CONSIDERATION OF A RESOLUTION FOR A CONDITIONAL RECOMMENDATION TO THE DEPARTMENT OF FISH AND GAME THAT IT PROCEED WITH AWARDING A GRANT TO THE U.S. BUREAU OF RECLAMATION FOR THE BATTLE CREEK SALMON AND STEELHEAD RESTORATION PROJECT (Proposition 50, Chapter 7 and Other Fund Sources)

Summary: This report recommends to the Department of Fish and Game that they proceed with funding the Battle Creek Salmon and Steelhead Restoration Project with the condition that the environmental documentation for the project is completed, necessary easements are acquired, and all other legal requirements are met.

Recommended Action: The California Bay-Delta Authority adopt the attached Resolution 05-10-03 recommending to the California Department of Fish and Game that it proceed with awarding a grant to the U.S. Bureau of Reclamation for the Battle Creek Salmon and Steelhead Restoration Project.

Background

Declines in anadromous fish populations in the upper Sacramento River watershed have led to listing of winter-run and spring-run Chinook salmon and steelhead under both the Federal and State endangered species acts. Battle Creek, located at the southern end of the Cascades in northern California near Red Bluff (Figure ES-1 as Attachment 1), offers an extraordinary opportunity to restore habitat for these fish because of its unique geology and corresponding hydrology. Restoring access to this historical habitat for these species will contribute to their recovery. Increasing the populations of these species can also allow for more flexible operations of the State and Federal water projects, thereby improving the reliability of Bay-Delta water supplies.

In recognition of the importance of restoring Battle Creek, the National Marine Fisheries Service, U.S. Bureau of Reclamation (USBR), U.S. Fish and Wildlife Service (USFWS), California Department of Fish and Game (DFG), and Pacific Gas and Electric Company (PG&E) signed a detailed Memorandum of Understanding (MOU) in 1999 that defined their roles and made commitments regarding costs for and implementation of the Battle Creek Salmon and Steelhead Restoration Project. See project description (Attachment 2).
Funding Decision Process

The terms of the 1999 MOU direct USBR to seek any additional funds required over and above the $28 million in Federal Bay-Delta Act funds initially allocated for the Battle Creek Salmon and Steelhead Restoration Project. On behalf of the MOU agencies, USBR took the lead to develop the revised proposal submitted in response to the 2002 CALFED Ecosystem Restoration Program (ERP) Proposal Solicitation Package (PSP), and also on the most recently revised project proposal submitted in May 2005. This project is the final directed action to be considered from the 2002 PSP.

The total project cost for the Battle Creek Salmon and Steelhead Restoration Project is approximately $101 million. In addition to the original $28 million of Federal Bay-Delta Act funds, the total amount requested to fill the unmet need for the Battle Creek Salmon and Steelhead Restoration Project is approximately $73 million (Attachment 3, USBR budget summary). The State bond funds that will contribute to the project currently reside in both the California Bay-Delta Authority’s (Authority) and DFG’s budgets. A separate agenda item for this meeting recommends that the money in the Authority’s budget ($45 million) be transferred to DFG, the State implementing agency for the ERP.

In addition, the Iron Mountain Mine Trustee Council has stated its intention of contributing approximately $6.5 million in funding for implementation of the Battle Creek Salmon and Steelhead Restoration Project (Attachment 4).

Outstanding Issues

There are three primary areas of outstanding issues for this project:

- **Environmental Compliance** - It is anticipated that the State and Federal environmental compliance documents for this project will be completed shortly (see attached project description). These documents will require the completion of a National Environmental Policy Act Record of Decision by USBR and preparation of California Environmental Quality Act Notices of Determination and findings by the State Water Resources Control Board as the lead agency and DFG as a responsible agency.

- **Project Easements** - There are construction easements that still need to be acquired by PG&E for the project to move forward.

- **Landowner Issues** - DFG continues to work with local landowners to address potential construction impacts to local business operations.

The Authority’s recommendation to DFG that it fund this project is conditioned upon completion of the environmental documents for the project, acquisition of necessary easements, and compliance with all other legal requirements.
Fiscal Information

**Funding Source:** Proposition 50 (Chapter 7) and other fund sources as described in this staff report.
**Term:** October 1, 2005 to October 1, 2008
**Total Amount:** Total project cost not to exceed $101,000,000.

List of Attachments

Attachment 1* – Figure ES – 1; Location of Battle Creek
Attachment 2 – Ecosystem Restoration Project Description
Attachment 3 – USBR Budget Summary (1-page version)
Attachment 4 – Letter from US Fish and Wildlife Service re: Iron Mountain Mine Trustee Council Funding Commitment

Contacts

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Ecosystem Restoration Program Sacramento Valley Coordinator
Phone: (916) 445-5511

*Attachment1 is from the Battle Creek Salmon and Steelhead Restoration Project Draft EIS/EIR July 2003
Figure ES-1
Location of the Battle Creek Salmon and Steelhead Restoration Project
ECOSYSTEM RESTORATION PROJECT DESCRIPTION

Applicant Organization: Bureau of Reclamation

Proposal Title: Battle Creek Salmon and Steelhead Restoration Project

Recommended Funding: not to exceed $73,73,454,450

General Project Description:

Components of the proposed action (Attachment 2A*) as described in the Final EIS/EIR and MOU:

- Removal of five diversion dams
- Laddering three diversion dams and screening their associated diversions
- Increasing flow releases from all remaining diversion dams affecting anadromous fish on Battle Creek
- Constructing powerhouse tailrace connectors to eliminate redundant screening requirements and mixing North and South Fork waters

The primary goal of the Restoration Project is to restore and enhance about 42 miles of salmon and steelhead habitat in Battle Creek and an additional 6 miles of habitat in its tributaries while minimizing the loss of renewable energy produced by the Battle Creek Hydroelectric Project. The Battle Creek Salmon and Steelhead Restoration Project was initially funded through the CALFED Ecosystem Restoration Program early implementation efforts in 1999 with $28 million from Federal Bay-Delta Act funds.

Independent Review Process:

Since 1999, additional planning and design work have resulted in revised cost estimates. These were first submitted for independent review to the CALFED Ecosystem Restoration Program in response to the October 2002 proposal solicitation package (PSP). Since 2002, the project design and proposal have gone through several additional iterations to address local concerns and technical issues raised during the independent review process.

*Attachment 2A is from the Battle Creek Salmon and Steelhead Restoration Project Draft EIS/EIR July 2003.
The final revised proposal was re-submitted in May 2005 leading to completion of the independent review process. The Authority ERP staff convened the Joint Battle Creek Review Panel (JBCRP) to ensure that all of the previous review efforts, including those addressing the effect of Coleman National Fish Hatchery operation on implementation of the Restoration Project, were considered. The JBCRP provided its recommendation to the Ecosystem Restoration Program Selection Panel in June 2005, and its initial recommendation was available for a 30-day public comment period starting on June 20, 2005. The Selection Panel reconvened to consider written public comments received during this period, and its final recommendation was made available on August 3, 2005.

In summary, the final Selection Panel recommendation is to address several specific issues identified by the JBCRP and to fund the Restoration Project. The reviews and final Selection Panel recommendation can be found on the ERP website.

**Environmental Documentation:**

USBR is the lead Federal agency for the National Environmental Policy Act (NEPA), and the State Water Resources Control Board (SWRCB) is the lead State agency for the California Environmental Quality Act (CEQA). A draft Environmental Impact Statement/Environmental Impact Report (EIS/EIR) for the Battle Creek Restoration Project was made available for review and public comment in July 2003. Based on extensive public comments, it became evident that significant new information needed to be added to the environmental document. Consequently, a Draft Supplemental EIS/Revised EIR was released for public review and comment in March 2005. The Final EIS/EIR was made available on July 29, 2005.

USBR will complete the Record of Decision (ROD) this month. The ROD identifies the recommended action to be implemented and includes the environmental commitments and mitigation measures to be applied to the action. The SWRCB will also complete its CEQA findings this month. The Federal Energy Regulatory Commission will then make its decision regarding the proposed PG&E hydroelectric project license amendment.
Figure 3-1
No Action Alternative
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<th>PROJECT FEATURE</th>
<th>1999 ESTIMATE (CALFED Funds Received in 1999)</th>
<th>Cost Estimate Update for each Project Feature</th>
<th>2005 ESTIMATE (Note 2)</th>
<th>Cost Estimate Deficit (Funds Being Requested)</th>
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**NOTES:**
1. Field Cost = Construction Contract Cost + Contingency Cost
3. Escalation has been applied due to cost trends and projections from independent sources:
   - An 8% inflation rate has been applied to Construction Contract Cost and a 1.7% inflation rate has been applied to Construction Contract Administration Cost

**ATTACHMENT 3**
Tim Ramirez
Senior Advisor and Deputy Director for Ecosystem Restoration
California Bay-Delta Authority
650 Capitol Mall, 5th Floor
Sacramento, California 95814

Dear Mr. Ramirez:

As the lead Federal agency on the Iron Mountain Mine Trustee Council (Council), the U.S. Fish and Wildlife Service would like to convey the Council’s support for the Battle Creek Salmon and Steelhead Restoration Project (1999-B01), as revised in March 2005. The Council met on July 26, 2005, and agreed to support the project and participate as a funding partner. The Council’s contribution to this project will be in the $6.4 to $6.5 million range. We look forward to working with the California Bay-Delta Authority and project proponents to determine which specific project elements will receive Council funding.

If you have any questions regarding the Council’s support for this project, please contact Dan Welsh at (916) 414-6591.

Sincerely,

David L. Harlow
Acting Field Supervisor

cc:
Mary Marshall, U.S. Bureau of Reclamation, Sacramento, CA
Ken Lentz, U.S. Bureau of Reclamation, Sacramento, CA
Mike Nepstad, U.S. Bureau of Reclamation, Sacramento, CA
Bart Prose, U.S. Fish and Wildlife Service, Sacramento, CA
Darrin Thome, U.S. Fish and Wildlife Service, Sacramento, CA
Jim Smith, U.S. Fish and Wildlife Service, Red Bluff, CA
Scott Hamelberg, U.S. Fish and Wildlife Service, Coleman National Fish Hatchery, CA
Rebecca Fris, California Bay-Delta Authority, Sacramento, CA
Iron Mountain Mine Trustee Council (see enclosed list)
Tim Ramirez

Iron Mountain Mine Trustee Council

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Lakewood, CO 80225-0047

Greg Lind
U.S. Department of the Interior
Office of the Solicitor
1111 Jackson Street, Suite 735
Oakland, CA 94607
RESOLUTION 05-10-03

CONDITIONAL RECOMMENDATION TO THE DEPARTMENT OF FISH AND GAME THAT IT PROCEED WITH AWARDING A GRANT TO THE U.S. BUREAU OF RECLAMATION FOR THE BATTLE CREEK SALMON AND STEELHEAD RESTORATION PROJECT (Proposition 50, Chapter 7 and Other Fund Sources)

WHEREAS, the Ecosystem Restoration Program presents a comprehensive vision for improving and increasing aquatic and terrestrial habitats and improving ecological functions in the Bay-Delta ecosystem; and

WHEREAS, the State and Federal agencies responsible for implementing CALFED Ecosystem Restoration Program have coordinated their efforts to solicit for and select the best projects to implement the Ecosystem Restoration Program, with assistance of the staff from the California Bay-Delta Authority; and

WHEREAS, the Battle Creek Salmon and Steelhead Restoration Project offers an extraordinary opportunity to restore habitat for these fish because of its unique geology and corresponding hydrology; and

WHEREAS, the Battle Creek Salmon and Steelhead Restoration Project meets the objectives of the CALFED Program; and

NOW, THEREFORE, BE IT RESOLVED that the Authority recommends to the Department of Fish and Game that it proceed with awarding a grant to the U.S. Bureau of reclamation for the Battle Creek Salmon and Steelhead Restoration Project, conditioned upon completion of the environmental documents for the project, acquisition of necessary easements, and compliance with all other legal requirements.

CERTIFICATION

The undersigned Assistant to the California Bay-Delta Authority does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Authority held on October 13, 2005.

Dated: _________________

__________________________
Olene Chard
Assistant to California Bay-Delta Authority