

**Cheoah River (North Carolina) Resource Management & Enhancement Fund
Annual Report 2016
Brookfield Smoky Mountain Hydro Project (FERC Project No. 2169)**

This annual report is submitted to satisfy the requirements of the Brookfield Smoky Mountain Hydro Project Relicensing Settlement Agreement (RSA) that requires the preparation and distribution of an annual report to Fund Board members and advisors, and that the Licensee (Brookfield) file the report with the Federal Energy Regulatory Commission (FERC) by June 30 of the following year. The Cheoah River Resource Management and Enhancement Fund (“Fund” - listed in the RSA as the North Carolina Resource Management and Enhancement Fund) was established by the RSA and is administered by the Fund Board, which is comprised of authorized representatives of the North Carolina Wildlife Resources Commission (NCWRC), North Carolina Department of Environmental Quality (NCDEQ)—formerly Environment and Natural Resources, USDA Forest Service (USFS), United States Fish and Wildlife Service (USFWS), and the Eastern Band of the Cherokee Indians (EBCI). Brookfield is required to provide annual deposits to the fund in inflation-adjusted dollars, except for the final 3 years of the current license. The Fund Board delegated NCDEQ-Division of Water Resources (DWR), under the authority of the RSA, to administer and disperse the Fund. (There is a corresponding board (Tallasse Fund Board) in Tennessee.)

2016 Fund Board Funding Actions

- The annual payment was received from Brookfield and deposited by DWR on January 5. The 2016 fiduciary report is included as Attachment 1.
- The Conservation Fisheries, Inc. (CFI) contract (No.5866) to collect, propagate and introduce olive darters to the Cheoah River was granted a no-cost time extension from 30 April 2016 to 30 April 2018.
- Federal Power Act 17(a), 16 U.S.C. 810(a) (2012), requires that 37½% of the annual charges arising from FERC-licensed projects occupying national forests and public lands within a state be paid from the U.S. Treasury to the state. After some confusion regarding the intent of the payments and where to deposit, two such payments were deposited into the NC Fund in CY2014 and one payment in CY2016. A fourth check was also received in 2016 by the NC Office of State Budget and Management (OSBM) but not deposited into the Fund. OSBM eventually determined that the State is required to deposit such funds with the subject county’s local school system. The \$4,209.89 in prior deposits have been transferred out of the Fund.
- The Fund Board held its annual meeting on October 18, 2016. The meeting agenda and minutes are included in Attachment 2.
- Brookfield maintains a website for central storage of NC Fund Board business items and reports at:

renewableops.brookfield.com/en/Presence/North-America/Recreation-and-Safety/Smoky-Mountain-Hydro/NC-Fund-Board

The following projects were completed in 2016:

- Final report submitted for the 1 July 2014 to 30 April 2017 funding of \$30,000 to NCWRC (Contract No.5868) for fish and mussel captive culture and reintroduction.
- The on-going, periodic introduction of gravel into the Cheoah River occurred again on 30 September 2016. There was a payment of \$6,000 through a contract agreement between DWR and WRC to a contract hauler to transport and distribute 152 tons.

The Fund Board continues to fund the following projects approved in prior years:

- Collection, propagation and introduction of olive darters to the Cheoah River (CFI).

The Fund Board tentatively approved the following proposals at its 18 October 2016 meeting and Chris Goudreau concurred later:

- Captive culture and reintroduction of priority fishes (Spotfin chub plus 3 additional spp.) and mussels (Wavy-rayed lampmussel, Appalachian elktoe, and Rainbow) to Restore Cheoah River Populations (WRC). (\$5,000.00 annually for 2017, 2018, 2019; \$15,000.00 total).
- Hatchery propagation and introduction of Spotfin Chub into the Cheoah River (CFI). (\$20,000.00 for period 30 April 2017 to 30 April 2018; \$20,000.00 total). This funding contract will be consolidated with CFI's existing contract.

The following funding proposal that was received by the Fund Board in 2015 is still under consideration:

- Long-term monitoring program (Ryan McManamay, Oak Ridge National Lab).

Attachment 1

CHEOAH RIVER RESOURCE MANAGEMENT AND ENHANCEMENT FUND			
Fiduciary Report - Calendar Year 2016			
December 31, 2016			
01/01/16	2016 Starting Balance		\$ 103,626.75
01/15/16	Deposit - Brookfield 2016 payment		\$ 31,285.00
04/13/16	Deposit - DENR allocation of funds to the Cheoah Fund		\$ 1,701.28
06/30/16	Disbursements FY 2015-2016		\$ (9,378.01)
	<i>Conservation Fisheries, Inc. (06/14/16)</i>	\$ 9,378.01	
12/31/16	Interest January 1, 2016 to December 31, 2016		\$ 1,111.16
12/31/16	Transfer - DENR allocations returned, funds were misallocated to Cheoah Fund account		\$ (4,209.89)
12/31/16	FY 2016 Ending Balance		\$ 124,136.29
12/31/16	Funds encumbered by contract as of December 31, 2016		\$ (46,621.99)
	<i>Conservation Fisheries, Inc. (04/15/14)</i>	\$ 10,621.99	
	<i>Wildlife Resources Commission (04/23/14)</i>	\$ 30,000.00	
	<i>Wildlife Resources Commission (10/05/16)</i>	\$ 6,000.00	
10/15/16	Funds available for contracting		\$ 77,514.30
	Prepared by: Darren England, NC Division of Water Resources December 31, 2016		

Attachment 2

Cheoah River Resource Management and Enhancement Fund

Annual Meeting – October 18, 2016

U.S. Fish & Wildlife Service Office
160 Zillicoa St
Asheville, NC 28801

Attendance:

Jason Farmer – USFS, 2016 Chair; Bryan Thompkins – USFWS; Fred Tarver – NCDEQ-Water Resources; Michael Bolt – EBCI; Myra Hair – Brookfield; Marshall Olson – Brookfield; Steve Fraley - NCWRC

Meeting Agenda

Introductions/Review of Agenda

Jason opened the meeting and noted that all decisions would be tentative pending concurrence from Chris Goudreau, NCWRC.

Update of Finances

A number of questions came up regarding the finances. We received clarification from Darren England regarding the finances. The \$1,701.28 deposit from DENR was an allocation from FERC. The \$30,000-line item for NCWRC was for fish and mussel propagation. A \$6,000-line item for the gravel placement was not included in the original financial statement because the contract was not signed until October (the financial statement was produced on September 30, 2016).

Updates of Funded Projects

1. Propagation of Olive Darters (CFI)

No updates had been received from CFI.

Steve Fraley provided some information. CFI has approximately 5 Olive Darters (all males). Their plan was to go to the Oconaluftee River the week of Oct 24 to collect more brood stock.

Bryan suggested getting a report (interim) to document their efforts. Myra suggested that Missy Petty be contacted at CFI in addition to Pat Rakes.

2. Gravel Augmentation (NCWRC)

Chris sent a preliminary report to Myra which she forwarded to the Board. Myra requested that each agency provide letters of support for the gravel augmentation work that has occurred.

Steve noted that the mussels are responding well to gravel additions. Next addition would occur in 2 years. There was some discussion about potential gravel sources. No sources were identified.

3. Captive culture and reintroduction of fishes and mussels (NCWRC)

Steve was going to re-send his interim report. He provided the following update:

NCWRC has the capacity to provide the target number of Appalachian elktoe now using Banded Sculpin as the host. Wavy-rayed lampmussel and Rainbow productions going well. Established a mussel grow-out facility on Santeetlah Lake. Plan to move all mussels to Santeetlah if current mussels are doing well. Have not reared any Spotfin Chubs at Marion in several years. CFI will release approximately 300 this year. Spotfin Chub monitoring has shown that the population is exceeding expectations – higher densities than the Little Tennessee River population. Will begin more intensive surveys. They are well established in the Yellow Creek to Dam reach. Lower reach of the river will be the focal point of future releases. More mussels will be released next summer and additional surveys will be completed. The Slippershell mussel was salvaged from the Little Tennessee River. These mussels are being held in the hatchery. They were spawned and some mussels released into the Cheoah River. A total of approximately 1,000 mussels released into the Cheoah River this year. Steve is working on a 3-year report for all of the reintroductions.

Review Fund Proposals for 2016

Steve provided a proposal to extend the ongoing reintroduction work by 3 years. He noted that Spotfin Chub stocking may be completed within 3 years. He is now proposing to reintroduce 3 additional species. The project would require \$5,000/year for 3 years.

CFI provided a proposal for continued propagation of Spotfin Chubs. The board had a number of questions about the proposal (cost of project, need for the work considering ongoing work by NCWRC). Jason would follow up with CFI to get clarification on this proposal.

Ryan McManamay submitted a proposal for last year but the Board did not approve of the funding. His proposal was discussed again but not approved.

Cheoah River Monitoring Discussion

Steve stated that we need to look at a list of species for restoration.

Bryan will schedule a meeting in the first part of 2017 to discuss restoration goals/objectives and next steps.

Other Fund Board Business

Select Chair for 2017

Fred Tarver was selected as the chair for 2017.

Review Action Items

Jason will get interim report from CFI on ongoing work. Check with Chris Goudreau on his vote for/against NCWRC's proposal. Contact CFT about their current proposal. Follow up with Chris on Ryan McManamay's proposal.

Bryan will schedule a restoration/monitoring meeting