

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Jim Kempton
Idaho

W. Bill Booth
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

Council Meeting Portland, OR

July 11-12, 2007

Minutes

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

Rhonda Whiting chair, fish and wildlife committee; and Jim Kempton, chair, power committee.

Fish and Wildlife Committee chair Rhonda Whiting reported that the third-quarter within-year project funding adjustments would be on the Council's agenda in August. She said the Corps of Engineers had briefed the committee on the status of its Snake River fall chinook transportation evaluation. There will be a summit in October on the comprehensive data-management strategy in the region, and we had a report on the fiscal year 2008 start-of-year fish and wildlife budget, with a brief update on the '08 capital budget, Whiting continued. We had a discussion of the fish and wildlife program amendment process and the Science Policy Exchange scheduled for September, she said. We had an update on regional coordination activities, an overview of a design proposal for the next project solicitation, and a briefing on the fish and wildlife division work plan, she wrapped up.

Jim Kempton, Power Committee chair, noted there would be presentations to the Council on several items the committee covered, including the adequacy assessment, the CO₂ footprint of the Northwest Power system, and whether to post an adjustment to the fuel price forecast in the Fifth Power Plan. He said the committee heard a report on recent electricity consumption, indicating that the regional load grew aggressively in 2006.

Dukes made a motion that the Council meet in executive session at the close of business on Wednesday, July 11, to discuss matters pertaining to participation in civil litigation associated with alternative courses of Council action. Whiting seconded the motion, which passed unanimously on a roll call vote.

1. Panel presentation by Columbia Grid:

Jon Kaake, CEO; and Lloyd Meyers, Chairman of the Board.

Lloyd Meyers, chairman of the board of ColumbiaGrid, told the Council that the seven-member transmission organization was formed about a year and a half ago, bringing together public utility districts, investor-owned utilities, municipal utilities, and the Bonneville Power Administration in a joint planning effort. We now have five staff members and a number of consultants working with us, Meyers reported.

ColumbiaGrid CEO Jon Kaake said the organization has two major programs under way: transmission expansion and planning, and reliability. We have taken the first steps toward developing a 10-year transmission plan, and the effort has attracted a number of participants beyond ColumbiaGrid's membership, he said. Kaake reported that ColumbiaGrid is also heading up the regional review required by the Western Electricity Coordinating Council (WECC) for two BPA-sponsored transmission projects: West of McNary, which will deliver generation from projects east of the Cascades, and the I-5 Corridor Reinforcement, which will run from the Paul Substation near Centralia to Portland.

2. Consultation panel discussion - Fish and Wildlife Program Amendments:

Scott Corwin, Public Power Council; John Saven, NW Requirements Utilities; and possibly others.

Staffer Lynn Palensky introduced panelists representing utility customers, who were invited to discuss the Council's fish and wildlife program amendment process.

John Saven, CEO of Northwest Requirements Utilities (NRU) and chairman of the board of Northwest RiverPartners, kicked off the panel. NRU customers have a vested interest in how the federal power system operates and the rates charged for power, he began. The RiverPartners want to assure that the Council's fish and wildlife program incorporates sound science, promotes efficiency, and is developed in a collaborative process, Saven indicated. That means "those who pay the bills need to be involved," he said.

He urged the Council to take more time to get ready for amending the program and encourage more regional collaboration.

Scott Corwin, Executive Director of the Public Power Council (PPC), said his organization is dedicating resources to an ad hoc group that is working collaboratively to develop biological objectives for the fish and wildlife program. We appreciate the Council pursuing measurable biological objectives and performance standards, he said, calling them critical to confidence in the program.

If we can come to an agreement beforehand, it is the key to a smoother process in amending the fish and wildlife program, Corwin said. It might stretch out the time needed at the front of your process, but if you have at least some of the issues partially settled, it will ease the way at the end, he said.

Dan James of PNGC Power told the Council that there is a unique opportunity at hand to have customers work at the front end of the amendment process to find consensus. When the amendments are submitted, there could already be agreed-upon common themes, he said. The Council's program, which incorporates listed and non-listed species, could be "the glue that holds the efforts in the region together," James stated. James urged the Council to start its amendment process later and allow other processes, particularly the BiOp litigation, time to mature.

Larry La Bolle of Avista Corp. said developing biological objectives for the Council's program is important work. If we go into the amendment process with more agreement, we would have clearer direction and could land on funding levels more easily, La Bolle commented.

Council chair Tom Karier pointed out that coordinating with the BiOp is of great concern to the Council. Given that the BiOp is expected at the end of October, and we plan to call for amendments in the fall, our schedules should be in sync, he said.

I would encourage you to get more agreement up front, Corwin stated.

3. Panel briefing on aquatic invasive species -- zebra and quagga mussels:

Paul Heimowitz, U.S. Fish and Wildlife Service; Scott Smith, U.S. Geological Survey; and Stephen Phillips, Pacific States Marine Fisheries Commission.

A panel of experts on aquatic invasive species described efforts to develop an early detection and rapid response plan for the Northwest should Zebra or Quagga mussels find their way here from other parts of the country. The mussels, which were introduced into the Great Lakes in the 1980s by ships from Eastern Europe, have caused \$5 billion in damages to that region, according to staffer Jim Ruff. The panel stressed the importance of being prepared with a response plan in place.

Open public comment on any subject before the Council.

4. Briefing on a possible categorical approach to the next fish and wildlife project solicitation process:

Mark Fritsch, manager, project implementation.

Staffer Mark Fritsch described a conceptual design for the next fish and wildlife project solicitation and review. He explained that the multiyear process would get away from the sequential "rolling reviews" of the past and offer a more streamlined approach. We want to set up a timeline that allows us to take into account other processes going on in the region, like the comprehensive data management effort, artificial production review, and BiOp litigation, Fritsch said. We want to build a timeline that allows opportunity for the Council and Independent Scientific Review Panel (ISRP) to visit project sites, he added.

Fritsch explained a schematic that breaks projects and funding into three categories: core basinwide, subbasin plan habitat implementation, and long-term. The schedule indicates that during the remainder of 2007 and first half of 2008, the Council would complete its fish and wildlife amendment process, a final Proposed Action and BiOp would be released, and other strategies, approaches, and schedules for project review and selection would fall into place. Fritsch said he is looking for assurance that the Council is comfortable with the approach and that staff should proceed on this course.

5. Update on Fiscal Year 2008 start-of-year budget:

Patty O'Toole, program implementation manager.

Staffer Patty O'Toole outlined the start-of-year expense and capital budgets for the BPA-funded fish and wildlife program, along with key issues in managing the FY 2008 outlays. According to a staff handout, the 2008 "working budget" starts out at about \$157 million on the expense side and about \$75 million for capital. While the 2007-2009 capital budget is actually set at \$36 million annually, those outlays are "fluid" and depend on a lot of variables, O'Toole said. We are proposing to manage capital a bit tighter than usual, and we have a plan laid out to do that, she said.

6. Briefing on coordination of BiOp with Council project solicitation:

Greg Delwiche, Bonneville Power Administration.

Karier said the Council is interested in finding ways to coordinate its fish and wildlife program with BPA's BiOp activities. Earlier this year, we wrote to BPA and set out principles for coordination, he said. We want to assure the Northwest Power Act and the Endangered Species Act (ESA) "are not running over each other," Karier stated.

Greg Delwiche of BPA said his agency agrees with the Council's admonition for the region to look for ways to settle litigation over the ESA. We are putting a lot of resources into the courtroom that could be used on the ground, he added. BPA intends to have ESA outcomes that are consistent with the Power Act, and we agree with you about the need for science review on projects arrived at in ESA-related settlements and agreements, Delwiche said. He noted that BPA would like to see reviews that look beyond a single project and more broadly at how projects fit together in a subbasin.

Projects BPA funds as a result of ESA agreements have particular biological objectives, and those projects are reviewed to see that they meet them, Delwiche replied. We will keep your principles "front and center" as we negotiate settlements, he assured the Council.

In developing a long-term agreement on the ESA, "we are walking a tightrope" between the Council's interests and those of other parties, Delwiche stated. We would ask you "to walk in our shoes" with regard to the interests of other parties, he said. The Lower River tribes are interested in ensuring that the outcomes of any settlement are consistent with the Power Act, Delwiche added.

Karier said he would like Council staff to work with BPA on details of how to coordinate the BiOp and the fish and wildlife program. Delwiche said he was open to the idea.

7. Briefing on in-lieu fish and wildlife provision:

Greg Delwiche, Bonneville Power Administration.

Delwiche went on to describe BPA's "in-lieu" policy. According to a BPA handout, the in-lieu concerns are easiest to identify when another entity is already *required* by law or agreement to perform a fish and wildlife-related activity. There are, however, other areas where authorities among entities overlap, and it becomes more difficult to determine BPA's responsibility for funding.

Delwiche provided copies of BPA's preliminary "in-lieu interpretive key and ratings system" that poses 19 questions for consideration in setting a policy. We will put out a discussion draft of a policy in the fall and then come up with a final, he reported.

8. Panel briefing on predator control:

Tom Rien, Oregon Department of Fish and Wildlife; Geoff Dorsey, U.S. Army Corps of Engineers; Garth Griffin, National Marine Fisheries Service; and Guy Norman, Washington Department of Fish and Wildlife.

The region is getting a handle on Northern Pikeminnow, but sea lions dining in the lower Columbia River are still wreaking havoc on salmon runs, according to panelists from fish and wildlife agencies tasked with predator control. Tom Rien of the Oregon Department of Fish and Wildlife reported that predators, particularly Northern Pikeminnow, consume millions of smolts annually. The Sport-Reward program that targets Northern Pikeminnow seems to be working to reduce predation, he said. These fish are a native species so the goal is not to eradicate, but to control them, Rien said.

Geoff Dorsey of the Corps of Engineers reported on efforts to relocate Caspian terns that nest on islands at the mouth of the Columbia River.

Jay Minthorn of the Umatilla Tribes, speaking on behalf of the Columbia River Inter-Tribal Fish Commission, called for protection of "our Treaty resource." California sea lions are enjoying the fruits of our investments in salmon recovery, he said. Sea lions have always had a presence in the Columbia, and when the river flowed free, we could get along, but that is not the case now, Minthorn said.

People claim that blaming the sea lions is a tactic to divert attention from the hydro system, he said. But a growing number of sea lions is having a disproportionate impact on the salmon runs, Minthorn stated. Over 100 sea lions are now preying on ESA-listed anadromous species, he said.

Council Member Bill Booth said the pinniped problem is particularly serious since the adult salmon that are being taken are the one to two percent of the run that is making it back from the ocean, and suggested that the Council come up with concrete proposals to address the situation.

9. Presentation on Chelan County PUD's Habitat Conservation Program and performance standards:

Tracy Yount, Chelan County PUD.

Tracy Yount of Chelan County PUD offered the Council his utility's experience with developing measurable performance standards and implementing a Habitat Conservation Plan (HCP) for the Rocky Reach and Rock Island hydro projects. During the 1990s, we were faced with prescriptive measures, undefined goals, and a lot of litigation in operating our hydro projects, he said. Chelan looked to get beyond that mode by defining its goals and identifying tools and timelines to achieve them, Yount explained.

10. Council decision to adopt Fiscal Year 2009 budget and Fiscal Year 2008 revisions:

Sharon Ossmann, administrative officer

Staffer Sharon Ossmann reported that the Council received no comments on the revised 2008 and 2009 budgets it released for public review. The 2009 figure reflects anticipated increases in personal services and benefit costs, she said. Dukes made a motion that the Council adopt the fiscal year 2009 budget of \$9,467,000; adopt the revised fiscal year 2008 budget of \$9,276,000; and authorize the reprogramming of available fiscal year 2007 funds for unanticipated fiscal year 2007 costs. Bruce Measure seconded the motion, which passed with all ayes; Cassidy and Whiting were absent for the vote.

11. Staff presentation and public comment on Draft Achievable Savings. A Retrospective Look at the Northwest Power and Conservation Council's Conservation Planning Assumptions (Council document 2007-07:

Tom Eckman, conservation resources manager; and Charles Grist, senior analyst.

Staffer Charlie Grist said the close of comment is Friday for the white paper on the Council's conservation planning methodology and current assumptions regarding the level of savings that are achievable. He gave an overview of what the paper had to say about achievable savings and said experience over the last 20 years supports retaining the assumptions in the Fifth Power Plan: an 85 percent penetration rate for non-lost-opportunity conservation and 65 percent for lost-opportunity savings. The paper reports that in the last five years, the region has reduced demand for electricity through conservation measures at a rate of about 130-150 average megawatts (aMW) per year.

Steve Weiss of the Northwest Energy Coalition urged the Council to revise its target upward for achieving conservation.

Fred Rettenmund, representing Inland Power & Light, cautioned that the estimate for achievability is a region-wide figure. What is achievable on the individual utility level depends on "what they can do in their part of the world in their circumstances," he said. "It isn't a reasonable benchmark for what an individual utility can do," Rettenmund stated.

Grist said that in August, staff would present a final recommendation to the Power Committee for revisions to the conservation white paper.

12. ISRP review of innovative proposals:

Patty O'Toole, program implementation manager.

The ISRP said five of the 59 projects submitted under the “innovative proposals” solicitation “merit immediate funding,” according to O'Toole. The ISRP determined that nine proposals met the innovative criteria, she said. The budgets for the five projects total \$2.5 million, and we have \$2 million to allocate, O'Toole explained. A staff table shows the spendiest of the five proposals to be a \$1.4 million study of a non-lethal electric barrier and sonar system to deter marine mammals that prey on fish in the Columbia River. Public comment on the projects will be taken until July 24, the fish and wildlife committee will consider them in August, and a Council decision is slated for September, O'Toole said.

13. Presentation by the Oregon Museum of Science and Industry (OMSI) on response to dam simulation model:

John Fazio, senior power systems analyst; Carol Winkel, senior writer and editor; and OMSI representatives.

Staffer John Fazio and a representative from the Oregon Museum of Science and Industry (OMSI) demonstrated a game they produced collaboratively to teach 4th to 8th-grade students about the complexities of operating the hydro system. The game, called “The Best Dam Simulation Ever,” simulates the operation of the hydroelectric system and is based on the GENESYS model.

14. Briefing on adequacy assessment:

Terry Morlan, director, power division; and John Fazio.

Staffer John Fazio walked the Council through the Pacific Northwest Resource Adequacy Assessment for 2010 and 2012 conducted by the region's adequacy forum.

Fazio listed the following conclusions: Northwest power supply is adequate; almost all surplus is non-firm; the adequacy standard does not address price volatility; the standard does not address individual utility status; and additional resources are not needed for adequacy, but may be for price stability and to meet individual utility needs. The forum members have prepared a report and would like to release it to the public, he said.

Jim Kempton said the Power Committee recommended the report be released. Booth suggested the report be well footnoted to explain the large differences between the outcomes in the forum's analysis and those of other regional forecasts.

Karier asked if there were objections to releasing the report. There were none, and he authorized staff to proceed.

15. Briefing on revised fuel price forecasts:

Terry Morlan, director, power division.

Staffer Terry Morlan advised the Council that there have been significant changes in fuel prices since estimates were made for the Fifth Power Plan. Several reasons account for the change, he said, including economic growth in China and India, decline in the value of the dollar, weak energy supply response, 2005 hurricane damage in the southeastern United States, the Middle East conflict, and uncertainty surrounding climate change.

Morlan compared current prices with Fifth Power Plan estimates for natural gas, crude oil, and coal. Natural gas prices since the plan have been volatile, he said, noting that the average has been toward the high case in the plan. The Natural Gas Advisory Committee has advised us to raise the forecast and provide for the possibility of substantial additional increases, Morlan said. World oil prices are totally outside the range of the Council's power-plan forecast, and other forecasters expect oil prices to remain well above our high case, he pointed out. Coal prices, on the other hand, are relatively similar to those used in the plan, Morlan said.

The Council agreed that a staff paper on the forecasts be released for comment.

16. Briefing on CO₂ production analysis summary:

Terry Morlan; and Jeff King, senior resource analyst.

Staffer Jeff King said his analysis of the carbon footprint of the Northwest power system responds to discussions started some time ago. To understand the effects of alternative planning scenarios on carbon production, staff developed three studies, he said: a comparison of alternative resource development futures, removal of lower Snake River dams, and summer spill at mainstem projects.

According to King's analysis, with 20 percent of the WECC load and 25 percent of the capacity, the Pacific Northwest produces 15 percent of the total CO₂ output in the WECC area. The principal reason our carbon output is relatively small is that we have so much hydropower, he stated. The 2005 CO₂ production of the Northwest power system represents the annual output of about 23 400-MW coal plants or 11.7 million typical passenger cars, King reported.

In conclusion, King said development of the resources recommended in the Fifth Power Plan would enable the annual CO₂ output of the Northwest power system to be controlled with a small increase. Most CO₂ in the Northwest is produced by existing coal-fired plants and significant reductions would require addressing that coal capacity, he said.

17. Council business:

– Approval of minutes

Dukes made a motion that the Council approve for the signature of the Vice-Chair the minutes of the June 12-13, 2007, Council meeting held in Bonners Ferry, Idaho. Booth seconded the motion, which passed unanimously.

– **Approval of ISRP appointment and term renewal**

Staffer Eric Merrill reviewed the qualifications of two candidates for the ISRP. Dukes made a motion that the Council appoint Dr. Robert Bilby to the ISRP for a three-year term, and renew the appointment of Dr. John Epifanio to the ISRP for a second three year term. Kempton seconded the motion, which passed with all ayes; Cassidy and Whiting were absent for the vote.

The meeting adjourned at 3:10 p.m.

Approved August 14, 2007

/s/ Joan Dukes

Vice-Chair

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