

# **Council Meeting Portland Oregon**

**February 21-22, 2006**

## **Minutes**

Reports from Fish and Wildlife, Power and Public Affairs committee chairs: .....	2
1. Council decision to release resource adequacy issue paper for public comment: .....	2
2. Council decision on approval of Council Research Plan: .....	4
3. Briefing on load following study: .....	5
4. Update on seal lion control measures: .....	6
5. Briefing on Council external financing: .....	7
6. Council decision on within-year funding for second quarter – .....	7
7. Briefing on 2006 forecasts and 2005 returns for Columbia River spring Chinook, summer Chinook and sockeye: .....	9
8. Discussion of proposed governance of former Fish Passage Center functions: .....	10
9. Briefing on Independent Scientific Advisory Board review of 2005 spill evaluations: .....	11
10. Report on planning for fall Chinook passage studies: .....	12
11. Discussion on Regulatory Decoupling: .....	13
12. Summary report on costs of river uses to the power system (including irrigation, flood control, recreation): .....	14
13. Update on Bonneville financial issues (Power Function Review, rate case and Administration's budget proposal): .....	15
14. Council business: .....	16
– Approval of minutes .....	16

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

Rhonda Whiting chair, fish and wildlife committee; Jim Kempton, chair, power committee; and Larry Cassidy, chair, public affairs committee.

Jim Kempton, Power Committee chair, reported on a staff presentation on climate change and its potential impacts to the hydro system. We will be considering whether a white paper on the issue is appropriate, he said. We had a briefing on energy prices, Kempton continued, noting the effect of higher prices may be an item for the Council's biennial review of the Power Plan. According to a staff conservation status report at our meeting, "we're on track," he said. The committee heard about impacts of 2005 summer spill operations on the transmission system, and in some instances, "the system operated close to the margin," Kempton reported. A resource adequacy proposal will come before the Council later in the meeting, and staff is keeping us posted on the competing transmission organizations in the region, he wrapped up.

Rhonda Whiting, Fish and Wildlife Committee chair, reported on the committee's discussion of \$4.1 million in within-year funding requests. She said the committee asked for clarification of terms in the 2007-09 project selection documents and had a briefing on Washington State's Recovery Monitoring recommendations. We also reviewed the Fish and Wildlife Division work plan and may have a conference call on it at some point, Whiting stated.

Larry Cassidy, Public Affairs Committee chair, said his committee would meet later in the day, and he noted the discussion items for that meeting. Cassidy reported the next day that the Public Affairs Committee is working on a celebration to mark the 25<sup>th</sup> anniversary of the Northwest Power Act. Events will kick off in March and culminate in December, and all four states will have a role in the celebration, he said.

Joan Dukes made a motion that the Council meet in executive session on February 22 at 8 a.m. to discuss participation in civil litigation. Cassidy seconded the motion. On a roll call voted, all eight members voted aye.

### **1. Council decision to release resource adequacy issue paper for public comment:**

Wally Gibson, manager, system analysis and generation; and John Fazio, senior power systems analyst.

Staffer Wally Gibson said the Council's Fifth Power Plan has two action items related to resource adequacy: establishing information protocols and development of a standard for the Pacific Northwest. A technical committee has been meeting since June 2005 to develop a standard, and today, we have an issue paper ready that incorporates a recommendation for a

regional resource adequacy *energy* metric and target value, as well as a general form for a *capacity* metric and target, he reported.

If the Council adopts the recommendation, we expect BPA will fold it into its Regional Dialogue decisions, and utility commissions and individual utilities will use it as a reference point for adequacy, Gibson continued. He also pointed out that the standard would be presented to the Western Electricity Coordinating Council for its work in this area. It's important that other entities in the West understand how we view energy, Gibson stated.

Staffer John Fazio explained that the proposed standard would not be mandatory, but would be a gauge to assess whether the Northwest has a reliable power supply. The components of the resource adequacy standard are a metric (something that can be measured) and a target (acceptable value for the metric), he elaborated. Our focus here is on the energy standard, Fazio said, noting that the Northwest has plenty of generating capacity, but is energy limited.

We wanted to create a standard that is transparent and easy to use, but that would incorporate the sophisticated analytical tools we have developed over time, he continued. In the recommendation, we went with the metric of annual average load/resource balance, which has long been used in the region, Fazio said. With this metric, we have a model that is easy to use, yet it takes into account many different factors, he stated.

Load/resource balance is defined as the available average annual energy minus the average annual firm load, Fazio said. He went over the steps outlined in the issue paper for determining load/resource balance, including numerous footnotes that address such details as the critical water year (August 1936 through July 1937) and whether independent power plants (IPPs) are included as resources (they are). The target for the metric is zero, Fazio stated.

The load/resource determination includes a 1,500 average megawatt (aMW) "planning adjustment," he pointed out. According to Fazio, the adjustment is derived from the Genesys model and produces a loss of load probability associated with meeting the target value. When you add in the 1,500 aMW planning adjustment, a load/resource balance of zero (the target in the proposed standard) equates to a 5 percent loss of load probability, he stated.

Right now, the region is in "pretty good shape," with the proposed standard yielding an energy surplus of about 4,000 aMW, Fazio said. We have more energy than we need, he stated.

A capacity standard is difficult to establish for the Northwest because of the hydro system and the inherent variations in generation, Fazio indicated. The proposal we are working on would define the metric as the "surplus sustained-peaking capability" during the highest load period of the year, with the maximum generation shaped to load, he explained. There is no proposal yet for the duration of the high-load period, Fazio noted.

As for the target value for capacity, it would be an established percentage, which also has yet to be determined, he said. The technical committee will continue to work on the capacity standard, and "we'll be back in August with the numbers filled in," Fazio said. According to the proposal, an assessment of resource adequacy would be made each fall.

Fazio offered a schedule for the Council to complete its process on resource adequacy. The Council will take public comment on the issue paper until April 14 and make a decision May 9; the recommendation for a capacity standard is due to come out in August, with public comment into October and a decision in November. In addition, the region will continue to come up with non-binding guidelines for utilities and incentives for compliance, Fazio reported. Utilities have varying opinions about how to use the standard, he said.

Gibson said two issues received particular attention in the technical committee: how to treat IPPs and whether they are a reliable resource; and the extra-regional market supply, a component in the 1,500 aMW planning adjustment, and whether the Northwest can rely on it.

This is a milestone for the region, Council chair Tom Karier said. It's an "early warning system" for the region and could have alerted us to the situation before the 2000-2001 crisis, he added. Dukes made a motion that the Council release for public comment the Resource Adequacy Standard issue paper. Kempton seconded the motion, which passed unanimously.

## **2. Council decision on approval of Council Research Plan:**

Steve Waste, manager, program analysis and evaluation.

Staffer Steve Waste presented the draft Columbia Basin Research Plan. This draft incorporates revisions suggested by the Independent Scientific Advisory Board (ISAB) and Independent Scientific Review Panel (ISRP), he said.

Cassidy questioned use of the word "native" in front of "fish and wildlife" in the vision statement. The term would indicate hatchery fish, which make up 70 percent of the fish returning to the Columbia River Basin, are excluded, he said. Karier pointed out that two of five "critical uncertainties" the ISRP identified are missing from the list on page 17. He recommended an item pertaining to reservoir-type fall chinook be inserted.

There was additional discussion of whether these outstanding questions could be resolved in an editing committee.

Cassidy made a motion that the word "native" be removed from the vision statement. Judi Danielson seconded the motion. Melinda Eden said she could not support the motion unless the phrase "addressed by the Council's Fish and Wildlife Program," was added. Cassidy agreed to that addition, as did Danielson. The Council voted unanimously in favor of the motion.

Karier made a motion to add a "critical uncertainty" pertaining to the differential effects of a number of measures, including transportation, reservoir operations, and flow augmentation, on migrating versus reservoir fish. Cassidy seconded the motion, which passed unanimously.

Dukes made a motion that the Council approve the Columbia River Basin Research Plan as presented by the staff with the following changes: remove "native" and add "addressed by the Council's Fish and Wildlife Program" to the vision statement; add an ISRP-identified critical uncertainty to the list in Subsection (7) on page 17, and pending review by an editing committee. Eden seconded the motion, which passed unanimously.

Karier appointed Eden and Danielson as the editing committee for the research plan.

### **3. Briefing on load following study:**

Doug Marker, director, fish and wildlife division; and Steve Oliver, Vice President for Generation Supply, Bonneville Power Administration.

Staffer Doug Marker explained that Council members asked staff to pursue the Independent Scientific Advisory Board's (ISAB) recommendation for a study to evaluate the effect of load following on fish passage at mainstem dams. BPA received a research proposal to study the effect at Little Goose Dam, with the U.S. Geological Survey and Pacific Northwest National Laboratory as project sponsors, he said. BPA believes the Council needs more information about load following in the hydro system before it gives further consideration to the proposal, Marker indicated.

Limiting the impact of load following in the hydro system has broad implications for system reliability, Steve Oliver of BPA told the Council. He indicated that the issue with BPA is not whether this ought to be looked at, but whether this is the time. This is an issue with substantial implications, Oliver reiterated. He also pointed out that 2006 is not shaping up to be a low-water year, which is one aspect of the proposed study, and there are new spill directives from Judge Redden.

Oliver explained a graph of monthly 2004-2005 load curves, noting there is substantial change in load shape from month to month. Typical summer peaks, which reflect air-conditioning load, are more sustained throughout the day than winter peaks; winter peaks, which reflect heating, tend to occur twice a day, he said. The hydro system is used to follow this variation in load, Oliver stated.

A second graph, illustrating typical hourly load and generation for the first 200 hours in July, shows that thermal generation is relatively steady. The hydro generation curve, on the other hand, varies a great deal and tracks load precisely, Oliver said.

BPA is responsible for load following and load regulation, and the hydro system is the most efficient source of that capability, he stated. The federal system provides 67 percent of the region's load following, Oliver pointed out. This issue goes beyond the Lower Snake River projects where the experiment has been proposed, he said. It has implications for other projects on the Columbia River, and the issue has come up in developing the Biological Opinion (BiOp), Oliver noted.

The Columbia River Inter-Tribal Fish Commission (CRITFC) has suggested limiting the daily flow fluctuations that are allowed with load following, he continued. If there were to be a 10 percent limit on the entire federal system, it would reduce our ability to meet peak by 50 percent and significantly increase the probability of a loss of load, Oliver said. He pointed out that with all else being equal, a 10 percent limit would increase the probability of a loss of load to between 14 and 15 percent.

“That’s a huge worry for us, and it should worry the Council too,” Oliver stated. He offered a table showing the decrease in generation that would result from limiting one foot of operating flexibility in the pools at the four Lower Snake River projects. Over a 12-hour period, generating capacity would be reduced about 620 MW; if the volume of flows were concentrated into a six-hour peaking operation, the loss would be 1,240 MW; in a four-hour peaking operation, the loss would be about 1,860 MW.

To recapture that flexibility for the system, you would have to build over 1,860 MW of generation, look for a way to conserve that amount, or import power, Oliver said. A resource with the flexibility the hydro system provides would be expensive, he noted. A limit on fluctuations could also impact the automatic control systems at the dams, as well as the transmission system, Oliver added.

It’s important to address the policy and technical issues associated with load following, he stated. We suggest the Council staff do further analysis and study of these issues before considering going forward with the recommended study, Oliver concluded.

Are there circumstances under which BPA would agree to a load-following experiment? Melinda Eden asked. If we get a more stable BiOp as a result of the remand and if there is more analysis of the context, then it would be time to look at where to put the dollars for research, Oliver responded.

Karier said the draft proposal for the experiment did not have the focus the ISAB recommended. For example, I don’t see the over-wintering fall chinook addressed here, he said. More work is needed to see if the focus is even right, based on what the ISAB recommended, Karier suggested.

Judi Danielson questioned whether more time should be spent now designing such a study. This is extremely controversial in other forums, she stated.

#### **4. Update on seal lion control measures:**

Dave Clugston, Portland District of the Corps of Engineers; and Garth Griffin, NOAA Fisheries.

About a year ago, a sea lion entered the fish ladder at Bonneville Dam, and after calling in “the Sea Lion Busters,” we’ve implemented several deterrence measures, Bob Willis of the Corps reported. The Marine Mammal Protection Act severely limits what can be done, he added.

Dave Clugston of the Corps said the abundance of sea lions, the length of time they are present, and the percent of predation on salmon has been increasing since the Corps began tracking in 2002. In 2005, the situation escalated with sea lions making major excursions into the fishways and hauling out on spillways, he said. The sea lions were also observed taking breeding-size sturgeon, Clugston said.

He described the measures the Corps has implemented to reduce predation on adult salmon, including installing gates – weighing from six to 11 tons – at the fish ladders, deploying acoustic deterrents, and harassing the animals with explosives fired over the water. All of the measures

are approved under the Marine Mammal Protection Act, Clugston noted. We're now gauging whether these actions have a real effect, he said.

We obviously need to redistribute the sea lions, Dukes said, pointing out that predation is going on up and down the river below Bonneville Dam. The Marine Mammal Protection Act has science-based provisions for take, she added.

## **5. Briefing on Council external financing:**

Steve Crow, executive director, and Sharon Ossmann, administrative officer; Tom Eckman, conservation resources manager; and Erik Merrill, ISRP/ISAB coordinator.

Staffer Sharon Ossmann introduced a staff briefing on projects that are funded outside the Council's regular operating budget. The Council receives supplemental funding every year for certain activities and to oversee projects; for example, we received \$1.8 million last year for subbasin planning, she explained. Today we are going to give you a look at these activities and projects, Ossmann said. She noted that contracts funded outside of the normal operating budget receive the same level of financial scrutiny and auditing as all other Council contracts.

Staffer Eric Merrill described the budgets and activities for the ISRP and the ISAB. Staffer Tom Eckman described the mission and funding of the Regional Technical Forum, and he demonstrated an on-line tracking system that was developed to allow utilities to document and "shop for" energy efficiency measures.

## **6. Council decision on within-year funding for second quarter –**

Mark Fritsch

Staffer Mark Fritsch presented information on 19 requests from F&W project sponsors for additional fiscal year 2006 funding. The Budget Oversight Group (BOG), appointed as part of the 2006 project selection process, reviewed the projects and divided them into five categories, he explained. The BOG categories are: Emergency, ESA obligation, Threats to Integrity of the Project, Lost Opportunity, and Other. BPA's analysis of the requests came in on February 9, Fritsch added.

Council staff supports the BOG category scheme and believes BPA's analysis justifies the budget modifications, he said. BPA recommended, and staff concurs that two of the 19 requests be deferred to the 2007-2009 funding process, Fritsch said: monitoring and evaluation for Okanogan Basin Natural Production and Coeur d'Alene Tribe Habitat Restoration. BPA is seeking guidance on a \$16,000 request to complete the Crab Creek Subbasin Plan, and since staff has not finished its evaluation of the request, we deferred making a recommendation, he added.

Eden said she had a problem with the request for improvements at the fish trap at Lower Granite Dam, both in terms of why it is needed and why the entire amount can't be allocated to the 2006 capital budget instead of spilling into 2007. Fritsch explained that while the Corps of Engineers no longer uses the trap, it is a tool for others to manage hatchery production. The funds would be used to construct a new trap, he said.

Bill Maslen of BPA said the project was being treated no differently than others that stagger fiscal years. The money accrues in the year it is spent, he explained. Maslen pointed out that unlike the expense budget, the capital budget does not carry over from one year to the next because of ramifications for BPA's capital borrowing authority.

Council members get a weekly F&W expenditure report from BPA, and expense and capital budgets are broken out, Larry Cassidy said. BPA isn't using this "as a way to rob funds from the next year," he added.

Eden suggested the fish trap project be set apart from the other requests. I want to vote no on this, but I don't want to vote against the entire package, she explained.

Danielson pointed out that the fish trap was included in the federal agencies' 2005-2007 Updated Proposed Action for compliance with the ESA. "I will support it," she said. "There is a theme running through these requests," Danielson added. There are a lot of unfinished tasks, and personnel and per diem expenses, she said. I don't want to see these within-year funding requests become a way for sponsors to get funding that they were not otherwise allocated, Danielson said. We have to watch carefully if sponsors say they cannot finish their tasks without more money, she added.

Rhonda Whiting pointed out that there are increased operating costs for many of the projects. She also reported that her daughter may apply for work with the Columbia Basin Fish and Wildlife Authority that would be funded through a F&W program implementation request (Project #1989-062-01). I would like to recuse myself from voting on that item, Whiting said.

Dukes made a motion that the Council recommend that Bonneville make within-year project funding adjustments, in an amount not to exceed \$2,963,792, as laid out in the Bonneville correspondence dated February 9, 2006, with the exclusion of the Lower Granite fish trap project, and as presented by the staff. Eden seconded the motion. Cassidy moved to amend the motion to include \$16,000 to complete the subbasin plan for Crab Creek. Karier seconded the motion.

I will vote no if the amendment passes, Dukes stated. Eden said she would also vote against the amendment because the former Council chair "pounded" the subbasin planning schedule and budget through "with an iron fist." I was among those who thought we should allow more time, she added. Crab Creek failed to meet the deadline and now wants to get money for completion, when we turned money from the subbasin planning budget back to BPA, Eden stated. A vote on Cassidy's amendment failed.

Eden made a motion to remove consideration of the F&W Implementation Project (#189-062-01) from the main motion. Measure seconded the amendment, which passed unanimously. Karier called for a vote on the main motion, and it passed unanimously.

Dukes made a motion that the Council recommend BPA fund the F&W Implementation Project and Cassidy seconded. The motion passed seven to one on a roll call vote; Whiting recused herself from the vote.



Dukes made a motion that the Council recommend BPA fund a \$1.45 million fish trap project at Lower Granite Dam, as laid out in the BPA letter of February 9, 2006. Cassidy seconded the motion. Eden said she would vote against the project as a protest of the way it was presented, as evidenced by her earlier questions. The motion passed seven to one, with Eden voting no.

Dukes made a motion that the Council recommend that Bonneville fund, in an amount not to exceed \$80,869, using FY 2006 funds, the Updated Proposed Action Little Bridge Creek Fence Project, as defined in the Bonneville submittals and as presented by staff. Whiting seconded the motion.

Cassidy pointed out that the F&W committee wrestled with the project for months, trying to pare the costs down from the original \$125,000 proposed. Fencing just does not cost that much, and when we broke down the numbers, we found a lot of big add-ons, he said. We should do this, but it is oddly expensive, Cassidy said. He asked if it would be possible to defer the approval and seek bids from a private contractor.

Maslen responded that the project is sponsored by a partnership of entities and that it would take time to get another bid. He suggested that at the program level, it might be worth considering where and when to pursue a competitive bid. Danielson said the situation focuses the need for the Council to have standards, not just for fencing, but for other recurring program costs as well.

The policy issue is whether we are continuing to pay overhead costs above what a private contractor would charge to build fence, Cassidy stated. We should approve this one, but we need to get a handle on this, he said. The motion passed seven to zero; Measure was absent for the vote.

## **7. Briefing on 2006 forecasts and 2005 returns for Columbia River spring Chinook, summer Chinook and sockeye:**

Cindy Lefleur and Dick Stone, Washington Department of Fish and Wildlife.

Cindy LaFleur of the Washington Department of Fish and Wildlife (WDFW) gave a rundown of the 2005 spring chinook forecast versus actual returns, along with escapement and harvest numbers. Across the board for Upriver (above Bonneville Dam), Snake River, and Upper Columbia (above Priest Rapids Dam) spring chinook, the runs in every subbasin came in under predictions, she said. For example, the Upriver return of 106,900 was less than half of the 254,100 forecast, LaFleur said.

She reported 2005 harvest figures as follows: Upriver spring chinook, 6,200 Treaty and 9,500 Non-Treaty; Snake River wild spring and summer chinook, 800 Treaty and 200 Non-Treaty; Upper Columbia wild spring chinook, 200 Treaty and 40 Non-Treaty. Neither the Treaty nor Non-Treaty harvest on the Upriver spring chinook exceeded the limits set by managers, LaFleur noted. The spring run was late, and we managed harvest very conservatively, she said. A summary of the spring chinook harvest showed a total of 16,100 fish caught, with an ESA-listed component of 1,300 fish.

For summer chinook and sockeye, the 2005 forecast was much more accurate, LaFleur continued. These are fish destined for locations above Priest Rapids Dam, and they pass Bonneville Dam after June 15, she explained. Summer chinook returns were about 60,000, and Wenatchee and Okanogan sockeye returns were about 70,000, according to the WDFW summaries. Harvest on the summer chinook run was 7,600 for Treaty and 4,600 Non-Treaty, the summary indicated. Only 20 Snake River wild sockeye returned, and estimates show that one of those fish was likely taken in the harvest.

LaFleur said forecasters tried to come up with an explanation for the gap between the 2005 spring chinook forecast and the actual return. We considered several factors, including forecast techniques, tributary rearing, juvenile passage survival, Canadian/ocean fisheries, and marine mammal predation, she said. We found there was no single factor that accounted for the gap, and most likely, it was a combination of things, according to LaFleur. The ocean seems to be a major player, she stated.

We looked at the relationship between the 2004 Jack count and the 2005 return, a good predictor in the past, and couldn't explain why this predictor did not work, LaFleur said. Errors in the past have generally been in the direction of under, not over-predicting the run, she added.

## **8. Discussion of proposed governance of former Fish Passage Center functions:**

Doug Marker; and John Shurts, senior counsel.

Marker explained that BPA has suggested there be a three-member governing committee for the newly reconfigured mainstem analytical function (previously known as the Fish Passage Center). He said staff identified issues in the proposal that the Council could consider in deciding whether to support it.

Staffer John Shurts said BPA's proposal calls for Battelle Northwest to provide "non-routine" technical analysis, but it isn't clear what the non-routine items would be. He said he fleshed out this and other issues, including how the Council might approach its role on the governing committee.

I'd like to try this, Danielson stated. We'll have an opportunity in 2007 to evaluate how it works, she stated. "I echo that – it makes sense," Cassidy said.

Eden said she saw a problem with having the Battelle coordinator decide whether a request for analysis is within the scope of what is called for in the Council's F&W program. The agencies and tribes had a say in the past about what would be analyzed, and I never heard concerns about "what" the Fish Passage Center addressed, she said. "I don't like the idea of censorship" of what is to be done, Eden said.

Kempton said he had no problem with the idea of a governing committee, but suggested there might be an over-emphasis on its role.

My concern is regional accountability, Measure stated. The Council has to decide how it will be represented, and I'm concerned about whether all four states would get equal representation, he said. I'm also concerned about tribal participation, Measure stated. I'd like input from the tribes to see if they are happy with the proposed representation, he added. I'd like to avoid any future "recriminations" about under-representation, and I don't see that issue adequately addressed, Measure said.

There seem to be a lot of layers, Dukes offered. I'm also not sure we're getting the accountability that people want, she said. It seems like the states need to have a representative from their F&W agencies, Dukes added.

Karier commented that he viewed the committee as more administrative than scientific or technical, and Danielson agreed that the committee ought not to be "an arena" for technical aspects of analysis. Whiting said she saw the committee as part of the administrative process. She also noted that the tribes need to have the opportunity to decide about the proposal themselves. "We can't dictate to them," Whiting added.

Danielson asked if the committee would be in place for the upcoming operating season, and Karier said he did not see it happening that fast. Setting up the governance and oversight may take longer than the Fish Passage Center transition, which occurs March 20, he added.

Cassidy pointed out that the BPA contract with Battelle requires certain "routine" activities. This proposal is addressing the non-routine, he reminded the Council. Eden noted that turn-around time on in-season management decisions is crucial. Things happen fast, and "I don't like the idea of a cumbersome process," she said.

Maslen clarified that the governing committee would have two functions. One would be procedural and administrative, and the other would be to manage the "what ifs," he said. The BPA contract will try to establish "in black and white" the routine aspects of analysis, which is what the Technical Management Team generally uses for its in-season management decisions, Maslen explained.

All Council members said they supported further exploration of the governing committee idea. Shurts concluded with a note that the Ninth Circuit has yet to act on a motion to stay the transfer of the Fish Passage Center function to other entities.

## **9. Briefing on Independent Scientific Advisory Board review of 2005 spill evaluations:**

Dr. Tom Poe, ISAB.

The ISAB's Tom Poe and Robert Bilby briefed the Council on the results of their review of the biological effectiveness of the 2005 court-ordered summer spill operation. Poe said the ISAB received a request from the Council in October 2005 to review the summer spill for its benefit to ESA-listed Snake River fall chinook. The spill began June 20 at the four Lower Snake River dams and July 1 at McNary Dam, and it continued through August 31 at all locations, he explained.

Unfortunately, the majority of the hatchery fall chinook had already passed through the system, but the wild fish had not, Poe stated. He described several research studies that are relevant to evaluating the spill, but none was specifically designed to examine the benefit to recovery of the Snake River fall chinook.

This was a difficult review, Poe acknowledged. We had no final documents or estimates, so we framed our review as dealing with preliminary results, he said.

We found no significant problems with the computation of the survival or passage estimates, Poe reported. But the comparison of the results across years is “of limited utility” due to annual variations in hydro system operations and in migration timing and passage behavior of subyearling chinook, he stated. “2005 is an N of one,” he said. We can’t put a lot of weight on the inter-annual comparisons, Poe said.

At the time the Fish Passage Center (FPC) released its report, BPA and NOAA Fisheries challenged the survival and passage estimates, Jim Kempton pointed out. The early numbers the FPC released were later revised and improved, Poe responded. The problem is with comparing one year to another – these weren’t controlled studies, he indicated.

The 2005 PIT-tag data shows there was high survival, but the survival can’t be compared across years, Bilby clarified.

The immediate effects of spill on the “reservoir-type” fall chinook juveniles are also unknown, Poe said. These fish have a slower migration rate, and since they are larger fish, they may not have so much vulnerability to predators, he continued. If summer spill or transportation speed the migration of the reservoir-type fall chinook, it could pose a threat to their survival, Poe said.

He listed several ISAB recommendations for further study: replicate the studies of coordinated dam/spill operations for multiple years; substantially augment monitoring of tagged juveniles and adults through the system; evaluate the consequences of changing the spill regime; increase the monitoring of reservoir-type fall chinook; and study the survival of over-wintering reservoir-type chinook to estimate their mortality rates. Some data indicate the reservoir-type fish dominate the fall run, so it is an important life-history type for the future of the run, Poe wrapped up.

## **10. Report on planning for fall Chinook passage studies:**

Dave Johnson, Nez Perce Tribe.

Dave Johnson of the Nez Perce Tribe explained concerns fish managers have with the Corps’ proposed 2006 fall chinook passage studies. Since fish production is governed by *U.S. v. Oregon*, parties to that lawsuit have a stake in study design, he indicated. Part of the Corps’ proposal was to study the effectiveness of summer spill, which required PIT-tagging a large number of fish that are in tribal facilities, Johnson said. We asked that parties to *U.S. v. Oregon* have an opportunity to consider the study, he reported.

In the meantime, we have agreed that the Corps could go forward with a “surrogate” study in 2006, Johnson said. [Surrogates are hatchery fish that resemble wild fish.] But before 2007, we want a better idea about the study proposal, he added. Johnson outlined conditions for the 2006 fall chinook research, including that the study be considered in the BiOp remand, the Corps PIT-tag fewer fish than originally proposed and eliminate fish that go through the bypass system as a separate study group, and make changes to its sample procedures.

## **11. Discussion on Regulatory Decoupling:**

Ralph Cavanagh, senior attorney, Natural Resources Defense Council; and Jim Lazar, consulting economist.

Ralph Cavanagh of the Natural Resources Defense Council and consultant Jim Lazar faced off in a friendly debate over ways to encourage energy efficiency by decoupling utilities’ financial health from kilowatt-hour (kWh) sales of electricity. According to Cavanagh, the fundamental question is how to get utilities to support energy efficiency when their profits depend on energy sales. The problem is easy to resolve, he said: break the link between financial health and kWh sales.

Cavanagh offered Idaho Power as an example and used information adapted from 2005 testimony before the Idaho PUC to illustrate his point. If Idaho Power convinces its customers to use 1 percent less electricity, it would lose \$2.9 million a year, he said. A five-year energy efficiency program that achieves a 1 percent annual reduction in consumption could mean a loss of \$43.5 million, according to Cavanagh. That would be “the punishment for succeeding” at energy efficiency, he explained.

Cavanagh’s solution? A regular “true-up” in Idaho Power’s rates to break the link between retail sales and recovery of authorized fixed costs. If changes in retail electricity use lead to under or over-recovery of the utility’s fixed-cost revenue requirement, a true-up would occur, and rates would be adjusted upward or downward by not more than 1.5 percent, he proposed.

Lazar described the problem in terms of the traditional ratemaking process. The theory is that as customers increase, so do sales and revenue, he explained. Energy efficiency is a deliberate attempt to deviate from the formula, Lazar said.

Under some circumstances, reduced sales can result in increased profits, he continued. Lazar offered an analysis of the effect of Cavanagh’s true-up proposal on PacifiCorp’s operations in Washington. He presented an instance in which the true-up would give PacifiCorp a \$31 million bonus.

Cavanagh pointed out that the issue with incentives for energy efficiency is the same for public and private utilities. Both see reduced revenue from reduced sales, he said. All of the states in the West are addressing the problem, according to Cavanagh. He noted that Oregon is leading on the decoupling issue with natural gas, and in California, decoupling has been part of the regulatory landscape since the 1980s. California is far ahead of the Northwest, according to Cavanagh, who said there is a gap of 50 percent between the two regions in terms of their pursuit of energy efficiency.

Lazar described various alternatives for decoupling, which he said also have some drawbacks. One option, which he labeled “Conservco,” would take conservation and make it a stand-alone element apart from utilities, he said. The Oregon Energy Trust is an example, according to Lazar. “I’m highly attracted to this option – it has many advantages,” he added.

Cavanagh responded that the automatic true-up has advantages over Lazar’s Conservco alternative. “This is where Jim goes astray,” he said. The Oregon Energy Trust model is great, but things work best when utilities are engaged – “I want them as partners,” Cavanagh stated. He also shot down an alternative that suggested wholesale revenues could solve the problem for utilities. Wholesale markets are generally well below retail markets – the situation today is an anomaly, Cavanagh pointed out.

The Council needs to keep its eye on getting the incentives right for energy efficiency, he said. Where is the earnings opportunity for energy efficiency? Cavanagh asked. Right now, it isn’t there, he said. “It’s crazy that the situation persists if this is the highest-priority resource,” Cavanagh summed up.

Decoupling is a big departure from traditional utility regulation, Lazar said. I worry about the increased risk for bill payers, he added. Lazar listed several ingredients needed for successful and fair decoupling: a big commitment to energy efficiency; progressive rate design that reflects marginal costs; capital structure adjustments that make for less volatile earnings; a “collar” that limits the amount of rate adjustments; and periodic rate cases that provide a reality check.

## **12.Summary report on costs of river uses to the power system (including irrigation, flood control, recreation):**

John Fazio

Since the early 1980s when the Council developed its first Fish and Wildlife (F&W) program, the region has made estimates of the impact F&W operations have on energy production, Fazio explained. Some interests have asked about the impact of other river uses, such as irrigation, recreation, municipal and industrial water uses, and navigation, he said. Using information from a comprehensive 1995 federal Environmental Impact Statement (System Operation Review), Fazio said he calculated the impact of these other uses on power production and reported the results in a memo to the Council.

Fish operations and irrigation withdrawals have, by far, the largest impact to the power system, he stated. Fazio labeled the impacts of wildlife, recreation, municipal and industrial water uses, navigation, protecting Native American cultural resources, and water quality as “insignificant,” when their costs are compared to the overall operation of the system.

Based on operating requirements laid out in the 2004 BiOp, anadromous fish operations reduce power generation by 9 percent, and irrigation reduces generation by 5 percent, he said. The hydro system could increase production by 1,000 MW in the absence of operations for anadromous fish, and by 600 MW without irrigation withdrawals, Fazio elaborated. The cost of the fish operations is \$460 million per year, and the cost of the irrigation withdrawals is \$250 million per year, based on a power price of \$51 per megawatt-hour, he reported.

For perspective, Fazio pointed out that BPA's annual revenue requirement is about \$4 billion, its annual U.S. Treasury payment is about \$800 million, and the annual payment on the Energy Northwest bonds is roughly \$700 million.

I would emphasize that estimating the costs for these uses is an incomplete exercise and that this is not a cost-effectiveness analysis, he stated. The information in the memorandum is for two purposes only, Fazio said: to list the river uses and to identify their impact to power supply.

Kempton noted that irrigation water rights existed before the hydro projects were built and are articulated in the law. The terminology in the paper refers to irrigation as a cost to the power system, when it is the reverse, he said.

A number of the uses have a negligible or no cost to the system, Bruce Measure noted. Isn't there a cost associated with navigation and operating the locks? he asked. According to the System Operation Review, the amount of flow diverted for navigation is insignificant, Fazio responded.

### **13.Update on Bonneville financial issues (Power Function Review, rate case and Administration's budget proposal):**

Mark Walker, director, public affairs division; Terry Morlan, director, power division; Doug Marker; and John Shurts, general counsel.

Staffer Mark Walker briefed the Council on a proposal in the President's budget to siphon off BPA's secondary power revenues to pay Treasury bonds. In years when the secondary revenue goes over \$500 million, the excess would go toward BPA's bonded debt, he said. The revenue from secondary sales currently keeps BPA's rates lower, and according to our analysis, the proposal could mean a 6.6 percent rate increase in the region, Walker said. It does not appear that the proposal would increase rates in 2007, but it might in 2009, he added.

The Office of Management and Budget (OMB) estimates that the change could bring an additional \$925 million into the Treasury over 10 years, Walker said. If OMB "scores" that amount for deficit reduction, no change could be made to the proposal unless there is another way to achieve an equal amount of deficit reduction, he explained. People are "on pins and needles" to see how OMB scores the proposal, which is expected to happen late next week, Walker reported. The Secretary of Energy decided last week, after meeting with representatives from the region's Congressional delegation, to hold off on publishing the proposal in the Federal Register, he said.

Staffer Terry Morlan said the outcome of BPA's rate case, Power Function Review, and Regional Dialogue could impact important items in the Council's Fifth Power Plan: accomplishing conservation and renewables goals and resolving BPA's future role in the region. A big issue is whether a utility's conservation achievements would reduce the amount of federal power it is entitled to purchase, he said, noting that "decrementing" would reduce a utility's incentive to pursue more conservation. We are also concerned that BPA's budget for conservation is too low, Morlan stated.

The Council has taken a position on decrementing, Kempton pointed out. This may call for a letter to BPA, Karier responded. Marker noted that several issues have been identified for further discussion in the second phase of BPA's Power Function Review. A couple of these relate to F&W and are of particular interest to the Council, he said: selection of capital projects and reducing M&E costs. There is a workshop on March 6 to address the latter, Marker reported.

#### **14. Council business:**

##### **– Approval of minutes**

Dukes made a motion that the Council approve for the signature of the Vice-Chair the minutes for the January 17-18, 2006 Council meeting held in Vancouver, Washington. Measure seconded the motion, which passed unanimously.

Meeting Adjourned: 3:25 p.m.

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