

Tom Karier  
Chair  
Washington

Frank L. Cassidy Jr.  
"Larry"  
Washington

James A. Yost  
Idaho

W. Bill Booth  
Idaho



Joan M. Dukes  
Vice-Chair  
Oregon

Melinda S. Eden  
Oregon

Bruce A. Measure  
Montana

Rhonda Whiting  
Montana

## **Council Meeting Missoula, MT**

**October 16-17, 2007**

### **Minutes**

Tom Karier called the meeting to order at 1:37 p.m. on October 16 and adjourned it at 11:55 a.m. on October 17. All members were present, except Larry Cassidy. At the conclusion of the meeting, the Council thanked Jim Kempton for his service and hard work as a Council Member.

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

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

Rhonda Whiting reported that the Fish and Wildlife Committee discussed the quarterly review of within-year project funding adjustments and activities related to the upcoming fish and wildlife program amendment process. The Columbia Basin Fish and Wildlife Authority (CBFWA) gave a presentation on the Collaborative Systemwide Monitoring and Evaluation Program (CSMEP). The Committee also discussed the project review process, had a presentation on regional coordination funding proposals for Fiscal Year 2008-2009, and on predator control efforts.

Kempton reported the Power Committee discussed the revised electricity price outlook and analysis and received a status report on the Regional Dialogue process. We talked about the Bonneville resource consistency determination process and how it will take place in the future, he said. The Committee also discussed a new Efficiency Forum for the region and got an update on the wind integration action plan.

#### **1. Presentation on regional dialogue/residential exchange:**

Bill Drummond, General Manager of Western Montana G&T.

Bill Drummond, manager of the Western Montana Electric G&T Cooperative, began his presentation with three observations about the Regional Dialogue. First, it needs to be viewed as a broad package, not a set of individual parts, and second, equity among Bonneville preference customers must be maintained or the package falls apart, he said. Third is the need to keep the long term in mind, according to Drummond. We are facing a monumental shift in how Bonneville sells power to its customers -- it's a huge change, and it's not easy, he said.

There are a number of areas that need resolution, Drummond continued. There needs to be better definition of how Tier 1 and Tier 2 products will work and of the costs that will support those products, he said.

Public power thinks it's very important to get all these things nailed down in the contracts, including the tiered rates methodology, Drummond stated. We think public power customers should be able to switch Tier 1 products once during the contract, and we think Tier 2 costs should be paid exclusively by Tier 2 customers, he added. Drummond called the schedule to resolve the issues "heroic," and added, "things are going as well as can be expected."

Karier asked if there is a debate on whether to have some of the items Drummond mentioned embedded in the contracts. Yes, in some cases, Bonneville wants to preserve flexibility for future administrators, Drummond replied.

Drummond made several observations about power supply alternatives. As of October 1, 2011, we will have to have made our decisions on future power supply, he told the Council. Our industry seems to jump from one resource choice to another, Drummond stated. When I started in this business, there was an emphasis on nuclear power, then it was coal, and in the 1990s, combustion turbines were the resource of choice, he said. Now, it's efficiency and wind with combustion turbines as our only real options, according to Drummond.

While nuclear energy has potential, we won't see a new nuclear plant in the Pacific Northwest for 15 to 20 years, he predicted. In my opinion, given the history with the Washington Public Power Supply System, we will have to see new nuclear plants operating successfully elsewhere before they could get built here, Drummond said.

Coal is virtually impossible to build at this point in time, and IGCC technology is not yet commercially viable, he stated.

There's a huge incentive for efficiency come October 1, 2011, especially if we are facing \$60 to \$70 Tier 2 power, he noted.

The region used to be an energy-constrained system, but now we've become a capacity-constrained system, and that's a fundamental shift, he pointed out. We used to have 3,000 MW of DSI load we could shift around, but that's gone, Drummond said. Now we will see big changes in prices and in the way Bonneville collects revenues from its customers, he stated. You'll see higher demand charges and lower energy charges, and that will have a big effect on intermittent resources like wind, according to Drummond.

Costs are going to go up quite a bit, and that will have a big impact on the Sixth Power Plan, he predicted. I'm not sure your current modeling captures this change, Drummond told the Council.

Montana's wind and coal potential are huge, but with wind, transmission and firming are real challenges, and it's impossible to build pulverized coal, he said. As for efficiency, it's difficult in a mostly rural state with less than 1 million people, Drummond stated.

There are also problems with the way transmission is being dealt with, he said, noting clogged transmission queues, and the need to relieve congestion.

Drummond pointed out that Montana's governor is promoting coal-to-liquids projects that have electricity generation as a byproduct. Without significant technological advances in CO<sub>2</sub> capture and storage, it will be difficult for pulverized coal in this part of the country, he stated. We need more transmission built to access wind resources in eastern Montana, said Karier. How can we get that built? he asked. You might be able to upgrade the Colstrip lines, Drummond replied. But if you try to build a major transmission line, even parallel to an existing line, you'll run into huge opposition even if the line is to carry wind, he added.

Finally, Drummond commented on the Council's draft CO<sub>2</sub> footprint paper, calling it "an excellent piece of work" and "the kind of thing the Council is designed to do." It would be a service to the region, he said, if the Council were to address the question of how to achieve the goal of the Western Climate Initiative: 15 percent reduction of greenhouse gas emissions below 2005 levels. I'm curious to see if policymakers really would close down coal generation, he said. I wonder if I'll live long enough to see a Power Plan that recommends building five nuclear plants -- if so, then I'll know I've come full circle, Drummond concluded.

## **2. Panel on Program Amendments - State Fish and Wildlife Directors:**

Larry Peterman, Montana Department of Fish, Wildlife and Parks; Bill Tweit, Washington Department of Fish and Wildlife; Tony Nigro, Oregon Department of Fish and Wildlife; and Sharon Kiefer, Idaho Department of Fish and Game.

**Bill Tweit of the Washington Dept. of Fish and Wildlife** led off a panel of fish and wildlife directors assembled to comment on what they are looking for in the Council's upcoming fish and wildlife amendment process. We all share similar goals on how the process should work, he noted. Under the Northwest Power Act, "we are the Council's eyes and ears in the field."

We've been working with the Columbia Basin Fish and Wildlife Authority (CBFWA) on a vision and model for the amendment process, he noted. We are concerned that regional goals be linked to subbasin planning goals, and we need to clarify the role of Bonneville and Bonneville obligations, according to Tweit.

Adaptive management won't work without rigorous monitoring and evaluation (M&E), Tweit stated. We hope the amendment process will inform a common regional understanding of the status of fish and wildlife as well as the costs associated with the fish and wildlife program in Bonneville's rate case, he said.

Our objectives for the amendments will define and stabilize core measures, such as wildlife operations and maintenance (O&M) funding, hatchery O&M, M&E, and data management, he continued. Our objectives will also recognize the Biological Opinion remand process; recognize the essential role of state agencies in stewardship and managing resource use; build in a capacity for addressing future challenges; and provide for assessment and feedback, Tweit summed up.

**Sharon Kiefer of the Idaho Dept. of Fish and Game** said the state agencies see themselves as partners with the Council. She noted that Idaho reserves its authority to submit Idaho-specific recommendations as the amendment process goes forward.

Through CBFWA, our intent is to bring to the regional conversation the scientific and management perspectives of those of us statutorily charged with managing the resource, said **Tony Nigro of the Oregon Dept. of Fish and Wildlife**. We try to build scientific consensus among the co-managers through CBFWA, he added.

We will provide a set of recommendations on behalf of Oregon that will be consistent with CBFWA's, but we will go a bit further and provide the perspectives of the people we met during the subbasin planning process, Nigro said.

In the past, there have been issues about the effectiveness and credibility of fish and wildlife program expenditures, and we take that seriously, said **Larry Peterman of the Montana Dept. of Fish, Wildlife and Parks**. He urged the Council to look at the model CBFWA is proposing because it has a science-based approach, is transparent and accessible to everyone, and builds in accountability.

### **3. Council decision to release call for Fish and Wildlife Program amendment recommendations:**

Patty O'Toole, program implementation manager; Lynn Palensky, program planning and special projects coordinator; Tony Grover, director, fish and wildlife division; and John Shurts, general counsel.

Staffer Patty O'Toole presented a draft letter from the Council to the public requesting recommendations for amendments to its Columbia River Basin Fish and Wildlife (fish and wildlife) Program, and the Council made several editorial changes to it. Melinda Eden questioned wording about the program's relationship to the Biological Opinion. As a result, the letter was amended to say: "For the Council to consider recommendations, the recommending entity should explain, for anadromous fish, what additional biological and legal objectives will be furthered by the recommended actions that are in addition to the actions that Bonneville has committed to fund in the Proposed Action."

Joan Dukes moved that the Council approve the letter presented by staff and recommended by the fish and wildlife Committee requesting recommendations to amend the Columbia River Basin fish and wildlife Program. Bill Booth seconded, and the motion passed.

O'Toole explained that the Fish and Wildlife Committee recommends that additional material to guide the public in developing recommendations on particular topics related to the program amendments, such as biological objectives, be posted on the Council's website. Dukes moved that the Council approve the guidance materials designed to assist participants in the fish and wildlife Program amendment process for publication on the Council's website. Booth seconded, and the motion passed.

In addition to the six-page letter calling for recommendations, we will send out a postcard to a broad audience of about 18,000 people with some key deadlines and general information about the amendment process, O'Toole said. The longer letter will go to about 500 to 600 people, including agencies, customer groups, and others, she added.

Staffer Tony Grover said the letter and postcard will be sent out in a couple of weeks. Once you've called for amendments, that starts "a highly structured process under the Northwest Power Act," staffer John Shurts told the Council. The central office will now begin compiling an administrative record for the process, he noted.

### **4. Council decision to approve sixth annual report to the Northwest Governors on Expenditures of the Bonneville Power Administration:**

John Harrison, information officer.

Staffer John Harrison reviewed the comments received on the draft of the Council's "Sixth Annual Report to the Northwest Governors on Expenditures of the Bonneville." He said the comments were helpful and that most had been incorporated into the final version of the report.

Harrison recommended that this year's report not include a footnote about the treatment of forgone revenues and that the issue be taken up during the upcoming program amendment process, if the Council chooses to do so.

The Council agreed with that recommendation. Dukes moved that the Council approve the Sixth Annual Report to the Northwest Governors on Expenditures of the Bonneville to implement the Council's fish and wildlife Program. Booth seconded, and the motion passed.

### **Public comment on CO<sub>2</sub> footprint paper**

Consultant Jim Litchfield presented comments on the Council's draft CO<sub>2</sub> footprint paper on behalf of Northwest RiverPartners. It's a difficult issue, and you've done a good job of laying out the issues and providing an analysis, he said.

You have described the dilemma facing the region, Litchfield stated. From a political point of view, a lot of people want to return to 1990 CO<sub>2</sub> emissions levels, but that's a daunting challenge, he said. We have embarked on a strategy away from nuclear power and fossil fuels so we will have to find new clean resources to replace the thermal sources we've counted on, according to Litchfield. And as Bill Drummond told you, "it's not as simple as just building a bunch of wind machines," Litchfield said.

## **Public comment on any subject before the Council**

None provided

## **Presentation and update on the activities and accomplishments of the Northwest Energy Efficiency Alliance:**

Margie Gardner, Executive Director.

Margie Gardner, executive director of the Northwest Energy Efficiency Alliance (NEEA), said that her organization's purpose is to make the Northwest more energy efficient for the benefit of electric ratepayers and noted that NEEA was launched by the Council. She reported on recent NEEA activities and pointed out that NEEA has been responsible for saving 160 aMW over the last 10 years at a cost of a penny per kilowatt-hour.

Gardner explained NEEA's market transformation efforts and noted that in the last decade, the whole lighting market has "seriously changed" and is not likely to regress. Half of the washing machines in the Northwest are Energy Star-efficient, higher than anywhere else in the country, she reported.

Recently, NEEA has been getting involved with new home construction, looking at air conditioning loads in commercial buildings, and working to promote the sale of energy-efficient computer cords, Gardner said. There are a number of technologies and products the Council identified in the Power Plan, such as heat pump water heaters and compressed air technologies, which have not yet been picked up by a group to try to make their use more widespread, she noted.

NEEA is funded by utilities at \$20 million per year, Gardner said. Our current contracts expire in 2009, and we are now trying to see what future NEEA activities would bring the largest value to the region over the next five years, she stated. Conservation is the cheapest resource, and "I've never seen as much corporate will to move energy efficiency into utilities' portfolios" as there is today, she said.

## **5. Presentation on Confederated Salish and Kootenai Tribal Energy Development Activities:**

Joe Hovenkotter, Tribal Staff Attorney and Steve Lozar, Tribal Council Member, Confederated Salish and Kootenai Tribes.

Joe Hovenkotter, attorney for the Confederated Salish and Kootenai Tribes, reported that the Tribes want to become more active in the energy industry and recently developed an energy policy statement to govern those activities. Flathead Lake, he said, is the reservoir for Kerr Dam, which has a nameplate capacity of 180 MW and went online in 1939. The dam was relicensed in 1985 to Montana Power, but the license gave the Tribes the right to acquire the facility as early as 2015, Hovenkotter noted. The Tribes intend to do that and have established a \$20 million fund for the acquisition, he said. The Tribes have hired R.W. Beck to help them develop a business plan for the sale of electricity from Kerr, he continued. We have been contacted about using the output from Kerr as firming power for wind generation, Hovenkotter noted.

## **6. Presentation on Fishing Contests on Flathead Lake, a Co-Management Strategy to Protect Native Trout:**

Barry Hansen, Tribal Fisheries Biologist, Confederated Salish and Kootenai Tribes.

Barry Hansen, tribal fisheries biologist for the Confederated Salish and Kootenai Tribes, explained the fisheries co-management plan for the Flathead Lake and River carried out by the Tribes and the Montana Dept. of Fish, Wildlife and Parks. Bonneville funds some of the things we do, and we also use revenues from Kerr Dam, he said. Hansen noted that Hungry Horse Dam blocked off 40 percent of the fish spawning habitat.

He explained management efforts for lake trout, bull trout, and efforts to replant kokanee in the lake.

Hansen went over some of the Independent Scientific Review Panel's (ISRP) concerns about the plan; for example, the ISRP thought that recreational angling alone wouldn't reduce the lake trout numbers. We think that by the end of 2008, we will have tested the angling solution, and then we'll decide if we need to ask Bonneville for additional assistance in addressing this problem in the next rate case, Hansen said.

## **7. Report on Science Policy Exchange Conference: Lynn Palensky; and Dr. Rick Williams.**

Dr. Rick Williams presented a summary of the Science Policy Exchange (SPE) the Council held in September, which he said was intended to inform the upcoming fish and wildlife amendment process about new issues and assess whether the assumptions in the Council's fish and wildlife program continue to be sound.

Your summary showed what I learned at the conference: that there's not a concurrence on a lot of issues, Council Chair Tom Karier told Williams. We're involved in "a grand experiment" to test assumptions, and the conference has brought forth important ideas that will inform our policy decisions, he said.

Bill Booth asked staff to come up with a set of overall themes, questions, and "unknowns" from the SPE that the Council's program should focus on. I hope we can do a short list of those things to help us through the amendment process, he added. Staffer Lynn Palensky said staff would develop "a short list of provocative questions" for the Council to ask during that process.

## **8. Presentation on Efficacy of Fish Recovery Programs the Columbia River:**

Dr. Jack Stanford, Director, Flathead Lake Biological Station Division of Biological Sciences, The University of Montana.

Dr. Jack Stanford, director of the Flathead Lake Biological Station, reported on his research on how biodiversity in rivers is influenced by nutrient subsidies from salmon runs and how his work might shed light on the efficacy of fish recovery programs for the Columbia River. Most of my research has taken place in British Columbia and Kamchatka, Russia, he noted.

## **9. Council decision to release electricity price forecast update for public**

**comment:** Terry Morlan, director, power division.

[Not discussed]

## **10. Update on data management:** Peter Paquet, manager, wildlife and resident fish.

Karier reported that the Council and NOAA Fisheries co-sponsored an executive summit of state and federal agencies, tribes, and fish and wildlife organizations October 2 to discuss regional data management issues and priorities. The purpose of the meeting was to try to "break the logjam" on monitoring and evaluation and other issues by bringing more policy-level people into the discussions, he noted.

One of the recommendations from the Summit was that specific assignments, such as finding a way to standardize location and time identifiers for all data, should be given to different groups like the Pacific Northwest Aquatic Monitoring Partnership (PNAMP), Karier said. The notes from the Summit will be posted on the Council's website, Karier added.

## **11. Council business:**

### **— Approval of minutes**

Dukes moved to approve the minutes for the September 11, 2007 Council meeting held in Portland, Oregon. Booth seconded, and the motion passed.

Approved November 14, 2007

**/s/ Joan Dukes**  
Vice-Chair

x:\jh\ww\minutes\oct07\missoula short version.doc