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Sent: Tuesday, September 16, 2008 1:37 PM
To: jsteve@santacruz-associates.com
Cc: Johnson, Darrin M
Subject: FERC License Mgt. Requirements

Mr. Santacruz

This is in response to your request for an written explanation or the Federal Energy Regulatory Commission (FERC) license - shoreline management requirements for the Wisconsin River Power Company (WRPCO).

Each major project licensed by the FERC specifies a project boundary, which includes the reservoir and prescribed upland shoreline areas. The amount of upland included in a project boundary is established during new license application consultation activities with stakeholders and approved by FERC in a new license. The term of a FERC license is between 30 and 50 years. At a minimum the FERC requires sufficient upland areas to be included in a project boundary to ensure project control by the licensee and provide for non-generation project uses. The 100 foot shoreline commons area that exists at the Half Moon Bay development is considered below the minimum standard for adjacent upland areas included in a FERC hydroelectric project license boundary. In fact, current FERC standards for new licenses specify a 200 foot shoreline buffer be maintained for lands owned by the licensee. The 100 foot shoreline commons area pre-existing condition was re-approved by FERC in the new license issued for the WRPCO project in 1998. Technically FERC has the authority to extend a project boundary to include lands not owned by the licensee. The new FERC license requires the WRPCO project lands (including the shoreline commons area) be managed for project purposes including public recreation, aesthetics, wildlife, and shoreline protection. However, WRPCO has issued a non-exclusive easement to the Half Moon Bay Association that allows specified non-project uses of project lands. The non-exclusive easement does not forgo WRPCO responsibilities for management of the shoreline commons area for hydroelectric project purposes.

Historically, hydroelectric projects licensed by the federal government were development and managed with energy production as the primary objective. However, in 1986 the Federal Power Act was amended by the Electric Consumers Protection Act (ECPA). As a result of ECPA, hydroelectric power energy production is now required to be balanced with other public uses of a project in new FERC licenses. The other public uses include public recreation, fisheries, wildlife, environmental protection, etc. New post ECPA licenses prescribe the management requirements based upon prelicense application stakeholder (public, agencies, government, etc.) input. The new WRPCO license requires a land management plan, which includes shoreline commons area management prescriptions. Due to inconsistencies resulting from past management practices and a lack of specificity in the original land management plan, WRPCO recently developed a detailed vegetation management plan for the project shoreline commons areas. The plan development process included a stakeholder communications process, which involved notification and solicitation of input from adjacent shoreline owner associations as well as the public in general, other stakeholder groups, and environmental resource agencies. The plan has been approved by FERC for implementation.

Due to increased non-project use pressure on lands included in hydroelectric project boundaries, the FERC has limited tolerance for unauthorized uses and/or encroachments by adjacent property owners. As the licensee, WRPCO is responsible for ensuring the integrity of the project boundary is maintained and the management prescriptions for project lands are followed or be subject to FERC enforcement action for violation of the license requirements. An unfortunate fact is WRPCO previously received a Notice of Noncompliance from FERC for unauthorized activities on the shoreline commons area associated with the Half Moon Bay development. Fortunately, we were able to convince FERC not to pursue enforcement as a result of the WRPCO improved shoreline management program.

There are no exceptions to the Integrys Energy Group (and WRPCO's) policy for compliance with all regulatory requirements. However, we are willing to work with adjoining development associations to bring adjacent shoreline commons areas into compliance through prescribed remediation activities in a timely manner. Unfortunately, some associations and/or their members do not respect WRPCO shoreline commons area ownership and management requirements. When an association and/or its members choose to ignore our repeated communications, WRPCO will take the necessary enforcement action to protect our interests and the integrity of the lands included in the FERC project boundary.

We look forward to working with you to correct the encroachment problems with the WRPCO shoreline commons area associated with the Half Moon Bay development. If you have any further questions, please contact Darrin Johnson at (608) 565-2500. Thank you for your involvement.

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