

**FRENCH PAPER COMPANY HYDROELECTRIC PROJECT
(FERC PROJECT NO. 10624)**

**APPLICATION FOR LICENSE FOR A
MINOR WATER POWER PROJECT – EXISTING DAM**

**EXHIBIT H
DESCRIPTION OF PROJECT MANAGEMENT AND
NEED FOR PROJECT POWER**

TABLE OF CONTENTS

1. Information to Be Provided By All Applicants.....	1
2. Information to be Provided by an Applicant Who Is an Existing Licensee	6
3. Information to be Provided by an Applicant Who Is Not an Existing Licensee.....	8

1. Information to Be Provided By All Applicants

Per 18 CFR § 5.18 (c) (1) (i):

Plans and ability of the applicant to operate and maintain the project in a manner most likely to provide efficient and reliable electric service, including efforts and plans to:

- i. Increase capacity or generation at the project:

Not applicable. The applicant has no plans to increase capacity or generation at the site.

- ii. Coordinate the operation of the project with any upstream or downstream water resource projects:

The upstream South Bend Hydroelectric Project is owned by the City of South Bend and leased and operated by the University of Notre Dame. The downstream Buchanan Hydroelectric Project is owned and operated by the Indiana and Michigan Power / City of Buchanan, MI. Project flows are communicated as needed with operations staff of both projects. Additionally, an annual project shutdown for 72-hours for fish passage occurs beginning at 6:00 am on the second Friday of May, in coordination with the upstream Richard Clay Bodine Indiana State Fish Hatchery's release of Chinook salmon and steelhead smolts.

- iii. Coordinate the operation of the project with the applicant's other electrical systems to minimize the cost of production.

Not applicable. There is no coordination of generation with other electrical systems. Power is generated as available based on the flows in the St. Joseph River and is utilized by the French Paper Company for operations. Any excess power is sold to I&M.

The need of the applicant over the short and long term for the electricity generated by the project, including:

- i. The reasonable costs and reasonable availability of alternative sources of power that would be needed by the applicant or its customers, including wholesale customers, if the applicant is not granted a license for the project.

The applicant currently utilizes project power to operate their paper factory. Any excess power is sold to Indiana and Michigan Power (I&M) The French Paper Company Project generates an average of 8,442,800 kilowatt-hours (kWh)/yr. This energy would need to be replaced with power purchased by I&M. In 2018 the average cost of the applicant's energy sold to I&M averaged \$0.0293/kWh. Power is available for purchase through I&M at a rate of \$0.1238/kWh.

- ii. A discussion of the increase in fuel, capital, and any other costs that would be incurred by the applicant or its customers to purchase or generate power necessary to replace the output of the licensed project, if the applicant is not granted a license for the project.

The annual cost to operate French Paper Company in the absence of the hydroelectric project is estimated to be \$545,007. This calculation is based upon I&M's rate paid by the applicant in 2018 of \$0.1238/kWh. The average annual amount of energy produced at the project is 8,442,800 kilowatt-hours (kWh).

iii. The effect of each alternative source of power on:

a. The applicant's customers, including wholesale customers;

The applicant does not have any retail customers. The only wholesale customer is I&M. The lack of availability of energy from the French Paper Company Project would likely not increase energy costs to the wholesale customer and their retail customers.

b. The applicant's operating and load characteristics; and

The applicant is a factory that produces paper with the process loads being the main load. Using an alternative source of power would likely not have a significant impact on operating and load characteristics.

c. The communities served or to be served, including any reallocation of costs associated with the transfer of a license from the existing licensee.

Not applicable. The applicant does not serve any communities, but rather uses the power generated for their operations with any excess power being sold to I&M.

The following data showing need and the reasonable cost and availability of alternative sources of power.

i. The average annual cost of the power produced by the project, including the basis for that calculation;

The annual direct expense of the energy produced at the French Paper Company Project for the year 2018 was \$59,390.54. This cost is based on \$39,390.54 from operational and maintenance expenses and \$20,000 from direct labor expenses associated with the operations, maintenance, and administration of the Project.

ii. The projected resources required by the applicant to meet the applicant's capacity and energy requirements over the short and long term including:

a. Energy and capacity resources, including the contribution from the applicant's generation, purchases, and load modification measures (such as conservation, if considered as a resource), as separate components of the total resources required.

French Paper is in good financial standing and has the ability to continue operating using the power generated from their hydroelectric operations.

- b. A resource analysis, including a statement of system reserve margins to be maintained for energy and capacity

Not applicable. There are no system reserve margins to be maintained for energy and capacity. Power can be purchased through I&M when needed.

- c. If load management measures are not viewed as resources, the effects of such measures on the projected capacity and energy requirements indicated separately;

The applicant is not a utility, therefore load management measures are not relevant options or considerations for the applicant.

- d. For alternative sources of power, including generation of additional power at existing facilities, restarting deactivated units, the purchase of power off-system, the construction of purchase and operation of a new power plant, and load management measures such as conservation:

1. The total annual cost of each alternative source of power to replace project power;

Based upon the 2018 rate for power purchased from I&M, the cost of alternative power would average \$0.1238/kWh, or \$545,007 annually for the French Paper Company Project.

2. The basis for the determination of projected annual cost; and

As indicated previously, the cost for alternative power is based upon the current cost for power purchased from I&M at a rate of \$0.1238/kWh.

3. A discussion of the relative merits of each alternative, including the issues of the period of availability and dependability of purchased power, average life of alternatives, relative equivalent availability of generating alternatives, and relative impacts on the applicant's power system reliability and other system operating characteristics.

The applicant has energy requirements to run their paper production processes, thus would require an alternative source of power if a license was not issued. Dependable power could be purchased from I&M, however at an increased cost compared to the power generated from the hydroelectric facility.

4. The effect on the direct providers (and their immediate customers) of alternate sources of power.

No detrimental effect will occur as the supply from I&M is adequate to replace all power generated by the project.

If an applicant uses power for its own industrial facility and related operations, the effect of obtaining or losing electricity from the project on the operation and efficiency of such facility or related operations, its workers, and the related community.

The applicant does use project power in an industrial facility within its Project area. French Paper Company produces paper products within its Project area. Loss of self-harnessed energy would incur costs not yet seen by the Project. This would directly affect its operations, workers, and the community it resides in.

If an applicant is an Indian tribe applying for a license for a project located on the tribal reservation, a statement of the need of such tribe for electricity generated by the project to foster the purposes of the reservation.

Not applicable.

A comparison of the impact on the operations and planning of the applicant's transmission system of receiving or not receiving the project license, including:

- i. An analysis of the effects of any resulting redistribution of power flows on line loading (with respect to applicable thermal, voltage, or stability limits), line losses, and necessary new construction of transmission facilities or upgrading of existing facilities, together with the cost impact of these effects;

The transmission line only provides power to I&M's transmission system. If a license is not issued there would be no effects on the applicant's line.

- ii. An analysis of the advantage that the applicant's transmission system would provide in the distribution of the project's power.

The applicant does not have or own any transmission facilities. The transmission facilities are Non-Project overhead lines.

- iii. **Detailed single-line diagrams, including existing system facilities identified by name and circuit number, that show system transmission elements in relation to the project and other principal interconnected system elements. Power flow and loss data that represent system operating conditions may be appended if applicants believe such data would be useful to show that the operating impacts described would be beneficial.**

A single line diagram is included in this application in Exhibit A as Figure A-1.

If the applicant has plans to modify existing project facilities or operations, a statement of the need for, or usefulness of, the modification, including at least a reconnaissance-level study of the effect and projected costs of the proposed plans and any alternate plans, which in conjunction with other developments in the area

would conform with a comprehensive plan for improving or developing the waterway and for other beneficial public uses as defined in section 10(a)(1) of the Federal Power Act.

The applicant has no plans to modify existing project facilities or operations.

If the applicant has no plans to modify existing project facilities or operations, at least a reconnaissance-level study to show that the project facilities or operations in conjunction with other developments in the area would conform with a comprehensive plan for improving or developing the waterway and for other beneficial public uses as defined in section 10(a)(1) of the Federal Power Act.

French Paper Company has no plans to modify the existing project facilities, as a result its continued operation conforms with the existing developments in the area for the waterway and other public uses.

A statement describing the applicant's financial and personnel resources to meet its obligations under a new license, including specific information to demonstrate that the applicant's personnel are adequate in number and training to operate and maintain the project in accordance with the provisions of the license.

French Paper Company, the applicant, is independently owned. French Paper Company employs approximately 80 employees. The company solely operates the one hydroelectric plant in Niles, MI, along with its industrial paper production facility. The applicant has trained operators who are available 24 hours per day, 365 days per year. In addition to the operators, staff engineers and managers are familiar with project maintenance and operations. A maintenance work force of approximately 6 millwrights are available to perform maintenance duties on project equipment. Third party services are on call for hydro support as-needed.

If an applicant proposes to expand the project to encompass additional lands, a statement that the applicant has notified, by certified mail, property owners on the additional lands to be encompassed by the project and governmental agencies and subdivisions likely to be interested in or affected by the proposed expansion.

The applicant has no plans to expand the project that would require additional lands.

The applicant's electricity consumption efficiency improvement program, as defined under section 10(a)(2)(c) of the Federal Power Act, including:

- i. A statement of the applicant's record of encouraging or assisting its customers to conserve electricity and a description of its plans and capabilities for promoting electricity conservation by its customers; and

Not applicable. The applicant uses the amount of generated power it requires for its own operations and then sells the excess to I&M. The Project does not serve any retail customers.

- ii. A statement describing the compliance of the applicant's energy conservation programs with any applicable regulatory requirements.

Not Applicable

The names and mailing addresses of every Indian tribe with land on which any part of the proposed project would be located or which the applicant reasonably believes would otherwise be affected by the proposed project.

There are no Native American tribes who have land within or near the project boundaries.

2. Information to be Provided by an Applicant Who Is an Existing Licensee

Per 18 CFR § 5.18 (c) (1) (ii):

The information specified in paragraph (1).

Refer to Section 1.

A statement of measures taken or planned by the licensee to ensure safe management, operation, and maintenance of the project, including:

The safe management, operation, and maintenance of the Project is upheld through several programs. It is French Paper Company's goal to continue safe operation at the Project while also optimizing energy production and minimizing adverse environmental and social impacts. French Paper Company provides continual safety and preventative maintenance training programs. All employees, and persons involved with the Project, are expected to familiarize themselves with, and adhere to, the Project's policies.

- i. A description of existing and planned operation of the project during flood conditions;

The French Paper Company Project is operated as a run-of-river project. Under high flow conditions strict operating procedures are followed. During high flow conditions the plant is manned on a 24 hr per day basis. Based upon an evaluation of downstream hazard the French Paper Company has been classified as a low hazard dam.

- ii. A discussion of any warning devices used to ensure downstream public safety;

French Paper utilizes warning signs, sirens, and buoys in order to ensure downstream public safety.

- iii. A discussion of any proposed changes to the operation of the project or downstream development that might affect the existing Emergency Action Plan, as described in Subpart C of Part 2 of this chapter, on file with the commission;

Not Applicable. There are no proposed changes to the operation of the project.

- iv. A description of existing and planned monitoring devices to detect structural movement or stress, seepage, uplift, equipment failure, or water conduit failure, including a description of the maintenance and monitoring programs used or planned in conjunction with the devices.

The French Paper Company Project contains the following instrumentation:

- Crack monitoring devices
- Seepage monitoring devices

- v. A discussion of the project's employee safety and public safety record, including the number of lost-time accidents involving employees and the record of injury or death to the public within the project boundary.

The employee safety record includes no lost-time accidents involving project employees during the past five years related to the operation and maintenance of the hydroelectric facilities.

- vi. A description of the current operation of the project, including any constraints that might affect the manner in which the project is operated.

Exhibit A included with the application includes a detailed discussion of the current operation of the project. There are no constraints that might affect the manner in which the project is operated.

- vii. A discussion of the history of the project and record of programs to upgrade the operation and maintenance of the project.

Since the beginning of the Project, French Paper Company has made the following improvements to the facility;

- a. Fish Ladder Construction – owned and operated by the MDNR.
- b. Spillway Repairs

- viii. A summary of any generation lost at the project over the last five years because of unscheduled outages, including the cause, duration, and corrective action taken.

Over the last five years, there have been between 3-8 unscheduled outages annually due to circumstances beyond the control of French Paper Company, typically due to power fluctuations from the electric utility. The Licensee takes appropriate measures, when necessary, to ensure generation comes back online quickly.

- ix. A discussion of the licensee's record of compliance with the terms and conditions of the existing license, including a list of all incidents of noncompliance, their disposition, and any documentation relating to each incident.

A review of French Paper Company's Project files, and the current FERC Chicago Regional Office Dam Safety Inspection (DSI) report, indicates that the licensee has complied with the terms and conditions of the existing license and that there are no outstanding compliance issues.

- x. A discussion of any actions taken by the existing licensee related to the project which affect the public.

There have been no specific actions that affect the public.

- xi. **A summary of the ownership and operating expenses that would be reduced if the project license were transferred from the existing licensee.**

Ownership and operating expenses would not change drastically if the project license were transferred. The increased cost to purchase power from I&M would roughly equal the costs associated with licensing, operating, and maintaining the hydroelectric facility.

- xii. **A statement of annual fees paid under Part I of the Federal Power Act for the use of any Federal or Indian lands included within the project boundary.**

Not applicable. No Federal or Indian lands are included within the project boundary.

3. Information to be Provided by an Applicant Who Is Not an Existing Licensee

This entire section is not applicable. The applicant is an existing licensee.