric project. During the process, the licensee (SMUD), state and federal resource agencies, other stakeholders, the public and FERC, jointly participate in a review of engineering and environmental issues related to the project. The process is a multi-year effort that includes extensive planning, numerous environmental studies, and substantial consultation. The end result generally is the issuance of a new license by FERC that



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may extend for 30 to 50 years into the future. The new license will contain conditions that define how the project is to be operated.

The Role of Federal and State Agencies

Under the Federal Power Act (FPA) and other applicable laws, various federal and state agencies, including FERC, are granted certain authorities relating to licensing of non-federal hydropower projects. The following summarizes those authorities most applicable to the UARP.

- Authorized by the FPA, FERC issues licenses to applicants for the construction and operation of hydroelectric projects located on federal lands or navigable waterways. In issuing the license, FERC is required to consider both power and non-power uses of the water resource such as fish and

wildlife habitat, water quality, and recreational activities.

- Section 10(j) of the FPA and the Fish and Wildlife Coordination Act authorizes the U.S. Fish and Wildlife Service and state fish and wildlife agencies to recommend measures that protect, mitigate and enhance fish and wildlife and their habitat. FERC is required to consider including license conditions for fish and wildlife based on these agency recommendations.
- For projects that lie within a national forest, the U.S. Forest Service can mandate license conditions under Section 4(e) of the FPA that it deems necessary for the adequate protection and use of affected forest resources.
- Before FERC issues a license, the California State Water Resources Control Board must provide a Water Quality Certification under the Clean Water Act (Section 401) or waive the right to do so. This allows the state to ensure that project operations are consistent with state and federal water quality standards.

SMUD's Relicensing Goal

SMUD is dedicated to obtaining a new license for the UARP that will enable SMUD to operate the project for a second license term. SMUD also

recognizes that the privilege of being a licensee carries with it the responsibility to operate the project responsibly in order to protect environmental resources and the watershed lands affected by the project. These dual responsibilities, and the balancing inherent in addressing both, form the foundation for SMUD's relicensing mission: *"SMUD commits to relicensing the UARP in a manner that optimizes operational flexibility, system reliability and economical generation while protecting the environment through a process that provides for active stakeholder participation."*

UARP Cooperative Relicensing Process

The relicensing of the UARP began in 2001 and will likely conclude in 2007. Beginning in 2001 and continuing into 2002, SMUD, other stakeholders and the public will focus on reviewing goals, identifying issues, and designing technical studies. Technical studies will be conducted in 2002 and 2003. SMUD staff will prepare the license application in 2003 and 2004, and submit it to FERC in July 2005. After filing, FERC will conduct an independent review of the application and issue its relicensing decision.

For the relicensing of the UARP, SMUD proposes to follow the FERC alternative procedures, as adapted to the unique needs and circumstances of SMUD

and its project stakeholders, including SMUD's customer-owners. The UARP Cooperative Relicensing Process has been carefully designed to achieve several specific objectives:

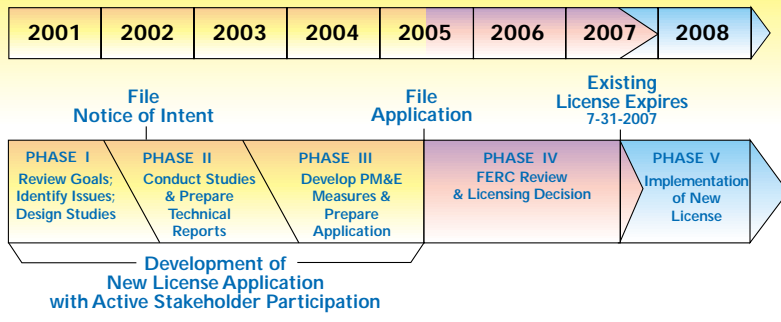


- (1) efficient and meaningful consultation with a broad range of stakeholders,
- (2) full consideration and evaluation of issues raised by stakeholders,
- (3) use of a one-step environmental review process, and
- (4) timely issuance of a new license at the expiration date.

The process has also been designed from the perspective of the outcome desired by SMUD and other stakeholders: resolution of issues in the form of a comprehensive agreement among all stakeholders that is reflected in the license application document.

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RELICENSING TIMELINE



Public Involvement and Communication

Federal law mandates the involvement of federal and state resource agencies in the relicensing process. SMUD encourages all interested Native American Tribes, local governments, non-governmental organizations and

citizens to participate. SMUD will host a series of evening public meetings throughout the process to listen to interested parties on topics ranging from issues of concern to potential license conditions. Interested parties are also encouraged to engage more fully in the process by participating in daytime stakeholder meetings, where policy and technical issues will be addressed.

Information on progress made during the relicensing process will be disseminated by SMUD via two primary means. First, SMUD will create a special web page on its existing web site (www.smud.org). Secondly, SMUD will publish a periodic newsletter that will chronicle progress and major developments occurring throughout the process.



For additional information, please contact:

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