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TO:

Pat Regan - Regional Engineer
Office of Energy Projects - FERC
Division of Dam Safety and Inspection
Portland Regional Office
101 Southwest Main Street - Suite 905
Portland, Oregon 97204

SUBJECT:

January 2007 Monthly Report for the Falls Creek Hydro-electric Project
FERC # P-11659

DATE SUBMITTED:

2/15/07

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Dear Mr. Regan,

Please find enclosed the Monthly Construction Report for the Falls Creek Hydroelectric Project, FERC # P-11659.

Gustavus Electric Company (GEC), as the licensee for the above project, submits this report.

Sincerely,
Richard Levitt
GEC President

Contact Richard Levitt (richardlevitt@cs.com) to add names to distribution list.

Falls Creek Hydroelectric Project (P-11659)
MONTHLY CONSTRUCTION REPORT TO FERC
January 2007

1) Progress of Work

The project was shut down until the 22nd of January as part of a month long holiday break. All work performed after the start-up was on the intake service road with a reduced crew.

2) Status of Construction

During the month long lay-off, there were minor slides of silt, clay and muck onto the intake service road. These were cleaned up and some slope excavation and benching was done to reduce the chance of reoccurrence. Work continued on bringing the intake access road and pipeline route to final grade. Some rock drilling was required to lower this grade in several spots. No blasting was done this month, but will take place in February.

The frozen ground and deep snow from November is still preventing the geo-tech consultant from performing the seismic refraction work necessary to finish the steel penstock design.

Work continues on the preparation of the Final Environmental Design Plan regarding changes in the powerhouse and tailrace location and possible landslide mitigation from the October slides.

3) Construction Difficulties

Weather was typical for late January and presented no problems. There were no other difficulties this month.

5) Critical Events and Dates

There were no critical events this month.

8) Sources of Major Construction Material

Previously shot rock was used in the road bed this month.

11) Photographs

Ten photo vantage points have been established throughout the project area. Very little change occurred at photo points this month.



Small slides along the intake road were cleared first thing upon return from break.



Fine-tuning the penstock grade at the Y.



Excavation of the impoundment site in preparation for February blasting.

12) Environmental Compliance Issues

Monitoring of turbidity was performed on all construction days in January. Peak turbidity readings occurred during a brief warming period and reached 11 NTUs.

Much of the construction done this month entailed the backhauling of small slides and materials excavated from the impoundment site. This material was dumped at the Strip Fen Y waste site. Due to the a much greater ratio of rock to mud than originally dumped at this site, recent backhauled materials have not contributed to an increase in the surface area of this waste site.

Benching and sloping work was done along much of the intake service road in order to reduce the rate at which slopes above the road slough and slide onto the roads and ditches.

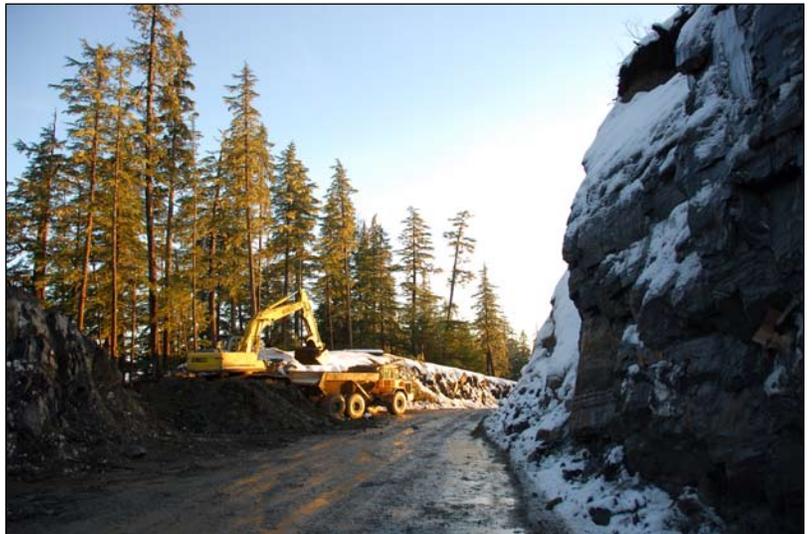
Benching work done in the Blueberry Hill area may require additional efforts to reduce the potential for mass-wasting in this area. Although slopes were graded such that slopes above the road cut should freely drain rain water to the road it will be important to keep an eye on things to make sure the slope above the creek does not become loaded during heavy rain events. In addition, because the vegetation mat and overburden have been largely removed we should consider matting options that lend themselves to eventual natural revegetation and maintain long-term drainage patterns that avoid rain water loading on top of these unstable slopes.

Additional measures intended to reduce the likelihood of sloughing and sliding of slopes immediately above the intake service road have included the removal of an additional ~75 feet of forest. This is being done in order to de-weight slopes where the overburden is generally thin and provides little stability given the road cut immediately below has already compromised the vegetative mat.

Excavations at the impoundment site were made in preparation for February blasting. It is clear from ongoing work in this area that a great deal of lodgement till lies within and above the excavation area. Although slope stability concerns in this area have been



Backhauled materials dumped at the Strip Fen Y waste area have been largely very stable materials.



Benching at the Blueberry Hill road cut. Sloping and possible matting will work to keep water from loading.



Additional forest clearing above the intake service road is being done to improve short term slope stability.

mentioned in previous reports and records of concern it is worth a reemphasis here prior to scheduled blasting in the area. Winter observations have revealed that all the small streams that cross the service road, the springs in this location are some of the few that continue to flow even during cold snaps. This emphasizes the importance of sediment and erosion control measures, especially proper culverting, in this location.

Comments were received from several intervening agencies on the proposed modification to the Environmental Design Plan that was circulated in December 2006. These comments are currently being integrated into a draft plan for submission to FERC as part of a request for an amendment to the Final Environmental Design. This plan will include additional details and drawings on how the proposed alternatives will address impacts from past slides and a reduced tailrace length.

13) Wildlife Activity

Wildlife activity was generally low during January. Of particular note was the observation of wolverine tracks crossing the intake service road.

14) Biotic Monitoring

Opportunistic observations for the frazzle ice model were not made in January because it was not cold enough during the work period.

The following sections are not yet applicable to the date of this report:

- 4) Contract Status
- 6) Reservoir Filling
- 7) Foundations
- 9) Materials Testing and Results
- 10) Instrumentation

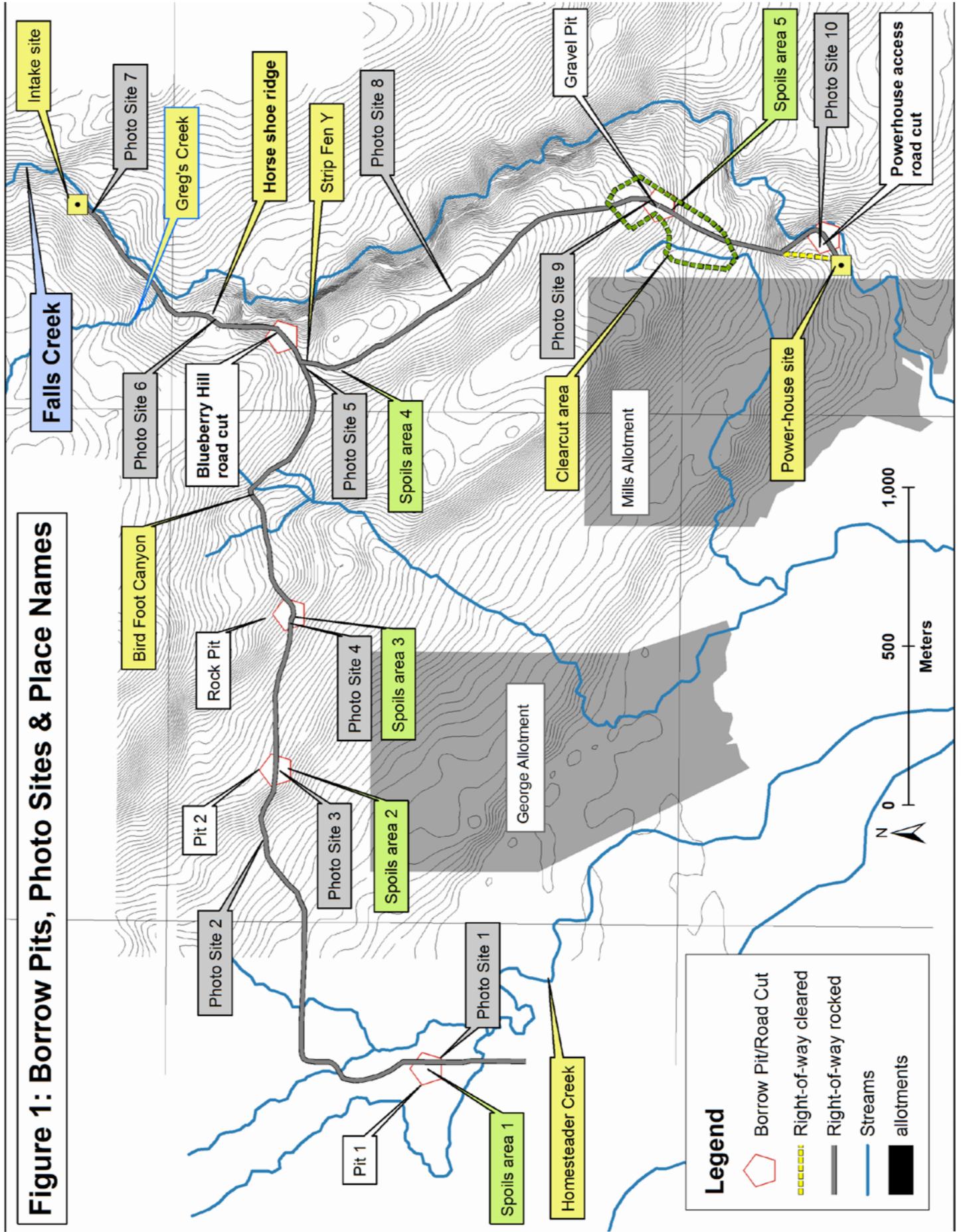


Excavations at the impoundment site have found a great deal of lodgement till (gray muck) in the area.



Wolverine tracks observed crossing the service road.

Figure 1: Borrow Pits, Photo Sites & Place Names



APPENDIX 1: JANUARY 2007 PHOTOS FROM VANTAGE POINTS



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04_photo_site.jpg



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Current report photo (10). Photo above indicating photo 10 location.