



New York State Canal Corporation

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John L. Buono
Chairman

Michael R. Fletcher
Executive Director

ORIGINAL

Carmella R. Mantello
Director

September 10, 2008

Mr. Ron Kilmartin
Seneca Falls Power Corporation
3330 Clayton Road, Suite B
Concord, CA 94519

Re: Seneca Falls Project, FERC #2438

Dear Mr. Kilmartin:

Please be advised that the New York State Canal Corporation has no intention of modifying the locking policy when Seneca Lake falls below 445.70 feet, as you have requested in your August 25, 2008 letter (copy attached).

Seneca Lake is below the minimum allowable level solely due to Seneca Falls Power Corporation's (SFPC) actions. SFPC has drawn Seneca Lake below the minimum allowable level. The low level is not the result of the Canal Corporation's operation of the Cayuga/Seneca Canal. Seneca Lake is the only Finger Lake that is experiencing low water levels this year. Additionally, the low level is not the result of drought conditions, but operational decision making by SFPC. SFPC must provide an explanation why SFPC continues to release excessive amounts of water when Seneca Lake is below the minimum allowable level and negatively impacting canal navigation.

As you are well aware, Article 405 of the FERC license for this project states:

"Article 405. The Licensee shall operate the Waterloo and Seneca Falls Project to control fluctuations of the reservoir surface elevation at each development for the protection of wetlands, wildlife, and fish habitat and recreational opportunities in the project impoundments. The Licensee shall act at all times to maintain the impoundment water surface elevations, as measured immediately upstream of each project dam, as follows:

Maintain the Seneca Lake impoundment within 0.1 foot of the seasonal target elevations of 446.0 feet BCD during the summer and at 445.0 feet BCD during the winter;"

FERC reiterated in an April 7, 2008 letter to SFPC (copy attached) that the Waterloo and Seneca Falls projects must be operated in accordance with license Article 405.

Seneca Lake is presently at elevation 445.4 feet and the SFPC hydropower facilities at Waterloo and Seneca Falls continue to be operated. Seneca Falls Power Corporation has allowed Seneca Lake to remain below the minimum allowable elevation of 445.9 feet pursuant to license Article 405 since August 1, 2008 through the operation of generation units at the Waterloo and Seneca Falls facilities, despite these low levels.

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These unusually low water levels combined with SFPC's continued operation are negatively impacting canal navigation. The published minimum navigation level upstream of Lock C/S-4 in Waterloo is 445.0 feet. Presently, the water level at Lock C/S-4 is 444.5 feet, six inches below the minimum navigation level.

The Canal Corporation was informed by SFPC's onsite operator Jack Finnigan via email to our Syracuse Division staff on Monday, September 8, 2008 that:

"our intentions are to continue the same, just 200-250CFS 8-430pm to keep the lake at the appropriate level."

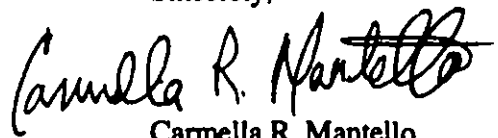
While SPFC has indicated that water is being released through hydropower generation at the rate of 200 to 250 cfs from the hours of 8:00 AM through 4:30 PM, the USGS stream gage downstream of Seneca Falls has monitored streamflow over 750 cfs each day, with many days the peak streamflow has been observed over 1,500 cfs. This is not a result of canal navigation since, for example, on September 9, 2008 the Canal Corporation made four lockages at Lock C/S-2 & C/S-3 in Seneca Falls and two lockages at Lock C/S-4 in Waterloo.

Every effort must be made to operate SFPC hydroelectric generation facilities in a manner that is not disruptive to canal navigation. The Canal Corporation continues to make advances along the New York State Canal System to promote and enhance our navigation system. It is completely unacceptable for SFPC to operate its facilities in a manner that negatively impacts canal navigation. Every effort must be made to provide stable navigation levels and avoid extreme water level fluctuations along the Canal.

I trust that Seneca Falls Power Corporation will make every effort to implement the necessary operational changes to rectify the deficiencies identified above to maintain water levels that are consistent with canal navigation.

Please contact me if you have any questions.

Sincerely,



Carmella R. Mantello
Director

Attachments: August 25, 2008 Seneca Falls Power Corporation letter
April 7, 2008 FERC letter

cc: FERC Secretary
FERC NYRO
Lawrence Frame, NYSCC
Howard Goebel, NYSCC
Pam Davis, NYSCC
Resa Tanner, NYSCC
Steven Eidt, NYSCC