



New York State Canal Corporation

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John L. Buono
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Carmella R. Mantello
Director

SEP 29, 2008

September 25, 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:

In response to your September 17, 2008 letter, we again reiterate 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.

Seneca Lake continues to remain 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. These low levels are not the result of the Canal Corporation's operation of the Cayuga/Seneca Canal, as your letter attempts to portray.

The Canal Corporation indicated in our September 10, 2008 letter that Seneca Lake is the only Finger Lake that is experiencing low water levels this year and that the low level is not the result of drought conditions, but rather due to operational decisions by SFPC. While the generic summary by the USGS Water Watch that you reference attempts to provide a broad brush of conditions, actual Finger Lake water levels clearly demonstrate otherwise.

The following is a listing of the observed water levels for each of the Finger Lakes on September 10, 2008:

Lake	Observed Water Level (feet)	Target Level (feet)
Oneida Lake	371.1	370.6 - 371.1
Skaneateles Lake	862.1	861.3
Owasco Lake	712.4	712.0
Cayuga Lake	383.3	382.6 - 383.8
Seneca Lake	445.4	445.9 - 446.1
Keuka Lake	713.8	713.1 - 714.2
Canandaigua Lake	688.4	688.2

These data clearly demonstrates that Seneca Lake is the only Finger Lake that has been managed in a manner where water levels are below allowable levels. This is troublesome since Seneca Lake levels continue to decline while the remaining Finger Lakes continue to be managed

Kilmartin

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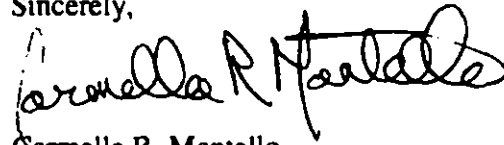
within or above their target levels. These data also demonstrate that drought conditions are not the basis of the low Seneca Lake water levels, but SFPC's continued operation of the Waterloo and Seneca Falls hydroelectric generation stations while Seneca Lake water levels approached and fell below allowable levels.

SFPC has failed to provide an explanation why SFPC has allowed Seneca Lake to fall below the minimum allowable level this year and negatively impact canal navigation. As we have stated previously, it is completely unacceptable for SFPC to operate its facilities in a manner that negatively impacts canal navigation.

The Canal Corporation reiterates our request that SFPC 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 for the remainder of 2008 as well as during future years.

Please contact me if you have any questions.

Sincerely,



Carmella R. Mantello
Director

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