

JUDI DANIELSON
CHAIR
Idaho

Jim Kempton
Idaho

Gene Derfler
Oregon

Melinda S. Eden
Oregon

Steve Crow
Executive Director



TOM KARIER
VICE-CHAIR
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Ed Bartlett
Montana

John Hines
Montana

Council Meeting **Missoula, Montana**

October 14-15, 2003

Minutes

All were present. The meeting was called to order by chair Judi Danielson at 4 p.m. on October 14 and adjourned at 3 p.m. on October 15.

1. Panel discussion on mainstem amendment implementation

Doug Marker, director, fish and wildlife division; Bruce Suzumoto, manager, special projects; Greg Delwiche, Bonneville Power Administration; Witt Anderson, U.S. Army Corps of Engineers; John Palensky, NOAA, and Rod Sando, Columbia Basin Fish and Wildlife Authority.

Federal agency reps, the director of CBFWA, and Council staff reported on the status of discussions to test summer spill in 2004. The group is refining four options that would test whether system survival could be maintained with less summer spill, staffer Doug Marker said: 1) a "status quo" operation that would not disrupt currently scheduled research, including post-construction tests of passage improvements at Bonneville Dam; 2) a proposal that would depart from the NOAA Fisheries' BiOp to reduce spill and gather specific in-river survival estimates; 3) BiOp spill operations and research to establish credible "baseline" survival estimates, with the option of offsetting mitigation; and 4) broader-scale evaluation of survival, with spill at various levels and other passage measures in effect, including transportation.

The ad hoc group, convened to consider implementing the Council's mainstem amendments on spill, is also discussing whether it is feasible to do a comprehensive systemwide spill test, the statistical reliability of data that would be gathered, the cost and funding for the test, and the flexibility of the BiOp to accommodate proposed changes to operations, according to Marker. We'll be working on these issues in October and November to see if it would be possible to implement a test in 2004, he reported.

Witt Anderson of the Corps of Engineers described the Corps' ongoing Anadromous Fish Evaluation Program as a way to answer fundamental questions about the operations and configuration of mainstem dams. The program, which he described as "very collaborative" and

designed in conjunction with the Regional Forum's System Configuration Team and a Studies Review Work Group, aims to help us make improvements in both of those areas, he said. We do basic research on how to design and build projects and how to conduct comprehensive monitoring and evaluation post- construction, Anderson said.

The program is largely funded through Congressional appropriations, he continued. About 80 percent of the costs, those allocated to the hydropower use of the dam, are then reimbursed by Bonneville, Anderson explained. There are 50 to 60 studies going on at any one time, and about \$25 million to \$30 million annually goes into the research program at the eight mainstem dams and in the estuary, he said, adding "they're expensive studies."

Anderson went on to describe the process for soliciting proposals once projects are designed and approved. Schedule is really important, he emphasized. By fall, we need to lay out what we will be doing in the next season so we can contract and have the lead-time to procure equipment, Anderson said. Once we know what funds we'll be getting from Congress, we go back through the Studies Review Work Group to finalize the list of research projects, and by November we have to make decisions, he stated. Anderson indicated that if the spill tests are to be part of the Corps' research program in 2004, decisions must be made in that timeframe. He also pointed out that the Corps' research projects are subject to independent scientific review.

Anderson said the Corps' baseline research program is now focused on understanding ways to meet the BiOp measures. "We're not driven by seeking cost-effective approaches to spill," but on how to satisfy the BiOp, he indicated. Anderson described program specifics at four mainstem projects, noting that the Corps will be evaluating its new bypass system at Bonneville Dam in 2004 and putting a spillway wall into service "to reduce the lateral flow" at The Dalles. We will also be reviewing the spill performance at John Day, where various levels of spill operations were tried in 2003, and at Ice Harbor, where spill survival "isn't as high as we'd like" and a different level of spill is likely to be needed, he said.

Tom Karier asked about research on returning adults. We've been tracking adults for years, Anderson responded, adding that there is a lot of data on how spill operations can adversely affect adult passage. We're looking at several issues, he said.

The federal executives declined to stop spill in August 2003, but they said that changes must be implemented in 2004 to see if we can get the biological benefits of spill at less cost, Greg Delwiche of Bonneville began. In summer, the river is managed in a way that maximizes transportation, he said, and the outmigration is largely over in late July, with so few fish in the river that it is difficult to get good data.

Our goal is to meet the BiOp objectives in the most cost-effective way, Delwiche stated. He offered two hypotheses to be tested with a summer spill experiment: a reduction in summer spill won't have a negative impact on meeting the performance standard for survival; and offsetting mitigation can address any impacts.

Delwiche described two options for the summer spill test: a project-specific approach and a systemwide approach. Another variation would be the timing of the spill, he added. With the project-by-project approach, Delwiche said researchers would be looking for specific things at individual hydro projects. He indicated, for example, that powerhouse survival at Ice Harbor is high, and there is a significant difference of opinion about whether powerhouse survival is

greater than spill survival. If tests show that spill survival is not as high, a policy decision could be made to shut the spill off earlier than in the past, Delwiche explained.

At John Day, he continued, turbine survival is not high, and research suggests there may be some benefit of a lower-level, 24-hour spill, a research question that should be investigated. At Bonneville Dam, we'd suggest a test with two levels of spill, Delwiche said. Once the research is concluded and the results are in, a decision could be made in late July about shutting spill down, he continued. The focus in July ought to be about seeing whether we could shut spill off or taper it down once the research is conducted, Delwiche said.

For a systemwide test, we could go to a spill budget, which managers could use as they want, he suggested. Whether we have a project-by-project or systemwide test, adjustments could be made to reduce spill, Delwiche said. With regard to offsets to reduced spill, Delwiche listed several possibilities: predator control; reduced harvest and/or stepped up enforcement; and anti-stranding experiments in the Hanford Reach.

John Hines asked how the savings from reduced spill would be used. Our objective is to meet the BiOp in the most cost-effective way possible, Delwiche stated. If offsets to spill cost more than spill, we wouldn't meet that objective, he indicated. We have developed principles that could be applied to any savings, Delwiche said.

Our principles state that offset benefits would be equal to impacts attributable to the spill reduction and would go toward the affected fish, he explained. Asked for clarification, Delwiche said if spill were reduced, we would estimate the biological impact and evaluate the potential for offsets that would provide equivalent benefit to the affected species. Bonneville is open to the idea of using the revenues captured to fund necessary research and to provide benefits to listed and non-listed fish, he said.

"This issue is very high on Bob Lohn's radar," John Palensky of NOAA Fisheries stated. He said options have surfaced quickly in the ad hoc group, and people are meeting cooperatively to consider them. I would offer some cautions, however, Palensky said.

"Snake River fall chinook research isn't easy," he stated. We have very little information on these fish, and we're starting from a position of not knowing a lot about them, Palensky said. We are skeptical that we could develop a research plan that would give us the definitive result we seek, he continued. It is difficult to tag fish in August, and the availability of Snake River fall chinook to study is problematic, Palensky explained.

We aren't sanguine that we could come up with an effective study that wouldn't cost a lot of money, he said. There may be other things we could do that would be a better use of money and human resources than to conduct this research, Palensky said. We're not ready to pass judgment on the alternatives but to caution you about the likelihood of success, he said, adding that NOAA Fisheries endorses the continued development of the test alternatives.

The second caution has to do with the flexibility in the BiOp, Palensky went on. There is flexibility in the BiOp, but the amount of flexibility will depend on the course that is chosen and the level of regional agreement, he said. We need a solid foundation and agreement to make this successful, Palensky stated.

It will be difficult to determine what a particular increment of spill will do for fish, he continued. It may be our best use of resources to look at offsets, Palensky reiterated. We know that spill is one of the highest survival ways to move fish, but it is difficult to tease out specific effects and the point at which some change makes a difference, he explained.

Jim Kempton asked about NOAA Fisheries' willingness to back off flows given the court-ordered remand of the BiOp. I don't know if we are doing anything under the remand to change flow, Palensky responded. But the question is whether we can determine what we gain from 427,000 cubic feet per second (cfs) of flow from the Upper Snake, he added. I don't know if we can do that, Palensky said.

We don't yet have definitive biological standards, Hines stated. We've been talking about budgets, but that's not what I think we should be considering, he said. You should be developing standards, Hines urged.

The process we've undertaken is going well, Rod Sando of CBFWA stated. But biological management cannot be done with the precision you want, he said, adding that expert judgments, not scientific data, drive many actions. As for the offset options, "if they were obvious and fruitful," we would already have implemented them, Sando added.

He urged caution in making a change in the spill operation, noting that the "precautionary" principle in science calls for not being aggressive about change unless you know what the impacts will be. Be careful when things like this are proposed, Sando said. If you want to cut back on spill, it might be better to do it in the middle of the run, he posited. When people say that the late season spill only affects 5 percent of the fish, be aware that it is on the extreme ends of the runs where the adaptation occurs – that is where the innovation is occurring, Sando pointed out. And the precision isn't there in the data, he concluded.

The courts are pushing us toward that precision, Council chair Judi Danielson responded. We have no choice but to look for it, she said. The system operates on expert opinions, not biological certainty, Sando said. And you've adopted the mainstem amendments without a budget to implement them, he added.

I appreciate the work of this group and hope you can bring us a product we can implement, Hines summed up.

2. Reports from Fish and Wildlife and 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.

Fish and Wildlife Committee chair Ed Bartlett reported that there is concern about the amendment process for subbasin plans, particularly the May 2004 due date and funding. Despite concerns, he assured the Council that work is progressing on the plans. Bartlett said the committee was briefed on the work plan for data management and the draft Artificial Production Review and Evaluation. The committee had "a lively discussion" on innovative project solicitation, according to Bartlett, and also talked about the non-spill measures in the mainstem amendments. We will bring the Council a proposal on action items, he said.

Bartlett said an update from Bonneville on 2003 F&W expenditures indicated that by the end of September, Bonneville had just over \$140 million in accruals, up from \$99 million at the beginning of the month. We talked to Bonneville about “the MOA hurdle” we have to get over, and Bonneville said we need to have a definition of the agency’s obligation as a prerequisite, he stated. We also had an update on BiOp implementation, Bartlett concluded.

Public Affairs Committee chair Larry Cassidy showed the Council publications that are under way or newly published. He said the public affairs staff is preparing a video to tell the story of the river and the Council’s work, and has purchased video equipment to do the work and keep it up to date.

Power Committee chair Jim Kempton described work the Council’s power staff is doing in preparation for the fifth Power Plan. The staff is moving into “a new frontier” with forecasting, trying to get at combined risk analysis and least-cost options, he explained. Staff briefed the committee on a transmission issue paper, which will come up for release at the Council’s November meeting. Kempton reported on the delay of the Regional Dialogue due to Bonneville’s concerns about IOU settlement talks, which he said could delay release of the Council’s power plan from June or July to September.

The committee also talked about litigation in California over whether manufacturers should be compelled to release information about appliance efficiency, Kempton said, adding that the Council could consider whether to join the lawsuit as an amicus party.

Cassidy said he would like to be kept better informed on some issues that are discussed in the Power Committee, and he suggested more issues, such as the Future Role of Bonneville, be put on the main Council agenda. Some of these are huge issues, and I want to hear what other states have to say, Cassidy stated.

3. Presentation by the Columbia Basin Trust on Canadian issues

Josh Smienk, chairman, board of directors; and Don Johnston, executive director.

Representatives from Canada’s Columbia Basin Trust, an entity that promotes “social, economic, and environmental well-being” in the area most affected by construction of the Columbia River Treaty dams, described their organization and projects the trust has undertaken since it was created by the British Columbia legislature in 1995. Don Johnston, executive director, said the history of the trust is tied to the 1964 Columbia River Treaty between the United States and Canada. While the treaty provided “extraordinary” flood control and power production benefits, they came at a cost to residents of the Columbia River Basin in Canada, he explained.

No one in the part of Canada most affected by the dams and reservoirs was involved when the treaty was negotiated, Johnston pointed out. The negotiations took place between two federal governments without the participation of British Columbia, and “we don’t want that to happen again,” he stated. There is no expiration date for the treaty, but either side can choose to terminate on or after 2024 with 10 years notice, Johnston explained. If the treaty is renegotiated, we want British Columbia involved, he said.

Johnston went on to describe provisions of the Columbia River Treaty and the downstream benefits it produced. With construction of treaty dams, 2,300 residents were displaced; 231 square miles of valley were flooded; and forests, farmland, wildlife habitat, and “First Nations”

(tribes) archeological sites were lost, Johnston said. Our area bore the brunt of the development, and when the construction cycle ended, residents formed a committee to negotiate with the provincial government for a share of the project benefits, he continued. The provincial legislature created the trust and endowed it with \$295 million, Johnston explained.

The trust has invested funds in a number of projects, including hydroelectric facilities associated with the treaty dams, he said. Those investments are providing millions of dollars annually that are used for economic development, Johnston said, adding that proceeds from the investments are expected to grow significantly over the next several years. The trust believes water-related issues will become very pressing over the next 10 years and has developed a Water Initiatives Strategy, he said.

We are looking at “grassroots” input into any treaty renegotiations in 2014, Josh Smienk, chair of the trust’s board of directors, told the Council. He said Council members would receive an invitation this fall to a scoping session sponsored by the Department of Foreign Affairs in Canada to begin discussing issues likely to come up in 2014, the first opportunity for renegotiating the Columbia River Treaty.

Smienk said entities on the Canadian side of the border have organized themselves to fit into the Council’s subbasin planning process. We want to transcend the boundary with fish and wildlife (F&W) issues, he stated, offering an invitation for the Council to come to British Columbia to discuss subbasin planning. We want to get Canadian points of view fit into your process, Smienk said.

He highlighted several issues on which people on the Canadian and U.S. sides of the border need to cooperate, including the VARQ flood control operation at Libby Dam. That operation is looked at in Canada as “a unilateral action by the Corps,” and we are very concerned about it, Smienk said, pointing out that the change affects agricultural land and residents living near the reservoirs in Canada. There have been attempts at cooperation, but very little progress, he added. Smienk also indicated the United States has passed up opportunities to reduce dissolved gas in the hydro system by failing to work with Canada, and he said Canadian interests hope to work jointly on relicensing utility hydro projects near the border.

The prospect of renegotiating the Columbia River Treaty in 2014 has major ramifications for F&W efforts, Smienk summed up. He suggested that until it’s clear what will happen post-2014, long-term fish restoration investments could be in jeopardy. It’s a lot of money “if the water isn’t available,” Smienk stated.

Hines pointed out that the U.S. State Department has always asserted its authority to negotiate the treaty, and he recommended the department be on the invitation list for the scoping meeting. Also, Hines said, there was interaction with the Canadians on VARQ at Libby. There was discussion, but the response was lacking, Smienk replied.

Danielson asked Karier, the Council’s liaison with the trust, and Derfler to be Council contacts on the transboundary issues. Karier said he would work with staffer John Harrison to develop a policy paper on the issues discussed, and the Council agreed that would be a good idea.

4. Council decision on amendments to Council By-Laws (Council document 2003-10)

Steve Crow, executive director; and William Hannaford, senior counsel.

A committee was appointed in April to consider changes to the Council's bylaws and after meeting for several months, came together on a set of recommendations, according to staffer Steve Crow. In September, the Council considered the recommended changes and put together a package of amendments that was released for public comment, he said. No comments were received, and the staff recommends adoption, Crow added.

There was no discussion among Council members – only a thanks from Eden for the committee's work on "difficult issues" – and no one from the audience chose to speak, when Hines made a motion, seconded by Eden, to adopt the proposed amendments. The Council voted unanimously to approve the changes, which include: a new way to break a deadlock if Council members cannot agree on a chair (the meeting shall not adjourn until a chair and vice-chair are elected by a majority); an explicit statement about the goal of sharing leadership among the four states (the chair, at its sole discretion, will give high priority to balancing the leadership of the Council among the four states); and clarification that even with a quorum present, it is not a Council meeting if Council members are called together by their governors or some other entity, they do not set the agenda, and they do not deliberate or take any action.

5. Council decision on fish and wildlife projects

Doug Marker, director, fish and wildlife division

– Decision on funding for the Columbia Basin Fish and Wildlife Authority

CBFWA proposed a scope of work in support of its budget several years ago, Marker explained. Those tasks are out of date, and the Council asked CBFWA to update them, which it has done, he reported. CBFWA is proposing a \$1.7 million budget that has two components, Marker continued: 1) staff and administration, and 2) member time and travel to participate in forums. CBFWA has provided a detailed task budget, and the F&W committee recommends adopting it, he stated.

Karier said he appreciated the level of detail CBFWA provided and asked about one of the objectives, to provide an annual report on F&W trends in the Columbia Basin. I would characterize this as "an accountability project," Sando responded, saying that the report should be out by the end of January 2004.

I support the budget level, but understand CBFWA members are divided on some tasks Eden indicated. I don't think CBFWA is divided, Sando replied. Marker said some CBFWA members object to Bonneville's \$139 million limit on F&W expenditures and to the selection process for 2004 projects. But CBFWA intends to participate fully this year, he added.

I'm confident that when all of the year-end accruals are in, we won't have spent \$139 million in 2003, Eden stated. That money will be restored to the F&W budget, she said.

Danielson noted that the Council received a letter from the Shoshone-Paiute Tribes supporting CBFWA's budget proposal. Bartlett made a motion that the Council approve the scope of work and related budget proposed by and for the Columbia Basin Fish and Wildlife Authority and

direct the staff to work with CBFWA to prioritize additional funding as appropriate. Cassidy seconded the motion, which passed unanimously.

– **Decision on master plan for the proposed Coeur d’Alene Tribe trout production facility (#1990-044-02)**

Cassidy pointed out that \$1,049,000 had already been spent on the Coeur d’Alene Tribe Trout Production Facility. In most cases, I don’t think we need a motion for a negative action, but in this case I think we need to have a motion one way or the other, so it is clear whether we intend to provide more funding, he said.

Staffer Mark Fritsch provided background on the proposal for a trout production facility. The master plan for the facility was submitted this year for a Step One review, he said. The Upper Columbia United Tribes supported the plan, but the Idaho Department of Fish and Game lined up with the Independent Scientific Review Panel, which gave the project a “do not fund” recommendation based on concerns about the way the project fits into Coeur d’Alene Lake and also on its cost, according to Fritsch.

In June, the tribe asked for a one-month extension on the comment period for the project, he continued. There have been meetings between the staff and tribe, and we discussed an alternative for maintaining and developing trout ponds, which the tribe will likely come forward with later, Fritsch reported. The staff recommends that the Coeur d’Alene Trout Production Master Plan not be approved, he stated.

The F&W committee said it would be receptive to and probably approve the trout pond request, but that request has not been submitted and is not before us, Bartlett clarified. Hines asked if parts of the project would be approved on an “ad hoc” basis, rather than through the master plan. No, Fritsch said, but the ponds need to be addressed. We have said they should bring forward a package related to the ponds for us to consider, he continued, but we would not be funding parts of a plan that was not approved.

Bartlett made a motion that the Council not approve a master plan for the Coeur d’Alene Tribe Trout Production Facility, Project #1990-044-02. Derfler seconded the motion, which passed unanimously.

What does “not approve” mean? Cassidy asked. Funding depends on there being an approved master plan, so without one, there would be no more funding for the production facility, Fritsch responded.

6. Update from Bonneville on condition of the regional transmission system

Brian Silverstein, Bonneville Power Administration.

Brian Silverstein of Bonneville gave the Council an update on the condition of Bonneville’s regional transmission system. There isn’t a lot of information out yet on why the Northeast blackout occurred, but a recent news release cited voltage stability as a key problem, he said. We know about voltage collapse here in the Northwest from the August 1996 incident, in which hundreds of thousands of people up and down the West Coast lost their electricity, Silverstein said. “We had our wake-up call,” and have since looked at ways to avoid it happening again, he said, adding, “we are well prepared in the Northwest.”

In the Northeast, operators didn't have ways to instantly drop load, Silverstein explained. We now have automatic load-shedding equipment in the Northwest, "a lesson from August '96," he said. Silverstein pointed out that communication among utilities is vital, and lack of communication apparently played a role in the Northeast blackout. He noted that Vickie VanZandt, the Transmission Business Line's (TBL) chief engineer, is serving on a national panel that is looking at tools and procedures that could be used to avoid further problems in the Northeast.

Grid reliability in the Northwest has improved markedly since 1996, but our system is still stressed, Silverstein stated. We tend not to talk about "close calls," but we had some this summer, he said, noting that on June 4 at about 4 a.m., a TBL operator spotted voltage swings beginning to occur on lines near Spokane. We were in "an unusual generation pattern" at the time, Silverstein explained, with Grand Coulee and Chief Joseph not operating and water being pumped into Banks Lake. There was also some equipment out of service in British Columbia that we didn't know about, he said. We found out that this was not an acceptable operation, Silverstein acknowledged. On July 19 and 20, overbooked transmission paths between Montana and Idaho also threatened system stability, he indicated.

Silverstein showed a map of potential constrained transmission paths in the Northwest, and the projects that are under way to address them. We've spent \$100 million since August 1996, but more transmission is needed, he said. We need to reinforce service to load centers and integrate new resources; relieve congestion; add a reliability margin back into the grid; and help the competitive wholesale market work, according to Silverstein. He pointed out that the system has to have spare capacity in order to take lines out of service for repair or upgrade.

In 2001, Bonneville developed an infrastructure program calling for 20 new projects across the Northwest to shore up the grid, Silverstein said. Bonneville realized it needed new borrowing authority to do the work and managed to secure \$700 million in 2003, \$300 million of which is for transmission projects, he said. The six key projects that are currently under way will require about \$500 million to complete, Silverstein stated, noting that before decisions were made to pursue the projects, they were reviewed by an Infrastructure Technical Review Committee made up of regional utility experts.

Silverstein described two projects that involve new transmission lines, the first new lines Bonneville has built in more than 15 years. The Coulee-Bell line will relieve congestion in an area referred to as "north of Hatwai" in eastern Washington, adding about 1,400 MW of new transmission capacity, he said. The Kangley-Echo Lake line will bolster capacity into the Seattle area, and it is being built in such an environmentally sensitive area that Bonneville's contractor is using helicopters to log trees and install towers, Silverstein said, adding that a third line has been deferred due to the limitation on borrowing authority. Other TBL projects involve new transformers and line updates, he said.

Construction is also needed to integrate new resources, such as gas-fired generation and wind developments, proposed east of the Cascades, Silverstein continued. The project developers will pay for these new lines, which takes away "the dry-hole risk" from Bonneville, he said. "We're just waiting for a \$150 million check" from developers to begin some other transmission projects, Silverstein said.

The most critical six projects are under construction, but a crucial policy question for the region is, who will build new transmission in the future, he said. As generation resources are developed, we have to figure out how we will get the transmission built to get power to loads, Silverstein said.

In addition to new infrastructure investments, mandatory national reliability standards “with financial teeth” are needed to ensure there will not be blackouts in the future, he stated. Silverstein pointed out that reliability standards in this country are currently voluntary. “All of the players have to be playing by the same rules,” and there must be economic consequences if they don’t, Silverstein said. One of the reliability requirements is “black start” capability, he said. Generating units require electricity to fire up, Silverstein pointed out, and some large generating units in the Northeast could not be restarted for days following the August blackout because there was no electricity to get them operating from a shutdown status.

We also need coordinated planning, he continued. It’s getting confusing here in the West about who will build new transmission, Silverstein indicated. We need to have people who are not just planning, but who have the authority to do something, he stated.

Do we have enough transmission in place for the next few years? Karier asked. The current projects “will put us on solid footing,” Silverstein replied. We gave ourselves a good start and some cushion in the system, he said. The big question is about interconnecting new resources, Silverstein added.

Hines asked whether the Coulee-Bell line will accommodate all of the needs north of Hatwai. It won’t be enough to move everything, Silverstein acknowledged. We have another project “in the back of our mind,” and we are studying ways to upgrade the paths across Montana, he said.

Silverstein went on to discuss studies Bonneville is undertaking to manage the transmission capacity on its internal paths. The goals, he said, are to: maximize the use of our transmission assets, while meeting obligations without significant costs or increased curtailments; develop an approach that recognizes flows over an interconnected system (contract path versus physical path); and create a management framework that can be applied more broadly.

The reality in the transmission system is that we operate with “a contract path fiction,” since contract paths don’t recognize the physics of the system, Silverstein explained. On some large paths, such as in the I-5 corridor, you can add up loads with relative certainty about the existing capacity, but that is not the case elsewhere, he said. We don’t know where the capacity is, and we need a new model for managing transactions, Silverstein said.

He presented a list of decision criteria for a new “available transmission capacity” (ATC) methodology. Preliminary results from Phase I of the ATC-development process show that the transmission system is fully subscribed, but new limited long-term service may be offered by the summer of 2006, as new projects come on line, Silverstein said. While the studies show we are full in terms of year-round, full-time contracts, there are always particular, short-term paths available, he explained. We are offering a seasonal, conditional transmission product, Silverstein said, adding that generation developers feel they can secure project financing with such transmission arrangements.

Gene Derfler asked about “non-wires solutions” to transmission congestion. These can take many forms, Silverstein replied. On the Olympic Peninsula, for example, we are using a web-based technology to get load off the system when we anticipate an extreme event like an “Arctic Express,” he explained. Bonneville would make an offer to purchase megawatts, and industries could respond by agreeing to shed load, Silverstein said. Other solutions could come from energy efficiency, demand management, and local generation – anything that reduces load, he concluded.

7. Council decision to release for public comment Future Role of Bonneville Power Administration issue paper

Dick Watson, director, power division.

In presenting an issue paper about the future role of Bonneville, staffer Dick Watson took the Council back in recent history to events that brought the region to its current dilemma about an appropriate role for the federal power marketing agency. The core of the problem we are now trying to solve is Bonneville’s financial vulnerability, which leads to Bonneville’s political vulnerability, which results in the Northwest’s economic vulnerability, he said. The source of Bonneville’s financial vulnerability is high fixed costs and dependence on a variable supply of hydropower to sell and volatile wholesale markets, Watson explained.

He went on to describe the historical relationship between Bonneville and each of its customer groups. With regard to preference customers, Bonneville has the obligation to serve, but they aren’t obliged to buy, Watson said. In 1995 and 1996, when market prices fell, preference customers flocked to diversify their sources of power, he explained. But the tables turned in 2000 and 2001, and there was a rush back to Bonneville, Watson said. Bonneville provides service at average cost rates, so there is no disincentive for customers to force Bonneville “to grow the pie,” serving increasingly large loads, and that leads to disparities in pricing, he continued. The question we now face is whether Bonneville can accommodate the risks and still continue to provide benefits to the region, Watson said.

As for investor-owned utilities (IOUs), the residential exchange in the Northwest Power Act “never made anyone happy,” he said. The question for the IOU load is whether the Act’s exchange provisions work, or is there a better, more transparent alternative, Watson said. Bonneville no longer has an obligation to serve direct service industrial customers (DSIs), but to deny that service could have a large impact on local communities, he explained. That problem may have largely solved itself, since very little smelter load is operating, Watson acknowledged. There is a question of whether Bonneville can serve DSIs without undue risk, he said.

Watson went over the results of the Comprehensive Review, the Bonneville Cost Review, and the Council’s Transition Board. Despite recommendations from these panels, which generally called for Bonneville to play a smaller role in the market and to control its costs, when the agency signed new power sales contracts in 2000, it committed to serve 3,300 MW of load beyond what the federal system could provide, he explained. That led to the need for Bonneville to significantly augment its resources at a time when market prices were increasing and on the eve of a power crisis, Watson said.

Most recently, the issue of Bonneville’s future role has revolved around a joint customer proposal, which grew out of the public utilities’ legal challenge to IOU exchange benefits, he

said. Watson listed the key elements of the customer proposal, including a call for 20-year contracts, directions for allocating the Federal Base System, and an “enforceable customer involvement” in ensuring that Bonneville controls its costs. The proposal was center stage in the Regional Dialogue last fall, and the Council put out recommendations that were largely supportive of the customers’ proposal, he said.

The dialogue was put on hold last spring, while Bonneville focused on a rate case, Watson said. But in June when the four governors asked the Council and Bonneville to resume the Regional Dialogue, it spurred a round of consultations in September, he continued.

Derfler pointed out that Bonneville lost credibility with Slice of the System customers by refusing to agree to binding arbitration over Slice costs. That has created a problem in the dialogue, he said. Kempton responded that he understood Bonneville could not agree to binding arbitration because of the jurisdiction the Ninth Circuit Court has over matters that affect contracts.

Watson suggested the Council put forward a set of principles on the future role of Bonneville in power supply and take public comment on them. He described a dozen principles that ranged from making it a goal to have long-term (20-year) contracts, to providing a mechanism to ensure continued regional development of cost-effective conservation.

Watson offered a proposed schedule for resuming the Regional Dialogue that would delay reconvening a steering committee and work groups until January. Under the schedule, he said, the committee and work groups would wrap up their work in April, followed by a Bonneville process in May and June. There is a lot we can do in the interim, Watson stated, adding there are important issues, like load/resource balance, that can be explored.

Why are we buying into the Bonneville schedule? Melinda Eden asked. She pointed out that Bonneville initially put the Regional Dialogue on hold because of its Safety Net CRAC rate case, but now says the hiatus must continue because of settlement talks in the IOU benefits litigation. Why go against the wishes of the governors on this? Eden inquired.

I’ve been an advocate for pushing up the dates to get going, Watson responded. But folks at Bonneville and others said the settlement is a risk factor in the dialogue, he said. We don’t want people blaming the Council for “messing up the settlement,” Watson said.

The governors directed us to proceed jointly, but our partner, Bonneville, said it couldn’t go forward yet, Kempton stated. We can’t force them, he added. Kempton pointed out that if work groups are convened earlier than the schedule indicates, the Council would have a better chance of getting its fifth power plan out on time. Otherwise, this could cause us to slip to September, he acknowledged.

Karier said he thought the schedule did what the governors asked the Council to do. They asked us to restart the process immediately, which we did, he said. This is a practical schedule that will conclude things by next summer, Karier stated.

I’m prepared to accept the judgment of the power committee, but I’m troubled by Bonneville’s rationale for continuing to delay the Regional Dialogue, and “I don’t accept it,” Eden stated. Kempton made a motion that the Council direct the staff to appropriately edit and issue for

public comment the Future Role of Bonneville Power Administration issue paper along with a schedule for opportunities for both written and oral comment. Karier seconded the motion, which passed with all six members present voting aye. Cassidy and Hines were absent for the vote.

8. Briefing on Sekokini Springs step review (#1991-019-03)

Brian Marotz, Montana Department of Fish, Wildlife & Parks.

[This item postponed to another meeting.]

9. Council business

– Adoption of minutes

Karier made a motion that the Council approve for the signature of the Vice-Chair the minutes for the September 9-11, 2003 meeting held in Spokane, Washington. Derfler seconded the motion, which was approved unanimously.

– Approval of subbasin workplans

Staffer Lynn Palensky explained proposed changes to subbasin planning contracts for the Kootenai Tribe of Idaho, Colville Confederated Tribes, and the U.S. Forest Service.

Kempton made a motion that the Council authorize the Executive Director to negotiate an amendment to the Kootenai Tribe's Subbasin Planning Contract, SIM31, in an amount not to exceed \$14,000, to develop the Qualitative Habitat Assessment methodology for assessing lake and reservoir habitats for the Kootenai and Flathead Subbasins, as presented by the staff. Bartlett seconded the motion, which passed with all six members present voting aye. Cassidy and Hines were absent for the vote.

Karier made a motion that the Council authorize the Executive Director to negotiate an amendment to the Colville Confederated Tribes' contract, SBWW37, in an amount not to exceed \$15,000, to complete additional assessment work in the Canadian portion of the Okanogan and Columbia Rivers, as presented by the staff. Bartlett seconded the motion, which passed with all six members present voting aye. Cassidy and Hines were absent for the vote.

Karier made a motion that the Council authorize the Executive Director to negotiate an amendment to the U.S. Forest Service intergovernmental agreement in an amount not to exceed \$9,570, to provide continued support to subbasin planners in developing the terrestrial and wildlife components of subbasin biological assessments throughout the Columbia Basin, as presented by the staff. Eden seconded the motion, which passed with all six members present voting aye. Cassidy and Hines were absent for the vote.

– Approval of release of APRE draft report for public comment

We owe Congress a report on our Artificial Production Review and Evaluation (APRE), and we now have a draft to send out for public comment, Marker said. We need comment on issues that will be in the final report, he added. Marker noted that he and staffer Bruce Suzumoto would continue to meet with others in the region to discuss the evaluation and the issues and would make a presentation to Congressional staffs about what the report contains. We have accomplished some of the Reasonable and Prudent Alternatives listed in the BiOp with the APRE work, Marker reported.

It's a good report, but this review and evaluation has been going on for five or six years, Karier commented. We need to bring this to a conclusion, he stated. This draft report says some hatcheries still don't have a purpose or goals, Karier said. Let's bring this to a conclusion, write a final report, and not just continue to evaluate, he urged. This report won't be without controversy, Danielson observed. Bartlett made a motion that the Council direct the staff to issue for public comment the Artificial Production Review and Evaluation draft report, as presented by the staff. Eden seconded the motion, which passed with all six members present voting aye. Cassidy and Hines were absent for the vote

The meeting adjourned at 3 p.m.

Approved November 19, 2003

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Vice Chairman

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