

CASCADE HERITAGE POWER PROJECT (The PROJECT)

RECOMMENDATIONS OF THE EXECUTIVE DIRECTOR AND REASONS FOR RECOMMENDATIONS

Pursuant to section 17 of the *Environmental Assessment Act* S.B.C. 2002, c. 43 (the Act), the Executive Director of the Environmental Assessment Office (EAO) provides the following recommendations and reasons relating to the Project. In preparing this document, the following have been considered:

- The Cascade Heritage Power Project Application for an Environmental Assessment Certificate, including Appendices (Application);
- All subsequent Project review documentation identified in Schedule A to the proposed Environmental Assessment Certificate (Certificate);
- The Proponent's Table of Commitments and Assurances, attached as Schedule B to the proposed Certificate; and
- The Cascade Heritage Power Project Assessment Report (Assessment Report).

The Executive Director recommends that an Environmental Assessment Certificate be issued for the Project, for the following reasons:

1. The environmental assessment of the Project was carried out in accordance with the scope, procedures and methods identified in the order issued by the EAO under section 11 of the Act on August 18, 2003, as amended under section 13 of the Act on November 13, 2003, and again on January 7, 2004.
2. The environmental assessment of the Project addressed the potential effects identified in the section 11 and 13 orders, including First Nations' interests and the potential effects of the Project on its environmental, social, economic, heritage and health setting, and specifically considered potential effects identified in the specifications issued under the former *Environmental Assessment Act*, R.S.B.C. 1996, c.119 on January 6, 2000 with respect to:
 - water management and quality;
 - water availability;
 - fish and fish habitat;
 - wildlife and wildlife habitat;
 - vegetation;
 - transboundary effects;
 - cultural and heritage effects;
 - First Nations interests;
 - socio-economic effects; and
 - land use issues.

3. Measures relating to the distribution of information to the public about the Project have been carried out by the Proponent in accordance with the section 11 and section 13 orders, and have included public open houses and meetings with local government councils, interest groups and the general public.
4. Measures relating to the distribution of information about the Project to First Nations have been carried out by the Proponent in accordance with the section 11 and section 13 orders. The primary potentially affected First Nations are the seven member Bands of the Okanagan Nation Alliance (ONA).
5. ONA consultation opportunities were provided by the EAO during the review process, including opportunities to comment on key documentation generated during the review of the Project, and to discuss and try to resolve technical issues, as well as issues related to asserted rights and title. At least a dozen government-to-government meetings were held during the review process to discuss ONA interests and concerns. Many of these sessions were held in a working group format, and also involved provincial, federal and local government agencies, as well as US agencies. Funding assistance for ONA participation was provided by both the EAO and the Proponent.
6. The Proponent adopted various measures to secure First Nations involvement in the environmental assessment (EA) process. The Proponent provided funding for ONA participation in the EA review, as well as for an Aboriginal Interests and Use Study prepared by the ONA. The Proponent has also initiated discussions with the ONA with respect to potential benefits associated with Project development, including Project-related employment, a museum and other possible opportunities, although these discussions have not reached a detailed stage, and there is currently no Proponent/ONA agreement on these matters.
7. Opportunities have been provided by the EAO for federal, provincial and local government agencies, as well as agencies of neighbouring jurisdictions in the USA, to participate in the EA process, together with ONA representatives, as members of a primary Project Working Group, as well as subgroups for water availability (with some stakeholder group involvement) and fisheries issues. Since the Project triggered a federal screening level of review under the *Canadian Environmental Assessment Act (CEAA)*, the assessment process has been designed to harmonize federal and provincial reviews, and has resulted in a joint provincial Assessment Report/federal Screening Report.
8. Issues identified by the public, the ONA, provincial, federal and local government agencies and neighbouring jurisdictions, where they fall within the scope of assessment of the Project, have been considered, and the Assessment Report identifies these issues and documents practical means to

prevent or reduce to an acceptable level any potential significant adverse effects of the Project.

9. Significant local public concern with, and opposition to, the Project is acknowledged. Public concerns have been linked primarily to potential impacts on aesthetics, tourism and recreation, water availability and licencing of water use, water quality and fish, as well as issues related to land use and energy policy. However, the Proponent's redesign and down-scaling of the disturbance footprint of the Project since the original concept was proposed, together with numerous other proposed mitigation measures, and the proposal to place a *Water Act* reserve on the Kettle River upstream of the Project, has significantly reduced the Project's potential to cause adverse effects. Moreover, the Proponent has made commitments to continue consulting with local residents and community groups about the Project, if the Project is granted an Environmental Assessment Certificate, including, but not limited to, consulting on local economic development opportunities, the potential for tourism development, and employment opportunities.
10. ONA issues of concern included potential adverse effects on water quantity (including the volume of flows in the Cascade Canyon), water quality, fish, wildlife and vegetation, and on archaeological sites, including a sacred mythological/spiritual site. The ONA were concerned about the potential for the Project to result in restrictions on access to the area for traditional use (including spiritual and ceremonial) purposes. Locally, there is some potential for adverse effects on fish and fish habitat, vegetation, wildlife and wildlife habitat. These may occur on a site-specific basis, during both construction and operation of the Project. In particular, the EAO acknowledges the spiritual significance of Cascade Canyon to the Okanagan people. However, use of the Project site involves a relatively small area, and the Proponent has committed to measures that will generally mitigate these site-specific impacts. There will be no facility development or surface disturbance in the Canyon itself, and while flows will be reduced in the Canyon when the power plant is operating, minimum flows must be maintained. The EAO is satisfied that the ONA will continue to be involved in the Project prior to, during and after construction.
11. Provincial, federal and local government issues, and the concerns of neighbouring jurisdictions, were identified and addressed through Working Group meetings, and meetings between the Proponent and individual agencies throughout the process. The key issues that required more extensive review and resolution were associated with:
 - alterations to fish habitat (e.g. associated with creation of a head pond upstream of, and reduced water volumes downstream of, the weir);
 - potential impacts on species of fish, birds and reptiles that are endangered, threatened or of special concern;
 - land/vegetation clearing;

- rock excavation and waste rock disposal (notably a concern with respect to the potential for metal leaching and acid rock drainage);
- elimination of future access to unrecorded water upstream of the Project on the Kettle River;
- aesthetic effects (i.e. changes to the appearance/character of the area due to the presence of project facilities, the head pond and the reduced flows in the Canyon/Falls), and related implications for the area's tourism and recreation activity;
- temporary construction-stage restrictions on access to the Project area;
- local impacts on two tourism operations (both recreation tenure holders, one offering horseback/hiking tours, and the other, kayaking/cycling tours) as well as on a recreational vehicle park/campground, and golf course; and
- impacts on riparian lots in the Project area.

The Proponent has substantively responded to the issues raised by provincial and federal agencies, although local government continues to be concerned that some issues raised by the concerned public have not been fully resolved. The EAO has concluded that the Proponent, through its extensive ongoing consultation, mitigation, compensation and monitoring commitments, has taken all reasonable steps to eliminate or minimize the potential adverse effects of the Project, and that, if the Project proceeds, any potential effects are manageable, and will not reach unacceptable levels.

12. Potential transboundary effects from the construction and operation of the Project include impacts on: river flows and water levels; water quality; fish and aquatic habitat; and wildlife and migratory birds. The Proponent has identified mitigation and monitoring measures to address potential adverse construction and operational effects associated with the Project, and has committed to implementing these measures in environmental management plans that will be finalized in consultation with agencies prior to the commencement of construction. Proposed impact management measures and commitments to ongoing monitoring have satisfied US (Washington State) agencies.

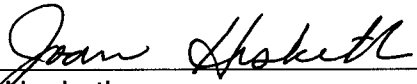
13. All potential significant adverse effects of the Project are considered by the EAO to be manageable to an acceptable level through:

- the implementation of the Proponent's proposed design and mitigation measures, as identified in the final form of its Table of Commitments and Assurances, dated July 12, 2006;
- compliance with, and implementation of, the commitments and conditions specified in the Environmental Assessment Certificate, if granted; and
- compliance with subsequent statutory permits, licences and approvals, or any authority required under any other enactment.

14. Providing that the Proponent implements the actions described in its Table of Commitments and Assurances, and that a *Water Act* reserve is placed on unrecorded waters on the Kettle River upstream of the Project, the EAO is satisfied that, while there may be impacts on the ONA asserted aboriginal rights from this proposed Project, the potentially adverse effects identified by the ONA will be adequately mitigated, and the ONA will be able to reasonably continue to exercise their asserted rights in the area of the Project, should it be developed. The likelihood of significant adverse effects on the current use of lands and resources for traditional purposes by the ONA is low. The proposed consultation and impact management commitments seek to balance the ongoing importance of this site to the ONA, and the future potential interests of the ONA, with the current needs of this Project and the opportunity to contribute to satisfying the continuing and growing public need for power production.
15. Federal responsible authorities have collaborated in the preparation of the Assessment Report and are supportive of its conclusions. The Assessment Report is intended to be used as the Screening Report required under CEAA.
16. The Project is anticipated to create approximately 105 person-years of construction employment and 3 permanent jobs during operations. Capital costs of the Project are estimated to be \$33.5 million. Construction is expected to take 22 months, beginning in August of Year 1 of construction. Project timing is uncertain, since the Proponent needs first to negotiate a power sales contract with a purchaser.

The Executive Director's recommendation that an Environmental Assessment Certificate be issued for the Project is made subject to the following two provisos:

1. The final form of the Proponent's Table of Commitments and Assurances, dated July 12, 2006, should be given the force of law by being made a condition of the Environmental Assessment Certificate, if the Project is approved.
2. If the Project is to receive an Environmental Assessment Certificate, then in order to ensure that unrecorded water is available on the Kettle River upstream of the Project for future water licence applications, the certificate should be made subject to the condition that construction of the Project must not commence until the Lieutenant Governor in Council has first established a water reserve under the *Water Act*, reserving the currently unrecorded waters at, and upstream of, the Project site on the Kettle River for purposes other than power production. This recommendation is supported by the Ministry of Environment.



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Environmental Assessment Office

Dated: July 12, 2006