

**JUDI DANIELSON**  
CHAIR  
Idaho

**Jim Kempton**  
Idaho

**Frank L. Cassidy Jr.**  
"Larry"  
Washington

**Tom Karier**  
Washington

**Steve Crow**  
Executive Director



**MELINDA S. EDEN**  
VICE-CHAIR  
Oregon

**Gene Derfler**  
Oregon

**Ed Bartlett**  
Montana

**John Hines**  
Montana

## **Council Meeting Seattle, WA**

**September 7-9, 2004**

### **Minutes**

All were present. The meeting was called to order by Council chair Judi Danielson at 10:20 a.m. on September 7, 2004, and adjourned at 11:15 a.m. on September 9.

Melinda Eden moved that the Council meet in executive session at 10:30 am on Tuesday, September 7, and at 5:30 pm on Wednesday, September 8, to discuss internal personnel matters. John Hines seconded, and the motion passed unanimously on a roll-call vote.

Eden moved that the Council add to the agenda of the meeting a discussion of Seattle City Light issues and a discussion of federal executive issues; find that Council business requires this discussion; and find that no earlier notice was possible. Tom Karier seconded, and the motion passed unanimously on a roll-call vote.

### **Seattle City Light Issues**

**Jim Harding**

Over the last few years, the fascination with retail competition has declined, but there are still many forces of change under way, Jim Harding, director of external affairs for Seattle City Light, told the Council. The future will be hard to figure out, he said, acknowledging that "it was easier when our rates were 4.2 cents per kilowatt-hour." Now we have had a 58 percent rate increase and have taken on \$600 million in debt as a result of the 2000-2001 energy crisis, Harding noted. It will be a few years before we can restore our competitive edge, vis-à-vis the rates offered by our neighbors, he stated.

We have done some restructuring at our utility and have appointed a new advisory board, Harding reported. The board and our new superintendent have recommended that City Light take steps to "get back into a better place," he said. We will have completed a first cut at a new strategic plan by the end of the year, Harding noted. It will focus on changes in West Coast markets, regulatory changes, and on technology changes because any one of those factors "can

rock your world,” he said. If you don’t pay attention to those factors, the best 30-year power plan in the world can’t help you, Harding added.

It is clear that we have to do strategic integrated resource planning, at least for the five-to-seven year time frame, he stated. If you think you can be confident about anything beyond that, “I think you’re dreaming,” Harding said.

He listed three “other issues we pay attention to regularly.” The first is FERC. We thought that Standard Market Design (SMD) was ill-suited to the Northwest, but FERC is still working on things that may resemble SMD, Harding said. The second is the long-term role of Bonneville in power supply and transmission. We generally support the position the Council has outlined for the role of Bonneville, Harding said. We’ve been on the sidelines in the Grid West debate, but we are concerned about the FERC issues related to it, as well as about “scope creep,” he stated. Whether it is driven by regulators, staff, or an independent board, “these organizations can get fat fast,” Harding said, adding “the record of the California ISO is instructive in that regard.”

We pay attention to the California market because it drives the entire West Coast market, he continued. Its structure is changing, but no one knows exactly to what, Harding said. But since we have to sell into it and buy from it, we have to understand its structure and pricing, he added.

Karier asked whether City Light’s rate increases would reduce its debt, or “will you be saddled with it for a long time?” Our goal is to get “good and healthy” by 2011 -- we’re hopeful that by then we can pay it off, given persistent high natural gas prices and the fact we are a utility that is generally surplus, Harding replied.

What forces in California are you watching that would affect the Northwest, and what can we do about it? Gene Derfler asked. The answer to the second question is “nothing,” responded Harding. I fear that many of the current initiatives in California are well-intentioned, but incompatible, he said; for example, the legislature and the governor are on different pages on the issue of future retail competition. There is also the question of choice for different types of customers, and the outcome of that is uncertain, Harding noted. The California Public Utilities Commission has a resource adequacy process under way, but it’s difficult to do that if you don’t know who your customers are, he commented.

The California legislature has passed a Resource Portfolio Standard, which increases the fraction of electricity that needs to be met by renewables, and FERC is implementing a new market design in California, which is similar to the SMD, Harding explained. The combination of all these things is very complicated, he stated. We don’t know who the customers are, what renewables will be relied on, and how that will contribute to resource adequacy, Harding said.

Regulators and legislators can do what they want, but if Wall Street isn’t convinced, there’s a problem, he stated. That suggests “increased volatility, uncertainty, and general malaise,” according to Harding. “It’s politicians demanding too many incompatible things from the electric sector,” he said. It’s not a market structure that makes me confident, Harding added.

What is your resource mix? Bartlett asked. We are almost all hydro, except for a share in a CT and “a good chunk” of Stateline wind, and we own most of our generation, replied Harding. If your planning process is looking at five-to-seven years, does that mean you are only looking at short-term resource acquisitions? Hines asked. Our investment in wind is a long-term

investment, and we invest a lot in our distribution system annually, Harding replied. We are also looking at technologies that may emerge downstream, such as fuel cells in automobiles and more advanced photovoltaic technologies that can be integrated into building structures, he said. I'm uncomfortable with going beyond the five-to-seven years because these technologies "can change the industry overnight," Harding noted.

Do you see a problem with the way the existing transmission system is operated? Hines asked. Yes, I want the solution tailored exactly to the problem, replied Harding. We have followed the industry discussion groups that are trying to get to the bottom of the problem, he said. Most transmission issues need to be solved before Grid West comes into operation, and Grid West won't be operational until 2007, Harding stated. Bonneville and the Council can play a major role in resolving the issues, he said. The Council's ability to lead in the region will improve if you persuade utilities that you understand the positions they think they are in, Harding concluded.

### **Reports from Fish and Wildlife, Power and Public Affairs committee chairs:**

Ed Bartlett, chair, fish and wildlife committee; Jim Kempton, chair, power committee; and Larry Cassidy, chair, public affairs committee.

Ed Bartlett, chair of the fish and wildlife Committee, reported the committee discussed the Northeast Oregon Hatchery Spring Chinook Master Plan, noting that the project would come before the full Council in October. He said the committee heard a status report on the subbasin plans and discussed holding a symposium on mainstem evaluation issues. Only a few comments were received on the Artificial Production Review and Evaluation (APRE) issue paper, Bartlett noted. Other topics discussed included the Pacific Northwest Aquatic Monitoring Partnership (PNAMP) and the fish habitat protection concept, he said.

Jim Kempton, chair of the Power Committee, said the committee discussed the draft of the Fifth Power Plan, in preparation for bringing that draft before the full Council for a decision on its approval and release at a special meeting on September 22. He suggested the Council meet in person on September 22, rather than taking the action by phone.

### **1. Status report on Bonneville long-term fish and wildlife funding agreement:**

John Ogan, senior counsel; Doug Marker, director, fish and wildlife division.

Bonneville has decided to begin its rate case workshops in January, instead of September, so that gives us more time to work on completing the long-term fish and wildlife funding agreement (MOA), staffer Doug Marker reported. We are working with subbasin planning coordinators to get cost estimates of what each subbasin requires to carry out its plan, he said.

Last week, staff put out an MOA strawman, Marker noted. The strawman is limited to the direct fish and wildlife program, excludes Bonneville's fish and wildlife program support costs, discusses a mechanism to manage to a funding average, and offers the concept of not separating capital and expense funds, he explained.

We will meet with Bonneville and others to get their comments on this “starting-point” document, Marker indicated. We’ve been working with utility representatives and have benefited from their active involvement in this, he noted. Everyone shares the common objective of having an agreement with accountability, transparency, and aimed at good management and program effectiveness, Marker said. The change in the rate case schedule also allows us time to analyze any new funding requirements for Bonneville in the new BiOp, he added.

Hines asked if the discussions are focused on getting enough funding to reach recovery goals or ESA goals. It’s the same tension as we’ve always seen, between listed and non-listed species, between fish and wildlife, and the like, replied Marker. The Council has to balance and integrate these concerns, he added. We need to make sure the balance isn’t tipped toward one aspect of our program over another -- we need to maintain the right level of tension, commented Hines.

## **2. Report on subbasin plan review, proposed adoption schedule and possible contracts approval:**

Lynn Palensky, subbasin planning coordinator; John Ogan; and Peter Paquet, manager, wildlife and resident fish.

Staffer Lynn Palensky explained that staff had reviewed all the subbasin plans and the comments received on them and recommends placing the plans into one of three tracks: plans that have no significant issues that would prevent them from being adopted; plans that need significant improvement before they can meet the standards for adoption; and plans that are incomplete or inadequate and require substantially more work. Staffer John Ogan described the types of issues that bear on the adoptability of the plans, such as lack of linkage between strategies and limiting factors identified in plan assessments, inadequate monitoring and evaluation (M&E), and artificial production strategies not integrated with other elements of the subbasin plan. He said for artificial production activities to be adequately addressed in the subbasin plans, staff recommends that hatchery production be aligned with natural fish production, as well as with existing and future subbasin habitat restoration efforts.

Larry Cassidy expressed concern about the staff recommendations on aligning artificial production with natural fish production and how they would affect existing hatcheries and salmon recovery efforts. He said an upcoming federal policy change with respect to hatcheries would likely complicate matters further. The challenge is to determine how the hatcheries can better integrate with the subbasin plans, said staffer Bruce Suzumoto. We want to see how well existing artificial production programs can align with what we are trying to accomplish in the subbasins, he stated. They won’t align perfectly, and there will be a give-and-take, Suzumoto acknowledged. In the next phase of the APRE, we want to try to clarify these issues, he said.

This is an impossible task, commented Gene Derfler. There are all these hatcheries in existence, and then “we come along with subbasin plans that don’t match,” he said. It seems almost impossible to blend all of this, Derfler stated.

We will try to use the APRE, and we may not succeed in the short term -- it will take time, said Ogan. Cassidy predicted there would be some confrontations with Alaska over policies on hatcheries. There are some real sticky issues coming up, he said.

Ogan said staff recommends that individual subbasins wait for guidance from the regional PNAMP effort, rather than trying to beef up their own M&E in each subbasin at this time. I don't understand how PNAMP will solve a local M&E issue -- I'd like to see more on how that connection will be made, said Cassidy.

Are we looking at percentages to be spent in each of these categories, or are we just putting all this together without information on funding? Derfler asked. I've heard concerns expressed about the M&E budget -- that's why we want to step back and regionalize this function, replied Ogan.

Palensky described the proposed schedule for adoption of the plans, pointing out that each subbasin has been requested to prepare a draft budget to fund the statement of work for its plan. The first track of subbasin plans would be brought to the Council in October for adoption as drafts, she said. After hearings and a public comment period, the goal is to have the Council adopt them as final plans in December, according to Palensky. The target for the second track of plans is final adoption in February of next year, and for the third track of plans that need to go through a fix-it loop, we haven't adopted a timeline, she said.

Kempton asked about funding for the subbasin work. There is about \$770,000 left over from the budget that can be spent for the "response loop," Palensky said. All of our subbasin contracts have expired, and we are still processing final invoices, she noted. We'll know in a month or so whether we have any additional funds to use, Palensky added.

Will the ISRP evaluate any plans again or is their job done? Karier asked. We think their job is mostly done, replied Ogan, but he noted there might be a need to use the ISRP with respect to the handful of plans that need more work.

Staffer Peter Paquet presented a request for additional funding to assist subbasin planners in the coming weeks. He explained that many subbasins used the EDT model, operated and maintained by Mobrand Biometrics, as their primary aquatic assessment tool for subbasin planning. Staff believes it will be critical for subbasin planners to have access to their assessment data during the response period, and this additional funding would allow the planners to do that, Paquet said. It would not permit planners to carry out new analysis using the EDT model, he added.

Bartlett moved that the Council authorize the Executive Director to negotiate a contract with Mobrand Biometrics, Inc. in an amount not to exceed \$30,000 to continue to manage and provide access to EDT subbasin planning assessment data, and to provide the final corrected data sets to the Council. Eden seconded, and the motion passed unanimously.

There has been a lot of data created through subbasin planning, but we don't have a long-term system designed to make it available, commented Karier. We should explore finding a more centralized location for the data base and a way to provide Internet access to data from all the entities that are developing data, including EDT, StreamNet, DART, and others, he said. Danielson asked and received from the Council a "head nod" of approval of the approach staff is taking to handle the issues identified in the review of the subbasin plans and of the three-track schedule for adopting the plans.

### **3. Report on rolling provincial review implementation 2001-2003:**

Rod Sando; and Tom Iverson, Columbia Basin Fish and Wildlife Authority.

Rod Sando, director of the Columbia Basin Fish and Wildlife Authority (CBFWA), presented a report on fish and wildlife projects funded through the Council's rolling provincial review from 2001 to 2003. When I took this job, people were saying of the fish and wildlife program, "we don't know what we are getting for the money," he said. Now we can show you, Sando stated. This is the first time there has been such a benchmark report -- there have been a lot of accomplishments, and "we're proud of what we've done," he said.

Tom Iverson of CBFWA gave an overview of the document, noting this kind of report "had never been done after 26 years of funding." He explained how information for the report was collected and what it covers. For example, it compiles and displays Bonneville funding for the Columbia River Basin in FY 2001-2003 (\$433,650,539 total); BiOp funding by province; how the Council's project recommendations match up with actual Bonneville spending; the types of projects funded; Bonneville spending by province; and the locations of funded and unfunded projects. Information on accomplishments came from CBFWA project reviews and information provided by project sponsors, Iverson said. This report presents information for about 30 percent of the projects funded, he noted, adding that next year's report will cover the remaining projects.

This is an impressive amount of work -- you did a great job, commented Karier. We welcome comment and feedback on this report, Iverson said, noting it is available on CBFWA's website.

### **4. Presentation on avian predation in the mid-Columbia River Basin:**

Dr. Julia Parrish, University of Washington; and Tracy Yount, Chelan County Public Utility District.

Tracy Yount of Chelan County PUD explained that the PUD has a Habitat Conservation Plan aimed at achieving a 100 percent "no net impact" standard for fish species affected by their dams. People have been asking us about our predator control program, and in the past, we relied on old indicators like finding PIT tags on islands and observations of birds eating fish, he said. We realized that we didn't have rigorous scientific information to back up our predator control program, Yount stated. We needed to know more about the impact of avian predators on salmon and steelhead in the Mid-Columbia region and what might be done about it, he said. Our commissioners approved a three-year study of the situation as a way to protect a least-cost tool we can use to improve salmon survival, Yount stated. We will use the information from the study to fine-tune our avian predator control program, he said.

Dr. Julia Parrish of the University of Washington, who managed Chelan's study, said the third season of data collection had just concluded, and that she would present its preliminary results. She noted that the number of birds being taken lethally in the region has gone up dramatically each year. By 2000, it was about 6,000 birds, and most were gulls, Parrish reported.

The purpose of our study was to determine which birds consume salmon, how abundant those birds are, and to design adaptive management tools to manage the predation on fish, she explained. We collected information on birds at the dams and along the reaches, and we satellite-tagged birds to determine their residency, Parrish said. We dissected lethal-control

carcasses to see what the birds had been eating and estimated total salmon consumption in the summer season, she noted.

We found that while double-crested cormorants and Caspian terns are “salmon specialists,” their numbers are low, and they are not present in the system during the peak of salmon smolt outmigration, Parrish said. Caspian terns are more of a problem in the lower Columbia, she noted.

We found that mergansers do not target salmon, but they are the only bird species that is always present in the system, and they are the only bird that nests on the river, Parrish reported. Gulls come later in the season after most of the smolts have outmigrated, she said. Overall, gulls are the most abundant birds in Chelan County, followed by mergansers, according to Parrish. Terns and cormorants are not a problem, unless their populations start going up, she said.

Mergansers and gulls are the threat in Chelan County, Parrish stated. Habitat is key to solving the problem, she suggested, pointing out that 80 percent of the fish are consumed along the river, not at the dams. Mergansers prefer to forage around riprap, a habitat that juvenile salmon prefer, Parrish explained. Gulls like to hang out around parks, she said. We think solving the avian predator problem is possible using a “tool-box approach,” Parrish stated. Riprap and park habitats could be modified to make them less attractive to mergansers and gulls, she suggested.

We also recommend “smart lethal control,” Parrish continued. For example, 40 percent of the salmon and 99 percent of the steelhead are consumed early in the season, so you could “adjust the dial” between lethal control and hazing between the early and late parts of the season, she said. With smart control, policy decisions would set the allowable predation ceiling, science would be used to set lethal control thresholds to augment behavioral control (such as hazing to modify habitat), and monitoring would keep track of results, according to Parrish.

She pointed out that gulls eat a lot of Northern pikeminnow, which means birds can be a help, as well as a problem. Birds are taking out more pikeminnow than people are, Parrish said.

As for the entire Columbia Basin region, she recommended increasing the “non-lethal toolbox” and doing a region-wide study of avian predator diets. We also need to do a regional assessment of bird distribution and abundance on the river, Parrish said. Concentrating on the dams doesn’t get us to where we need to be, she stated.

Hines asked how mortality increases for one species can affect the numbers of other species. It’s a complex question, Parrish replied. The merganser population is healthy and increasing, but we can’t yet tell where the gulls, and to some extent, the terns are coming from, she said. It could be “NIMBYism,” Parrish noted, meaning “if birds are hazed in Chelan, will they just fly down to Grant County?” Also, we need to get a handle on whether we are shooting ourselves in the foot by taking out birds that eat pikeminnow, she added.

Do you look at all non-lethal deterrents? Karier asked. We’ve studied wires across the dams, and they can be effective for some birds, but not others, replied Parrish. But our study says that most predation is happening off the dams, so putting in those kinds of measures at the dams may not be important, she added. “Kudos to you and to Chelan County for doing this study,” Larry Cassidy said.

## **5. Presentation on the Hanford Reach fall chinook protection program:**

Joe Lukas, assistant general manager for operations, Grant County Public Utility District.

Joe Lukas of Grant County PUD explained a new agreement for the protection of Hanford Reach fall chinook that went into effect this spring. He recounted the history behind the agreement, including the Vernita Bar agreement and the seven years of studies that have been done. The new agreement covers all the protection activities that were in the Vernita Bar agreement and adds a new operation to protect fish during the rearing period from March to June, Lukas said.

He described the stranding studies the PUD conducted in 1997 and 1998 that resulted in experiments to develop operations to provide protection for rearing fall chinook fry. From 1999 to 2002, Grant tested three scenarios: maximized peak power production, actual flows, and the proposed program to protect rearing fry, Lukas explained. We found that the proposed program reduced habitat impacts by up to 80 percent, compared to unrestricted operations, he said.

Besides Grant, Chelan, Douglas, and Bonneville, other signatories are NOAA Fisheries, the Washington Dept. of Fish and Wildlife, and the Colville Confederated Tribes, Lukas noted. The operations under the agreement address fry stranding and entrapment using flow fluctuation limits and four weekends of minimum flows in the peak rearing period, he said. “It’s a fairly complex use of the seven-dam system to make these minimum flows work,” Lukas stated.

This year, we started rearing operations March 21 and ended June 12, he explained. The weekend minimum flows were very successful and were in place April 24 to May 16, Lukas said. We met the constraints effectively 80 of 84 days, and on an hourly basis, constraints were met over 97 percent of the time, he pointed out.

Over the past decade, we’ve been very successful in protecting redds, Lukas told the Council. Hanford Reach average escapements have nearly doubled, he noted. And we feel good that after seven to eight years of studies and negotiations, we’ve been able to get a long-term agreement, Lukas added. This is a significant change for Grant County, and we’re glad to see it, commented Cassidy. “It’s a job well done,” he added.

## **6. Presentation on Bonneville’s Pisces Project Management Data System:**

Stefan Vetowich, business analyst, Bonneville Power Administration.

Stefan Vetowich of Bonneville reported on the agency’s progress in developing the “Pisces” Project Management Data System. Bonneville decided against using the “Prism” software to help project managers track and manage fish and wildlife contracts and projects and instead will use Pisces, he said. Vetowich demonstrated how the system works and the kinds of information it provides and said that Pisces would be updated every day. The target date to have the system up and running is October 15, but there are quite a few things left to be done, like adding GIS functionality, Vetowich noted.



Cassidy asked about the budget for this effort, and Greg Delwiche of Bonneville said the project is under budget. Can you track project overhead costs using this program? Melinda Eden asked. We don't currently do that, but we're working toward it, replied Scott Hampton of Bonneville.

Bill Maslen of Bonneville gave an update on Bonneville's intention to require "metrics" for fish and wildlife projects, noting that he will provide more information to the Council in October. We have been working hard to link metrics to work elements of projects, and we will include metrics in the 2005 contracts, he reported.

A project reporting system is about to be put in place that is based on metrics, stated Karier. The 2005 contracts will now require projects to provide information on what they are developing and report results to Bonneville and the Council, he said. Regional managers need to provide input as you develop this because whether it works will be up to them, Karier added.

## **7. Council decision to approve Pacific Northwest Aquatic Monitoring Partnership charter:**

Steve Waste, manager, special projects.

Staffer Steve Waste explained the Pacific Northwest Aquatic Monitoring Partnership (PNAMP), a voluntary effort by a variety of state, tribal, and federal entities, to facilitate policy coordination across existing monitoring programs and create or enhance technical products. He said the Council has received a request to sign a charter for PNAMP and that the charter is a way for PNAMP to evolve from an ad hoc, technical working group into a more formal group with staff support. Bartlett noted that the fish and wildlife Committee supports PNAMP and the Council signing the charter. He also suggested that the state of Montana become one of the signatories.

Will the Council fund the administration of this organization? Kempton asked. No, the intention is to seek other federal funding, replied Marker. Steve Waste's time has been the Council's contribution to PNAMP thus far, he said. There has been work to secure funding through the Federal Caucus, Marker added.

Eden moved that the Council join the Pacific Northwest Aquatic Monitoring Partnership by authorizing the chair to sign the charter. Karier seconded, and the motion passed unanimously.

## **8. Briefing on analysis and action plan for the Fifth Power Plan:**

Dick Watson, director, power division.

Staffer Dick Watson reported on recent analyses the staff conducted in response to questions raised by utilities and others about the treatment of several issues in the draft Fifth Power Plan. The first is the treatment of independent power plants (IPPs). There are about 3,000 aMW of IPP generation not currently committed long-term to regional load, he said. Our previous assumption was that the IPPs would dispatch at operating cost, and the region's consumers would get the benefit of the plants, Watson explained. "That's nice work if we could get it, but the reality is different," he commented.

Now the plan will assume that IPPs will dispatch at market price, and that the net value of the power generated will accrue to the owners of the plants, not to the region, Watson said. “This changes the assessment of the attractiveness of new generating capacity and results in least-risk plans that are more consistent with recent integrated resource plans of utilities in the region,” according to a staff memo.

The reality is that there will probably be “some combination of the purchase of IPP generation and new builds,” Watson stated. The effect of the revised treatment of the IPPs on the plan’s portfolio analysis is to bring in 400 MW of coal, some limited amount of single-cycle combustion turbines (CTs), some combined-cycle CTs late in the period, and wind would come in later (2011, instead of 2009), he pointed out.

We have also revised natural gas prices upward in the draft plan, Watson reported. The forecasts are substantially higher in the near term and also the long term, and the range of forecasts is wider, he noted.

As for coal prices, we met with coal resource developers and reviewed our data, and our conclusion is that our current data is an adequate representation of Montana coal, using unallocated transmission capacity at embedded cost rates, Watson explained. This is true for the first 400 MW of Montana coal, he noted. There is a great deal of controversy within the transmission community about the cost of upgrades to bring in more coal, Watson said.

We have revised the supply curve for “discretionary” conservation in the draft plan, he reported. We found we had left out 350 MW of industrial conservation, Watson said. The plan will continue to assume a limit of 30 aMW of discretionary conservation per quarter, but a longer phase-in period before we can capture the full potential for lost-opportunity conservation will be assumed -- 12 years, instead of six years, he noted. The Power Committee recommends this level of conservation in the plan because there is substantial long-term benefit, we’ve done that much in the past, and we have new capabilities we didn’t have before, Watson said. In addition, many of the region’s largest utilities, such as Puget Sound Energy, Seattle City Light, Snohomish PUD, the Oregon Energy Trust, and EWEB, are planning to acquire at about that level, he stated.

The Power Committee also recommends that the draft plan focus toward the least-risk end of the frontier of potential power plans, rather than the least-cost end, Watson continued. The action plan doesn’t change a lot when you go from least cost to least risk, he noted.

Watson said staff sensitivity analyses tested PacifiCorp’s CO2 assumptions and found that they had no significant effect on the plan. We are still analyzing changes in wind integration costs, coal gasification, Alberta oil sands cogeneration, and incentives for the DSIs, he indicated. If Bonneville provides some amount of lower-rate power to the DSIs, it will affect how much DSI production there is in the region, Watson added.

Staffer Tom Eckman said the draft action plan calls for about 130 to 150 aMW of conservation to be achieved over its first five years. That would reduce system cost by up to \$2.5 billion and increase conservation achievements by 10 percent, compared to 2001-2002, he noted. Our estimate of the five-year cost of this to the utility system is \$1.35 billion, slightly less than expenditures in 1992-1996, Eckman said. To accomplish this will be a significant challenge, but several major Northwest utilities are planning for that level of conservation, he pointed out.

To achieve the conservation targets, the Council would launch a process to develop a strategic conservation plan, including determining Bonneville's role, immediately after the adoption of the power plan, Eckman stated. Aggressive utility action will be needed, and Bonneville can play a key role, as can improvements in federal and state codes and standards, he said. There's a need to increase the budget for market transformation from \$20 million per year to up to \$35 million and to make regional investments of about \$5 million to \$10 million per year in "infrastructure," according to Eckman.

We need improved mechanisms for regional reporting of conservation accomplishments, and we need to address regulatory barriers, he went on. If utilities are unwilling or unable to pursue this level of conservation, we should consider a System Benefits Charge, Eckman said. He also said there is a need to avoid conservation disincentives in the design of Bonneville's allocation, stating "we want to make sure Bonneville doesn't disadvantage utilities that are doing aggressive conservation."

The action plan calls for developing 2,000 MW of demand response by the end of the planning period, and by 2009, being prepared to begin construction of 400 MW of coal, Eckman continued. Wind energy would play a large role later in the planning period, and gas-fired generation would come on in the last seven to eight years, he said.

We need to develop a cost-effectiveness methodology for demand-response programs, and such programs should be incorporated into all utilities' integrated resource plans, Watson stated. We should explore how to make pricing mechanisms more acceptable and the question of permitting demand response to participate in ancillary services markets, he said.

Staffer Jeff King discussed how the plan addresses renewables and cogeneration projects. There are still uncertainties about developing as much wind as the plan recommends, he noted, suggesting that utilities that are developing wind projects in the next five years could help the Council by providing information from those projects on shaping costs, capacity values, and performance trends.

We need to establish West-wide reporting and "voluntary standards" for resource adequacy, said Watson. We think it should be high priority to work through the Grid West Regional Representatives Group to resolve transmission issues over the next two years, and the region still needs to define the future role of Bonneville, he stated. We hope at your meeting on September 22 that you will approve release of the draft plan, Watson told the Council.

My perception is that most of the concerns that were expressed about the draft plan recently have been addressed, said Ed Bartlett. I'm still concerned the plan is too optimistic on conservation, but I support "pushing the envelope" on conservation, he added. Our goal now is to get a good draft released -- all the matters don't have to be resolved, Bartlett said.

Because conservation is a difficult issue, it will be important to set a mechanism in place and define Bonneville's role quickly, said Jim Kempton. We will track how well targets are being met, and if things are not working out, we'll address what needs to be done, he stated. We've strengthened the description of that process in the draft plan, Kempton added.

This plan represents the Council's response to the aftermath of the energy crisis -- we are putting together a future scenario to ensure we avoid what we went through then, said Karier. People are

still digging out from the energy crisis, and part of doing that is risk management, he stated. The Council's plan is good on risk management, Karier commented. Utilities are doing integrated resource plans, and they are finding that the least-cost resources are conservation and renewables, along with thermal plants, he stated. And people are looking for regional solutions to adequacy -- individual utilities can't do it alone, Karier said. I think the plan responds to all these needs, and it's exciting, he added.

This plan is good enough to start the regional dialogue, said John Hines. There are some strong issues in the document, and I'm anxious to see what the response to them will be, stated Danielson.

## **Draft Biological Opinion (added agenda item)**

### **Federal Agency Representatives**

Bob Lohn of NOAA Fisheries and a trio of other federal agency representatives beamed in by phone to report that a draft of the new BiOp is now available and posted on the [salmonrecovery.gov](http://salmonrecovery.gov) website. We have released the draft to elicit comments from the states and tribes, who are the co-managers of the resource, and we'll be receiving those comments until October 8, he said. Lohn recounted the history leading up to the new BiOp, noting that Judge Redden found the 2000 BiOp lacking due to uncertainty about whether salmon protection actions to be implemented by non-federal entities would actually occur.

The 2004 draft BiOp includes greater detail on specific proposed actions of the federal action agencies to improve salmon habitat, expand the use of predator control programs, and use a safety-net hatchery program, he said. Many of these actions will be implemented through contracts with non-federal entities, Lohn noted. The actions in the draft BiOp are guided by updated scientific findings about the biological needs of individual salmon species, what would address those needs, and better ways to measure the progress of implementation, he told the Council.

Lohn said the 2000 BiOp contained a list of 199 "Reasonable and Prudent Alternative" (RPA) actions needed in order to operate the federal Columbia and Snake River dams to avoid jeopardy to the listed fish. The new BiOp incorporates many of the successful RPAs and acknowledges that some have already been completed and that others must be adjusted to account for new data and science, he explained. The draft BiOp is more performance-based and focuses on results, and it includes numerous research and monitoring efforts to track the effectiveness of actions intended to improve survival, Lohn noted.

He said the new BiOp applies Endangered Species Act (ESA) standards that focus on the precise effects of a proposed action in a particular area, compared against the environmental baseline, whereas the 2000 BiOp applied the standards using a method based on expected, though not certain, future actions occurring within the entire range of the listed species. We are not ignoring the existence of the dams, but legally we are focused on the effects we are being asked to focus on, Lohn stated.

The 2004 draft BiOp evaluates proposed hydro system, predator control, habitat, and hatchery actions by the agencies and finds those actions provide sufficient protection to avoid

jeopardizing the continued existence of the species, he said. Specifically, Lohn noted, there's a new proposal for how the hydro system is configured, and NOAA Fisheries expects that scheduled modifications of the dams will continue to improve juvenile fish passage and survival throughout the system within the next 10 years.

He cited the aggressive schedule to install Removable Spillway Weirs (RSWs) and the corner collector at Bonneville Dam's second powerhouse as examples of the passage improvements envisioned. Among the expected benefits of these improvements are achieving fish passage with much less spill and increased fish survival, Lohn said. The fact is that "passage through a spillway is a far from happy experience for juvenile fish," he added.

Other actions to avoid jeopardy include an expanded set of measures to control bird and fish predators that eat juvenile salmon throughout the system, including Caspian terns and the Northern pikeminnow, Lohn explained. The new BiOp calls for continued implementation of tributary and estuarine habitat improvements and the safety-net artificial production program for Snake River sockeye as a critical hedge against extinction and a conservation tool, he said.

Lohn pointed out that the BiOp by itself is not the federal salmon recovery plan. It is a specific response to a specific legal test, he said. There's a lot more going on with salmon recovery in the Columbia River Basin, and we remain committed to a 4-H approach, Lohn stated. The Council's subbasin plans are an important foundation for our effort and for salmon recovery in the Northwest, he said.

As for funding, the Administration is strongly committed to Northwest salmon recovery, Lohn told the Council. The president's budget for FY 2005 calls for about \$600 million for Columbia River Basin salmon funding, he said. This amount includes appropriated funds from the departments of Defense, Interior, Commerce, Agriculture, and the Environmental Protection Agency, in addition to ratepayer funding from Bonneville, bringing the total federal government commitment to Northwest salmon recovery to at least \$6 billion over the next 10 years, according to Lohn.

The remand of the BiOp has allowed us to get more clarity on what we are seeking to accomplish, said Steve Wright of Bonneville. The analytical approach in the new BiOp responds to the judge's order, and it moves us forward to performance standards, he stated. The new BiOp will help us target our efforts and improve cooperation among the federal agencies, Wright said.

There will be only modest changes on the river, he told the Council. The new BiOp will include all the actions in the old one, with one change -- the reduced use of transportation in low-flow years in April, Wright noted.

As for summer spill, it remains an open issue in this BiOp, he said. We will look at alternatives to summer spill with a commitment to seeking the same or better biological benefits, Wright added. We have modified some of our actions with respect to habitat in order to give those actions more specificity, he explained.

Our expectation is that there will not be significant changes in the overall costs to Bonneville ratepayers, Wright said. There will be some modest increase in costs related to habitat actions, he stated.

Witt Anderson of the Corps of Engineers said that NOAA Fisheries had done a very good job on the analysis for the new BiOp. It represents the best science and has allowed the federal action agencies to “hone and focus” their activities, he stated. We are looking forward to hearing the comments from the states and tribes in the next 30 days, Anderson added.

Tom Karier asked about the 199 RPAs. We are not carrying all the RPAs across, but the specific measures for hydro system operations will stay the same, replied Wright. Karier asked if the proposed actions in the new BiOp would have the same legal certainty as the RPAs. The legal effect is essentially the same, Lohn replied.

It’s unusual to issue a draft of a Biological Opinion, Lohn noted. The reason we are doing it is to seek input and advice from the co-managers, the states and tribes, he said. The Council, through its fish and wildlife (fish and wildlife) program, has a key role to play, and we welcome comments on the draft from the Council, Lohn stated. “You will be getting advice from us,” Council chair Judi Danielson responded.

## **9. Presentation on draft Columbia Basin research plan –**

Steve Waste, manager, program analysis and evaluation.

Waste presented an update on the draft Columbia River Basin Research Plan. He said he had made revisions to the draft plan based on comments from Council members, staff, and other resource managers. Two sections of the plan have been updated based on reports of the Independent Scientific Review Panel (ISRP), Waste reported. He explained how the research recommendations in the subbasin plans will be coordinated with the draft research plan. Waste presented a proposed schedule for completing the research plan, which calls for a public review period in October, additional scientific review, and adoption of a final plan in March 2005.

This is important work, and it has been several years in the making, said Karier. We spend tens of millions of dollars a year for research, and up until now, we haven’t had an umbrella plan to organize basinwide research, he stated. This gives us a great vehicle for that, and I encourage it, Karier said. Steve has reached out to groups the Council hasn’t worked with on research before and has helped build a stronger relationship with the Corps, noted Marker. It’s a more comprehensive approach than the Council has been able to do in the past, he said.

## **10. Council decision on letter to Congress regarding Corps of Engineers Anadromous Fish Evaluation Program (AFEP):**

Steve Waste, manager, special projects; and Mark Walker, director, public affairs division.

Waste presented information on a proposed letter from the Council to the U.S. Senate Committee on Appropriations, Subcommittee on Energy and Water Development, regarding the ISRP’s review of the Corps of Engineers’ Anadromous Fish Evaluation Program (AFEP) for 2004. He explained the purpose of AFEP and pointed out that the ISRP review provided the opportunity to ensure that AFEP proposals receive a similar level of scrutiny for scientific soundness as do the Council’s fish and wildlife project proposals.

Waste reported that he had met with Corps staff and had suggested that they put their research plan in writing, and they agreed to do so. Are we getting into a fight between the Corps and the Appropriations Committee as a result of anything that is said in this letter? Bartlett asked. No, the letter is quite neutral, replied Waste. It doesn't make any funding recommendations and doesn't contain anything that would raise any issues with the committee, he added. Cassidy noted that the letter refers to the 2000 BiOp, despite the fact the new BiOp is about to be released. He suggested delaying sending the letter until after the new BiOp comes out. I agree, said Kempton. Referencing the wrong BiOp in the letter lets someone argue in court that the Council is less than current in its recommendations, he said.

Congress is looking for reassurance that the Corps' review of projects is sufficiently rigorous to comport with the Council's process and has given us an opportunity to forge a stronger link with the Corps' research program, Waste said. Hines said the letter "is basically a history lesson" and doesn't give an indication of Council policy. The letter should indicate if the Corps is on the right path or whether there are deficiencies, he suggested. I agree, our key recommendations should be right up front in the letter, said Karier.

The letter should mention the provisions of the Northwest Power Act that call for cooperation with other agencies, suggested Kempton. Waste said he would redraft the letter and circulate the new version to Council members.

## **11. Presentation on Caspian tern management in the Columbia estuary:**

Bob Willis, and Geoff Dorsey, U. S. Army Corps of Engineers Portland District.

Bob Willis of the Corps of Engineers kicked off a presentation on the agency's draft EIS that deals with relocation of some of the Caspian terns that nest on East Sand Island in the Columbia River estuary. This is not a dredging issue, it's a question of habitat, and it's not just terns, there are other birds preying on juvenile salmonids in the estuary, he said.

Geoff Dorsey of the Corps reported that in 2003, Caspian terns ate 4.2 million juvenile salmonids, while double-crested cormorants ate 4.8 million. Cormorants are becoming more significant, and more research on them is needed, he said. The Caspian tern population has seen "a significant jump," Dorsey noted. East Sand Island had 8,325 pairs in 2003, and this year's estimate is 9,200 pairs, he said.

When we developed the habitat at East Sand Island and moved the bulk of the Caspian tern colony there in 2001, we saw a drop in the consumption of juvenile salmonids because the new location cut down on consumption and because good ocean conditions created an abundance of prey resources for the birds, Dorsey noted. But if ocean conditions change, we'll see juvenile salmonid consumption substantially increase, he predicted.

The goal of the preferred alternative in our draft EIS is the redistribution of the Caspian tern colony at East Sand Island, specifically to ramp down the population to 2,500-3,125 pairs by reducing habitat acreage gradually, Dorsey explained. We'll redistribute the terns to other locations in Washington, Oregon, and California, he said. The Corps will continue to prevent Caspian tern nesting on other dredged-material islands in the upper estuary, and the U.S. Fish

and Wildlife Service (USFWS) will permit us to take eggs if our initial hazing activities fail, Dorsey pointed out.

We estimate EIS implementation costs to be \$3.25 million to save 3.87 million to 4.28 million juvenile salmonids, he said. In comparison, he pointed out that the 2000 BiOp called for hydropower measures that would save 2.15 million juveniles at a cost of \$865 million, and that the cost of the corner collector at the Bonneville Dam second powerhouse was \$48 million to save 300,000 juveniles.

What role does the USFWS play in implementing the EIS? Cassidy asked. That's an issue we are working on, but there is also a question of the dollars being available, replied Willis. All this might not happen because funding is not available? Cassidy asked. It's possible -- we're working with the federal executives to resolve this, Willis replied.

Does the USFWS have a management goal for the number of terns they want to maintain in the basin? Is 12,620 pairs the goal? Hines asked. My understanding is that they don't have a population objective for terns or other migratory birds, replied Dorsey, although both Corps reps said they were unable to speak for USFWS.

Staffer Bruce Suzumoto asked if the Corps has considered releasing fish from barges in locations beyond the bird populations. We have had some experiments, but didn't get positive results; that may have been before we had such a large colony of birds, replied Willis.

My impression is that this EIS operation would be very cost-effective and potentially very beneficial for salmonid populations, said Karier. We should look at how we can encourage it, he added.

East Sand Island has the world's largest double-crested cormorant colony, as well as the world's largest Caspian tern colony, Dorsey reported. In 1989, there were 91 pairs of cormorants on the island, and this year's estimate is 12,000 pairs, he said. There is no management plan in place for these birds, Dorsey stated. We need to conduct research to determine the extent of the predation on juvenile salmonids in the estuary and prepare an EIS to evaluate measures to redistribute or reduce this population, he said.

It's unbelievable that we work so hard and spend so much money to get these little fish down the river and then "we feed them like Haagen-Dazs to the largest colony of terns in the world," said Cassidy. This is a good EIS, and if you want help with funding, we'll help, he stated.

I had staff prepare a letter that requests that any new disposal sites be vegetated in order to discourage Caspian terns from using them as nesting habitat, but you have said that when you dredge, it won't create new islands where terns would nest; is that right? Cassidy asked. Willis said the Corps is not looking at creating any new dredged-material islands and that East Sand Island is different from other sites because it has no predators that prey on terns. If you say you won't be creating new nesting sites for terns, I'm greatly relieved, and I hope you are right, stated Cassidy.

This growth in the cormorant population is occurring on our watch, noted Kempton. It's amazing that we spend so much money and time fighting over issues like flow augmentation while we are providing "the world's largest cafeteria" for predatory birds, he said.



Are you developing a cormorant management plan? Karier asked. We're raising the issue with the federal executives, replied Willis. We're surprised at the growth of the colony and at the number of fish they are taking, he added. To defend in any future litigation, we'll need facts, Willis stated. We are looking at something comparable to what we've done with the terns, but it will take an EIS and a number of years, he added.

It's incredibly ironic that the USFWS in Technical Management Team meetings goes after hydro operations, but then they don't address this "cafeteria" problem, said Hines. He asked staff to initiate a dialogue with the USFWS in order to find out what the agency thinks the status quo for the bird populations in the estuary should be. I'd like it to take place in October, Hines said.

We are recommending millions and millions of dollars be spent, but there's a conflict as long as this "buffet" is going on, stated Danielson. We'd like Council involvement to move this along, said Willis. "You can count on it," Danielson responded.

## **12. Council discussion of letter in support of Snake River Water Settlement (tentative):**

Michael Bogert, office of Governor Dirk Kempthorne.

Danielson said the letter in support of the Snake River Water Agreement is being reviewed by the various states. It is not ready for Council action at this time, she added. We encourage people to "talk among themselves on this and get back to us," Danielson stated.

## **13. Public comment on *Chief Joseph Dam Hatchery Program*, Project # 2003-023-00 Issue Paper (Council Document 2004-09).**

There was no public comment offered on this item.

## **14. Council Business:**

### **- Approval of sponsorship of North Pacific International Chapter, AFS symposium**

Marker presented a request for Council support for an American Fisheries Society conference. This is an important opportunity for the Council to describe how we approach subbasin planning and to present our experience to the academic and fisheries community, he noted. Eden moved that the Council support the American Fisheries Society's "Ecosystems Then and Now" conference in an amount not to exceed \$5,000. Bartlett seconded, and the motion passed unanimously.

### **- Approval of renewal of MOU with NOAA Fisheries re data management**

Paquet presented a proposal to renew a data management Memorandum of Understanding with NOAA Fisheries. The purpose of the effort is to provide a forum and reach agreement on developing a regional data management system that will work for all of us, he said. It requires no financial commitment at this time, but will provide a framework for sharing funding of the effort in the future, according to Paquet. Two representatives of NOAA Fisheries told the Council that there has been good cooperation in the past and that this MOU would help move the

effort forward. This topic is very important and very tedious, and there has been progress, said Karier. Eden moved that the Council renew the Data Management Memorandum of Understanding with NOAA Fisheries, as presented by the staff. Cassidy seconded, and the motion passed unanimously.

- **Approval to reinstate the Natural Gas Advisory Committee**

Staffer Terry Morlan pointed out that Council advisory committees have a two-year life, and that the Natural Gas Advisory Committee's charter has expired. He presented a request to reinstate the committee, which he said helps the Council assess natural gas prices and address issues for the Power Plan. This has become an important communication link and a forum connecting the natural gas and electricity communities, Morlan stated. Eden moved that the Council renew the Natural Gas Advisory Committee charter and appoint Terry Morlan as chair and Jeff King as vice-chair. Bartlett seconded, and the motion passed unanimously.

- **Approval of renewal of contract for Platt's POWERdat data service**

Watson presented a request to renew a contract with Platt's for its POWERdat data service, noting that the service provides information that is needed for the Fifth Power Plan. Eden moved that the Council authorize the Executive Director to negotiate a one-year contract with Platt's for its POWERdat data service in an amount not to exceed \$22,000. Karier seconded, and the motion passed unanimously.

- **Approval of minutes**

Eden moved to approve the minutes for the August 10-12, 2004 meeting in Big Sky, Montana. Hines seconded, and the motion passed unanimously.

Approved October 12, 2004

/s/ Melinda S. Eden

Vice Chairman

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