United States Department of Agriculture
Office of the Secretary
Washington, D.C. 20250

December 19, 2025

MS. DEBBIE-ANNE A. REESE
Acting Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

RE: USDA Comments on the Federal Energy Regulatory Commission (FERC) Notice of Application for Surrender of License and Non-Project Use of Project Lands, Accepted for Filing, Soliciting Comments, Motions to Intervene, and Protests; Project Number 77-332.

Dear Ms. Reese,

The United States Department of Agriculture (USDA) submits the following comments for Pacific Gas and Electric's (PG&E) Surrender Application and Non-Project Use of Project Lands, FERC No. P-77, filed July 25, 2025. The Department respectfully requests that the Commission reject PG&E's application to surrender its FERC license for Potter Valley Project dam; surrender will negatively and irreversibly impact local farmers, ranchers, agricultural producers, and local communities. Surrender will also adversely impact many of USDA's mission areas: the U.S. Forest Service (FS), the Risk Management Agency, the Farm Service Agency (FSA), Rural Development, and the Natural Resources Conservation Service (NRCS).

The proposed dam removal and cessation of project operations will effectively cut off access to the lifeblood agricultural producers need to feed the country and world: water. It will endanger a vast number of USDA-supported activities in the region. It is also apparent that it would leave families vulnerable to more droughts and wildfire. For over a hundred years, legacy farmers in Potter Valley have put this water to beneficial use after first using it to generate electricity. This has been a symbiotic relationship among farmers, power generators, and the environment.

According to the last census of agriculture, the counties of Lake, Mendocino, Sonoma, Humboldt, and Marin have a combined total of over $1.4 billion in sales of agricultural products. That is well over $4.2 billion in broader economic activity due to agriculture, if assuming a

regionally typical multiplier of $3 to $1. If the decommissioning is approved, hundreds of legacy farms and this area's rich agricultural heritage will be lost.

A. USDA Forest Service

Accepting PG&E's application to surrender its FERC license for Potter Valley Project dam will have a direct and indirect harm on National Forest System lands, including loss of recreation, grazing, and other economic and social benefits. Decommissioning of the dam is likely significantly to affect river flows, fish passage, sediment movement, water quality, fire suppression efforts, and local economies. PG&E's application lacks sufficient analysis or data related to the Department's concerns.

In the Final Surrender Application, PG&E applies the phrase "unavoidable adverse effects" across more environmental categories than in earlier drafts and points to restoration plans as mitigation measures for these adverse impacts. USDA cannot comment on these plans or assess their mitigation potential, since they have not been developed or shared. USDA reserves the right to review and comment on all additional plans (as described under Restoration Goals by Location, Surrender Application- Volume IA, Table 5-2, page 5-8) that PG&E develops. These plans must include management for the land, recreation, ground water, and off channel water sources for firefighting. The plans should also be specific to National Forest Service (NFS) lands and comply with management requirements and specific concerns with this project.

The removal of the project could have significant effects on the Mendocino National Forest and surrounding watersheds, but the actual impacts cannot be known until PG&E completes a comprehensive analysis of the resources affected, impacts to fire suppression in the Wildland Urban Interface, and resolve the issues around the Land Trust conservation easement. The Department requests FERC require PG&E, at minimum, to complete the assessments and the referenced mitigation plans, and resolve issues highlighted in these comments prior to considering approval of the surrender application.

The Department is prepared to work with FERC and PG&E to ensure NFS lands support current and future public use, compliant with FERC regulation 18 CFR 6.2, requiring a licensee to restore lands to a condition satisfactory to the supervising Department.

Forest Service project-specific comments on Pacific Gas and Electric's Surrender Application and Non-Project Use of Project Lands, FERC No. P-77, filed July 25, 2025

Under 18 CFR § 6.2, "where project works have been constructed on lands of the United States, the licensee will be required to restore the lands to a condition satisfactory to the Department having supervision over such lands." Because there are NFS lands that are affected by the Potter

Valley Hydroelectric Project (Project) and within the FERC project boundary, management of these lands post-decommissioning will need to conform to the Mendocino National Forest Land and Resource Management Plan (LRMP) (USDA, 1995).[1] In addition, the Eel River below Van Arsdale Dam is a designated Wild and Scenic River and part of the National Wild and Scenic Rivers System. The surrender application and decommissioning plan and restoration actions will need to comply with the *Wild and Scenic Rivers Act*.

The FS requests, at minimum, attention to the following, prior to approval (with review by USDA) of the surrender application:

1. Firefighting Mitigation Post-Removal of Lake Pillsbury

PG&E must provide defined mitigation measures for firefighting following the removal of Lake Pillsbury. The surrender application's analysis of dam removal impacts on fire mitigation and suppression is inadequate. The analysis relies almost entirely on two generic letters from the Forest Service and CalFire, which cannot substitute for a rigorous, site-specific evaluation. A complete and defensible analysis is required.

USDA incorporates by reference Appendix B of the report prepared for the County of Lake by SLR International Corporation (County of Lake, 2025).[2] This report clearly demonstrates that draining the lake will create significant barriers to fire suppression for the surrounding community and structures, while simultaneously increasing fire risk. PG&E cannot ignore these findings.

Accordingly, PG&E must analyze the specific impacts to fire mitigation and response and propose detailed, actionable measures. For example, PG&E's hydrological analysis (Table 2.2.3.1-7, Volume II of the Surrender Application) shows that unimpaired flows during the peak fire months are significantly reduced with a minimum flow of 0 cubic feet per second from August to November. This clearly indicates the need for off-channel water storage for fire suppression activities. PG&E should identify locations for the creation of off-channel water storage or other equivalent mitigation measure for firefighting. Such storage must be designed with appropriate dimensions for aerial resources, accessible to ground-based resources, designed to hold water year-round, and, if feasible, provide limited recreation opportunities. Less available water in the Pillsbury Basin could require more resources for fire suppression, therefore

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[1] USDA. 1995. Land and Resource Management Plan (LRMP), Mendocino National Forest. February. Available at: https://usfs-public.app.box.com/s/8cmscolggmy30qrlr0r42fm4px0l5s6y

[2] County of Lake. 2025. Impact Analysis and Adaptation Strategy Evaluation Report. Lake County Resource Assessment – Proposed Scott Dam Decommissioning. https://www.lakecountyca.gov/DocumentCenter/View/14812/Protest-and-Comments-of-the-County-of-Lake

the road systems (M1, M8, and Potter Valley County road) need to be improved and properly maintained for safe egress and ingress for responders and residents.

PG&E attempts to mitigate these impacts by highlighting all the collaborative fuel reduction work they have been done in Lake County. It should be noted that this work was done around and near the communities surrounding Clear Lake, over 40 miles away from the Pillsbury communities.

2. Land Management Plans

Develop a plan to restore the exposed lakebed, as much as practicable, to its pre-reservoir condition. This should include areas affected by removal of the dam and any recreation sites and incorporate the appropriate native plant species. Develop a plan to ensure invasive or noxious weeds do not impact the newly exposed lake bottom, areas disturbed by the removal of the dam and the removal of recreation sites and neighboring agricultural land and grazing allotments.

General goals or directions to follow should include:

i. Protect unstable areas from equipment disturbance during decommissioning process (LRMP Chapter IV-33, USDA 1995);
ii. Maintain stable slopes and prevent or reduce drawdown triggered landslides;
iii. Stabilize streambanks of Lake Pillsbury tributaries (Salmon, Smokehouse Creeks, etc.); and
iv. Replant riparian habitat and input large woody debris in stream channels.

The York Cabin **grazing allotment** overlaps with the FERC project boundary, within the streambank of Rice Fork. This allotment is typically active annually between May 16 through September 30.

Additionally, the northern border of the Pine Mountain grazing allotment (also active May 16 through September 30) runs along the banks of the Eel River between Scott and Cape Horn Dams. PG&E has not provided any analysis or disclosure regarding how the removal of Scott and Cape Horn Dams, and the draining of Lake Pillsbury and Van Arsdale reservoir may affect these grazing allotments.

Forest Service policy requires range allotment permittees to maintain a "base" property for grazing and caring for cattle during non-permitted months (36 CFR 222.3). The permittee for the Middle Creek and Elk Mountain allotments has raised concerns that removing Scott and Cape Horn dams could dry up her wells in Potter Valley, jeopardizing her ability to continue ranching and potentially disqualifying her from holding Forest Service range permits. Whether this risk is

valid remains uncertain, as PG&E has not conducted a comprehensive analysis of surface water–groundwater interactions related to the Potter Valley Project decommissioning.

3. Groundwater

There are existing groundwater wells around Lake Pillsbury, including those maintained by the Forest Service (e.g. Soda Creek Station). Groundwater-dependent wetlands exist in the basin and under the Mendocino National Forest Land and Resource Management Plan, it directs that groundwater and associated ecosystems be maintained or improved (LRMP Chapter IV-30, USDA 1995).

Reservoirs are known to influence groundwater, and draining this reservoir will almost certainly affect both groundwater quality and quantity. The well at Soda Creek Fire Station, for instance, may need to be dug deeper than it is now, in the absence of Lake Pillsbury, which is a matter of safety and fire resilience. PG&E must do more than acknowledge and dismiss these impacts. PG&E must propose real solutions for these effects.

4. Recreation

Mitigation is needed for the loss of water-oriented **recreational opportunities** provided by the current reservoir (LRMP III – 16, USDA 1995). Mitigation measures are needed for this loss and should include both water- and land-based recreation opportunities and be accessible to all members of the public.

Campgrounds: PG&E currently operates and maintains several campgrounds on NFS lands under a Forest Service special use permit. The Forest Service requested that most of these recreation facilities be returned to Forest Service management. **The following campgrounds were requested to be kept: Fuller Grove Campground, Navy Campground, Oak Flat Campground, and Sunset Point Campground, Eel River Visitor Information Kiosk, and Pogie Point Day-Use Area.** Water availability at these campgrounds needs to continue despite PG&E's conclusion that dam removal may affect the availability and offered no remediation (Surrender Application- Volume II Part 2, Geology and Soils, page 2.2.4.7-10).

B. Natural Resources Conservation Service

Accepting PG&E's application to surrender its FERC license for Potter Valley Project dam will have a negative impact on the Natural Resources Conservation Service's mission.

NRCS is a Federal government agency that helps farmers, ranchers, and forest landowners make critical investments in their operations and local communities by providing the financial and

technical assistance needed to harness America's wealth of natural resources to feed and clothe a growing world. NRCS' voluntary, locally driven, science-based conservation solutions are tailored to individual operations—helping hardworking farmers implement proven practices to ensure all of America's farms, ranches, and private lands are economically viable and thriving.

NRCS has responsibility for three major areas:

(1) Soil and water conservation;

(2) Natural resource surveys including soil surveys, resources inventory, snow surveys, and water supply forecasting; and

(3) Community resource protection and management including watershed projects, river basin studies and investigations, resource conservation and development areas, land evaluation and site assessment, and emergency watershed protection. In addition, NRCS leads the Agricultural Conservation Easement Program, Environmental Quality Incentives Program, Conservation Stewardship Program and the Regional Conservation Partnership Program. NRCS provides technical support for the Conservation Reserve Program.

NRCS has a direct and substantial interest in the outcome of this proceeding, and USDA's intervention in this action is in the public interest. The area of concern is comprised of prime farmland that is only able to produce crops if irrigation water is made available. This water is made available to farmers via the Potter Valley Irrigation District ("PVID"). Per 7 CFR Part 657, prime farmland is land that has the best combination of physical and chemical characteristics for producing food, feed, forage, fiber, and oilseed crops and that is available for these uses. Effects of the proposal on prime farmland in the affected area, including Lake, Sonoma, Mendocino, Marin and Humboldt Counties, is the foundation of NRCS' concerns with the applicant's submission. In these areas there are 306,810 acres of Prime Farmland and 172,106 acres of Farmland of Statewide Importance. NRCS has a total of 637 conservation contracts and 48 easements. NRCS total investment and assets in the affected area is an estimated $100,242,192 as of 2025.

Specific to PVID, the expected removal of the existing Cape Horn Dam would result in the cessation of diversion to PVID from the Eel River (~14,487 ac-ft on annual basis based on existing conditions) [Table 2.2.5-1. Of "Final Application for Surrender of License and Application for Non-Project Use of Project Lands]. The proposal to concurrently construct and operate the New Eel-Russian Facility (NERF) on project lands adjacent to the Cape Horn Dam would result in an estimated 7,907 ac-ft diverted under existing conditions [Table 2.2.5-1. Of

"Final Application for Surrender of License and Application for Non-Project Use of Project Lands].

This will result in 6,480 ac-ft less water for PVID on annual basis under the existing plan. The application claims that this reduction in diverted water would cumulatively benefit PVID water supply [Section 2.2.5.5.1 Water Use and Hydrology]. This claim is based on the construction of the NERF and the implementation of water supply and reliability programs and activities in Potter Valley and the Russian River. There are issues with this claim in that NERF is expensive ($50 million anticipated for construction and additional yearly operation and maintenance costs), provides substantially less diverted water, and provides the bulk of the diverted water during a time period that is not conductive to agricultural irrigation.

A further issue with the implementation of the water supply and reliability program and activities in Potter Valley and the Russian River is that it depends on groundwater sources, water conservation, and new storage capacity. Groundwater supplies are generally overdrawn within California when surface water no longer is reliable and are subject to ever-increasing reduction in use over time (through the Sustainable Groundwater Management Act) that make this alternative source less feasible than is presented in the application. Water conservation can be accomplished through demand management or irrigation delivery system efficiencies, but these actions come at an estimated cost of $206-386 per ac-ft [Potter Valley Water Supply Reliability Study, Jacobs 2025]. Given the current cost of delivered water at $35 per ac-ft [Potter Valley Irrigation District Letter Dated 6-28-2025], this practice is likely not financially viable for the average agricultural operation within the irrigation district. Additional storage capacity could offset some of the impacts of the reduction in water deliveries but is generally expensive per ac-ft prices ($466-2,400) [Potter Valley Water Supply Reliability Study, Jacobs 2025] and involve significant regulatory uncertainty and long-time frames before they could be effectively implemented.

As for timing, the estimated 7,907 ac-ft water delivery is based on diversions associated with a natural hydrograph (i.e. Late Winter/Early Spring) as opposed to current diversions that occur primarily during late spring/Summer/early fall to better align with agricultural water needs. Approximately 90 percent of water deliveries are expected to occur from January to March. [Section 2.2.5.5.1 Water Use and Hydrology]. PVID would need the ability to store that diverted water so that it could be effectively used during the irrigation season. Water deliveries are subject to curtailment associated with minimum in-stream flows [MOU Water Diversion Agreement for a new Eel-Russian Diversion Facility 2025] and the example diversion from the application uses a hydrograph from 1912-2023. The use of that reference period to calculate diversions is likely overly optimistic with regards to summer and fall water availability. Varying natural conditions in snowpack and storm activity may lead to an inability for PVID to accept the water available for diversion during the wet season due to capacity constraints and less in stream

water that could be diverted due to minimum in-stream flow requirements during the typical irrigation season. Water deliveries would be much more variable than under current conditions and lead to uncertainty that could impact agricultural operation ability to plan for planting with some degree of certainty. This would be an added cost and logistical issue for the local agricultural community. The cumulative effects could have an adverse impact on farmers in the region which could eventually impact how NRCS executes its mission as it relates to conservation works of improvement.

The *Farmland Protection Policy Act* (FPPA) applies to any "undertaking" that is subject to Federal approval and that may convert farmland to non-agricultural use (7 U.S.C. § 4201 et seq.; 7 CFR Part 658). FERC's order approving surrender of the Potter Valley Project license and authorizing dam removal and reservoir de-watering is a major Federal action that requires FPPA compliance. Additionally, should the applicant (PG&E) intend to use any Federal funds, technical or financial assistance, we would remind FERC to ensure the applicant complies with FPPA and report any impact the project may have on prime and unique farmland, and any farmland of statewide or local importance in the affected zones.

For the reasons above, the impacts on the agricultural community affected by the proposal, including Lake, Sonoma, Mendocino, Marin and Humboldt Counties, should be further studied and analyzed before any decision on the surrender application is considered. These studies should specifically look at the impacts of the reduction in water deliveries, increases in the price of water, complications associated with the shift in when water will be delivered, and diversions models based on future anticipated climatic conditions, which incorporate a reasonable range of scenarios for what the diversion rates would be under those scenarios.

Further, NRCS recommends that the impacts to the agricultural community should be offset through the implementation of mitigation measures which require PG&E to plan, build, and maintain the infrastructure associated with the "implementation of the water supply and reliability programs" that they have incorporated into the cumulative effects sections so that the adverse effects are fully mitigated.

C. Risk Management Agency

As mentioned above, the proposed dam removal and cessation of project operations will effectively cut off water to agricultural producers. Accepting PG&E's application to surrender its FERC license for Potter Valley Project dam will endanger the commitments USDA has made through the Federal Crop Insurance Corporation (FCIC) and the Risk Management Agency (RMA). FCIC and RMA manage USDA's Federal Crop Insurance Program, which provides tools to help American farmers, ranchers, and agricultural producers manage risks on their

operations. There are many types of insurance products available for a wide variety of production practices particularly in this region.

Currently, USDA crop insurance policies cover nearly $559.9 million of agricultural products in the counties most impacted by the decommissioning. Many of these crop insurance products require the producer to have irrigation, irrigation that would be likely lost upon the decommissioning of these dams. Removing access to irrigation will increase the cost to protect farmers from the inherent risk of farming. PG&E should do a thorough economic analysis on the impact the decommissioning will have on agricultural production in the region. This should include planning to mitigate the increased costs for USDA to provide risk management tools to farmers and ranchers.

D. Rural Development and Farm Service Agency

Accepting PG&E's application to surrender its FERC license for Potter Valley Project dam will endanger the investments USDA has made under Rural Development (RD) and the Farm Service Agency as well. RD offers loans, loan guarantees, and grants for businesses, housing, and utilities in rural areas. These loans finance projects including home repair, affordable housing vouchers, schools, hospitals, fire stations, and other essential services. It also supports rural water and wastewater systems, electric power generation and transmission, and broadband expansion. The Farm Service Agency offers loans to help farmers, ranchers, and agricultural producers get the financing they need to start, expand, or maintain a family farm.

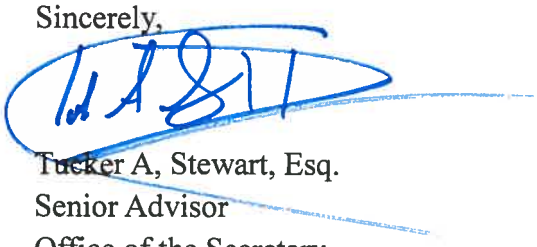
RD has active loans for over 980 projects in the surrounding area. The outstanding loan amount for these projects totals over $317.1 million, and includes business programs, community facilities, rural electric, single and multifamily housing, and water and environmental projects. Should these projects and operations reduce or fail, the secondary effects could significantly impact local and related economic activity with reduced or absent utility services, business services, and public services for areas serving millions of local residents. Furthermore, USDA has nearly $30 million in outstanding FSA loans.

Accepting the application to surrender would impact repayment of loans held by USDA. Without a plan to mitigate loan repayments provided by USDA, accepting the surrender application could leave hundreds of projects and tens of millions of dollars in default. The value of the underlying collateral will also decrease thereby threatening the USDA's ability (and therefore the taxpayer) to become whole. Loan guarantees are also subordinate to the private lender, which creates unacceptable risk for the local lending institutions. A decommissioning plan should not be accepted until PG&E conducts a thorough analysis on its impact of Federal loans and loan guarantees, including a plan to ensure the loans are repaid appropriately.

Conclusion

It is abundantly clear that PG&E's application fails to consider appropriately the elimination of water supply to local communities without viable alternatives; the negative impact that removal will have on downstream communities and agricultural producers; and the diminished capacity for wildland firefighting in one of the most fire-prone regions of the country. Unless and until PG&E addresses the aforementioned issues included in these comments, the Department respectfully requests that the Commission reject PG&E's application to surrender its FERC license for Potter Valley Project dam because of the profoundly negative and irreversible impact on local farmers, ranchers, agricultural producers, communities, and USDA equities.

Sincerely,



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