

Joan M. Dukes
Chair
Oregon

Bruce A. Measure
Montana

James A. Yost
Idaho

W. Bill Booth
Idaho



Rhonda Whiting
Vice-Chair
Montana

Bill Bradbury
Oregon

Tom Karier
Washington

Phil Rockefeller
Washington

Council Meeting Missoula, MT

June 12-13, 2012

Minutes

Council Chair Joan Dukes called the meeting to order at 3:15 p.m. on June 12th and adjourned it at 10:45 a.m. on June 13th. All members were present, except Tom Karier, who participated by telephone.

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

Phil Rockefeller, chair, fish and wildlife committee; Jim Yost, chair, power committee; and Bill Bradbury, chair, public affairs committee.

Jim Yost reported that the Power Committee discussed the Regional Technical Forum (RTF) charter and bylaws and its membership solicitation plan. We also reviewed the status of the action items in the Sixth Power Plan, as well as the upcoming analysis for the Mid-term Assessment of the plan, he said. The Committee had four updates, Yost noted. They were on data center loads, enhancements to natural gas modeling, natural gas price forecasts, and improvements to the generating resource database, he said.

Bruce Measure reported that the day before the meeting, he participated in a “very productive” meeting about the RTF with western Montana public utilities and a conservation staffer from NorthWestern Energy. We hope some proposals for change will come out of that; for example, there could be an increase in the number of thermal zones recognized, Measure stated.

Phil Rockefeller reported that the Fish and Wildlife Committee discussed three topics that the Council will be taking up during the Council Meeting: High-Level Indicators; resident fish, data management, and coordination projects; and a Snake River fish and wildlife project. We also talked about planning for the geographic category reviews and discussed Independent Scientific Advisory Board (ISAB) comments on the draft MERR program, he said. Paul Kline updated us on Idaho hatchery and supplementation policies and activities, and we talked about the next steps for ocean research projects.

Bill Bradbury reported the Public Affairs Committee would meet that day to discuss the August Congressional staff trip.

Public comment on any issue before the Council

None provided

1. NorthWestern Energy presentation on IRP and issues of interest:

John Hines, Vice President - Supply; and John Bushnell, Lead Supply Planner, NorthWestern Energy, LLC.

John Hines of NorthWestern Energy said NWE is Montana's largest utility with 668,300 customers, both electric and natural gas, covering a service territory of about 123,000 square miles. He recounted how Montana Power divested itself of its generation in 1997 and subsequently was sold to NWE, and how NWE is now trying to rebuild its portfolio of natural gas and electric resources. In three years, we've put \$600 million in supply resources into our rate base to serve electric customers in Montana, Hines said.

We now own 372 MW of generation in Montana and 150 MW of regulation services, he reported. We are acquiring 6 aMW a year of conservation, and we've spent a lot of time, money, and political capital acquiring renewable resources, Hines said.

The footprint of our service territory covers some of the best wind regimes in the country, Hines stated. We are trying to expand our transmission to export wind and gas generation, and we have the unique opportunity to provide transmission services in both the West and Midwest power markets, he pointed out. We are also investing in the smart grid and smart metering to accommodate the next generation of electric service, Hines added.

He explained the complex issues related to PURPA Qualifying Facility (QF) resources that NWE is dealing with, noting that QF resources are mostly small wind projects and are NWE's highest cost resources. Unlike large wind resources, we have limited information on their availability, and there is no forecasting associated with them, Hines said. Among the challenges with QFs, we can't examine their costs which ratepayers will have to bear, and we can't require QFs to give us their renewable energy credits (RECs) -- we have to negotiate to get those separately, John Bushnell of NWE pointed out.

Hines explained how NWE is planning to meet its baseload requirements, particularly after its contracts with PPL expire in 2012 and 2014. We are evaluating build, acquisition, and other market alternatives and looking at the concept of site banking, he said.

It looks like we will be in compliance with Montana's Renewable Portfolio Standard through 2017, Hines reported. We are seeing significant benefits from renewable energy resources, but risk is our biggest concern, he stated. Environmental regulations are hard to predict, but renewable resources help moderate that risk, Hines said.

Our biggest RPS resource is the Judith Gap wind project, and it is our most variable resource, said Bushnell. Its "swing" can be like adding or subtracting 30 MW, and the lesson we've learned is that "wind is variable and more variable than we thought," he stated. But in December, Judith Gap set a record with a capacity factor of 70 percent, Bushnell said. If we take on more wind, we'll need more regulation, besides our Dave Gates gas plant, he noted. Wind capacity is one-third of our average load, Bushnell said.

Besides the challenges with QFs, we are having trouble meeting our Community Renewable Energy (CREP) requirements under the RPS, which deal with projects under 25 MW, he reported. It's hard to find people willing to develop these small projects, Bushnell added.

In the Resource Procurement Plan we filed last December, we said we will continue to capture cost-effective demand-side management, he reported. We said market opportunities remain attractive and that we will continue to build an effective portfolio of resources by beginning to option new build projects and watching for opportunity purchases of existing resources, Bushnell stated. We will conduct an open and transparent resource acquisition process, pursue acquisitions that meet eligibility for Montana's RPS, and pursue CREP-eligible resources, he summed up.

The Council has been very valuable to the region as a purveyor of data on fuel and electricity prices, as well as on resource and environmental costs, Hines noted. We take data inputs from the Council and put them into our models, and that's been very positive and helpful, he said. But it is important for the Council to take into account that each utility has different needs and constraints, Hines stated. For example, our actions and decisions are different from those of utilities that own 100 percent of their generation, he said. Your power plans generally reflect that, but they need to include more such caveats, Hines recommended.

We also urge the Council to be more nimble and responsive, he said, adding that an annual natural gas price forecast would be a very valuable Council product. We did an update of fuel prices last year and are doing another one, said Jim Yost. Today the Power Committee discussed producing an annual fuel price forecast, he added. That would be really helpful to us, Hines responded. We also suggest you address the lack of transparency in the Resource Portfolio Model, Bushnell stated. He recommended the Council consult with utilities on the model so it produces "more usable" results.

Yost asked about NWE's ability to import energy and if the utility purchases 100 MW of wind, whether it has to purchase 100 MW of gas. There's been a lot of dialogue about the appropriate level of capacity for intermittent resources, Hines replied. Currently, we are proposing that wind be given no capacity credit, Bushnell said.

Tom Karier asked, with California putting more emphasis on in-state resources rather than imports, "is the potential to build new transmission languishing?" California was the niche that wind developers in Montana saw as a sink, Hines replied. Some wind power is flowing to Canada, and some RECs may be sold to California, he said. I don't know whether California's in-state policy can survive a Constitutional challenge, but we believe there are still opportunities, Hines added. We are having siting issues with transmission, and the federal effort to designate priority national transmission corridors hasn't proven successful, he said. I don't see the country moving away from renewables, and I expect there will be a national portfolio standard or a carbon policy sometime in the future, Hines stated.

When you first did the Judith Gap project, it had a 30 percent capacity factor, but now you say it's higher, said Bill Booth. How did you do that? he asked. Invenergy owns Judith Gap, and they have economic incentives for production and have taken actions like making more maintenance available and having more parts on hand, Hines replied.

2. Council decision on RTF Charter and Bylaws pending advice from RTFPAC:

Jim West, Co-chair of RTF Policy Advisory Committee; and Sandra Hirotsu, senior counsel. Jim West of Snohomish PUD, co-chair of the Regional Technical Forum Policy Advisory Committee (RTFPAC), reported on the committee's review of the charter and bylaws for the RTF. The issue the committee spent the most time discussing was voting procedures and requirements, he said. The committee suggested some new language on voting be inserted in the charter, and West also explained two amendments made to the charter at the Power Committee meeting, one dealing with the minutes and one dealing with committee members' ability to participate from remote locations.

The RTFPAC recommends the Council approve the bylaws and charter, with these amendments, West said. The RTFPAC's plan now is to come back after January of next year and see if there are any other issues we should advise the Council on, he stated. We think we should review the RTF conflict of interest policy, West noted.

Rhonda Whiting moved that the Council approve the Regional Technical Forum charter and bylaws. Yost seconded, and the motion passed.

3. RTF Membership Solicitation Announcement:

Sandra Hirotsu.

Staffer Sandra Hirotsu said the terms for RTF Voting Members will expire at the end of this year so it is time to launch the solicitation process to recruit 20 to 30 technical experts to serve as RTF Voting Members for the period January 2013 through December 2015. The process will begin with a call for nominees this month and conclude in October with the Council appointing a new slate of Voting Members, she stated.

Hirotsu presented two letters soliciting nominees that would be sent to members of the energy community and regulatory commissions and posted on the Council's website. We are looking for expertise, but we also want good geographic coverage and representation from public and private utilities, as well as non-utilities, Grist said.

That makes it more incumbent on our power staff to structure the process so that people in remote locations can participate so that RTF outcomes are reflective of the entire region, Measure stated. The Council told staff to begin the solicitation process.

4. Council decision on Project Review: Step 2 and 3 review of the Snake River Sockeye Captive Propagation, Project 2007-402-00. Springfield Sockeye Hatchery - Snake River Sockeye Program

Staffer Mark Fritsch presented a request for Council approval of a fish and wildlife project from the Idaho Department of Fish and Game (IDFG) for the construction and operation of the Springfield Hatchery. The hatchery will provide the capacity to expand the Snake River sockeye juvenile fish production component of the program, build on the success of the captive broodstock phase of the program, and respond to population recolonization goals in Redfish,

Pettit, and Alturas lakes, he said. The Independent Scientific Review Panel (ISRP) reviewed the project and said it met scientific review criteria, but the ISRP qualified their review by requesting additional details and clarification, Fritsch noted.

This is a good program, Karier said. I have been concerned about its costs in the past, but I understand funding will come from Idaho's Accord, he stated. Dukes noted the motion to approve says IDFG will make "all reasonable efforts" to meet program objectives and cover cost overages with funds from Idaho's Accord. I assume that means they will try to make reductions to other Accord project funding so that this project will get funding, Karier said.

Whiting moved that the Council recommend to BPA the construction and operation of the Springfield Sockeye hatchery conditioned on Idaho Department of Fish and Game addressing ISRP recommendations prior to beginning fish culture activities in December 2013, as recommended by the Fish and Wildlife Committee. It is understood that IDFG will make all reasonable efforts to meet program objectives and cover cost overages with funds from Idaho's Accord. Bradbury seconded, and the motion passed.

5. Update on coordinated management of the Blackfoot River Watershed:

Gary Burnett, Executive Director, Blackfoot Challenge.

Gary Burnett, executive director of the Blackfoot Challenge, led off a presentation on the activities of the organization, which is a landowner-based group that coordinates management of the Blackfoot River, its tributaries, and adjacent lands. He explained the origin of the organization and said the Blackfoot Watershed covers 1.5 million acres and three counties. The Blackfoot Challenge emphasizes public and private partnerships and its mission is to conserve natural resources and preserve the rural way of life, Burnett stated. He said the organization uses a community-based conservation approach, which is supported by "good science."

The Blackfoot Challenge helped develop the Blackfoot Subbasin Plan, which the Council adopted in 2011, Burnett noted. The plan has been helpful to us, especially in the way it captures in a single document all the resource issues in the watershed, he said.

Burnett explained that the Challenge has a Water Resources Subcommittee that aims to balance the needs of irrigation and fish and figure out the best ways to share water resources. Brian McDonald, water coordinator for the Blackfoot Challenge, said the water committee's origins are in the Blackfoot Drought Response Plan, developed in 2000. The plan is based on the premise of "shared sacrifice" in which all water users voluntarily agree to take actions that will save water or reduce stress to fisheries resources during low-flow conditions, he said.

Our organization also works on long-term water conservation, including habitat restoration, water leasing, and irrigation efficiency programs, McDonald pointed out. He described their irrigation efficiency efforts and said they have resulted in significant energy savings.

6. Council decision to release High Level Indicators for public comment:

Tony Grover, director, fish and wildlife division, Nancy Leonard, fish, wildlife and ecosystem monitoring and evaluation manager; and John Harrison, information officer.

Staffer Nancy Leonard said the ISAB has approved the release of the draft High Level Indicators (HLI) report for a 30-day public comment period. If you approve the release, we will post the

report on our website and let others who have participated in its preparation know the report is available, she added. Karier suggested contacting the fish and wildlife managers by e-mail to indicate the changes that were made in the HLI in response to their earlier comments.

Whiting moved that the Council release the draft High Level Indicators Report for a 30-day public comment period beginning June 14, 2012. Karier seconded, and the motion passed.

7. Briefing on resident fish, data management and coordination projects:

Lynn Palensky, program development.

Staffer Lynn Palensky briefed the Council on the final staff recommendations for Resident Fish, Data Management and Regional Coordination projects, as well as the programmatic issues related to the three categories.

After a two-hour meeting yesterday, the Fish and Wildlife Committee has come to a good outcome on these projects, Rockefeller stated. Palensky went over the recommendations on residential fish projects and coordination projects.

Measure asked about funding for the Columbia Basin Fish and Wildlife Authority (CBFWA), given the organization's changes in membership. Staffer Tony Grover explained that the Columbia Basin Fish and Wildlife Foundation, related to CBFWA, is seeking coordination funds to do the Status of the Resource report (SOTR) and facilitation services. Some people think that would be valuable, and some think there are other ways to get facilitation done, so that's an issue we need to discuss, he said. We also need clarification on funding for tribal data management, Whiting stated.

Dukes expressed concern about recommendations not to fund two federal agencies for coordination and the CBFWA funding recommendations. She suggested staff meet with CBFWA representatives to discuss the issues further and said, "we've got a month to figure this out." I want to see parity for all the tribes, and we need to talk more about the SOTR and its format, Whiting stated.

With respect to data management projects, Palensky said staff is recommending formation of a Program Evaluation Reporting Committee (PERC) to help staff deal with data programs and issues and determine what the Council needs for the evaluation of its F&W program. Bill Booth has agreed to be the chair, and we would hire a facilitator to assist with meetings, Grover noted.

These kinds of efforts have been done in the past, but maybe with new technologies, it's time to take a look at some of these larger data contracts, such as for the Pacific Northwest Aquatic Monitoring Partnership (PNAMP), StreamNet, and the SOTR, Booth said. Our plan is to come back to the Council in three months with a scoping report and ideas on ways to improve things -- to be more efficient and to cut some costs, he stated. Karier suggested staff write down PERC's mission and goals. Identifying the priorities is critical, he said.

8. Summary of input on mid-term assessment and planned analytics:

Charlie Grist, senior analyst.

Staffer Charlie Grist updated the Council on the set of analytical tasks staff is planning to undertake to complete the Mid-term Assessment for the Sixth Power Plan by October. We have

heard from a variety of stakeholders, including PNUCC, the Northwest Energy Coalition, BPA, regulators, and others, and we've used that input to put together our plan for the assessment, he said.

Some of the key issues we have been asked to address, Grist said, are fuel costs, including lower natural gas and market prices for electricity, and new policy developments, such as plans to retire Centralia and Boardman coal plants, California's new rules on thermal power plants with once-through cooling, and the status of carbon policy. We will also look at loads and economic conditions, as well as resource issues, including the status of installed generation in the Northwest and the recent reduction in solar PV costs, he stated. We will take all this information and do a new forecast of wholesale power prices, Grist added.

We heard a lot from stakeholders about conservation targets and the ability to meet them, he reported. Our analysis will look at utilities', BPA's and the Northwest Energy Efficiency Alliance's plans for conservation acquisitions and compare the plan's estimates of conservation acquisition rates and costs under low and high gas price futures, Grist said. We will develop a "business case" analysis for conservation that will examine the impact on utilities' revenue requirements from different perspectives in the region, he noted. We will look at the differences between utility IRPs and the Council's plan, Grist said.

We may write white papers, conduct GoToMeeting calls, and/or use advisory committees to vet our analytical work, he stated. Many of the concerns we've heard may be better addressed in the Seventh Power Plan so part of the work in the Mid-term Assessment is to identify emergent issues that should be addressed in the Seventh Plan, Grist said.

This analytical plan is a pretty ambitious undertaking, observed staffer Charlie Black. He listed several themes that have arisen in the discussions about the assessment, including an increasing interest in capacity issues and the need to focus more attention on the integration of intermittent resources, especially wind. With respect to energy efficiency, we should consider the variation in conditions that different utilities are facing and how that affects their conservation acquisitions, Black said. There is also an interest in the Council starting to produce annual forecasts of electricity and natural gas prices, and maybe formalizing that as a Council activity is a good idea, he added.

This seems very comprehensive, said Phil Rockefeller. The question is, are we changing from a plan that is a picture in time every five years to a framework that is continually revised as we go along, he stated. We are talking about having a more flexible document, Rockefeller said. A more dynamic, responsive plan might moderate the concerns of utilities and others who think it becomes increasingly obsolete over time, he added.

Our last Mid-term Assessment was superficial compared to this, said Karier. In the Sixth Power Plan, we didn't give that much attention to EPA regulations, including those for mercury, haze, and particulates, he noted. Will we address those in this assessment? he asked. Yes, Black replied. We will look at the EPA regulations in greater detail, the status of carbon policy, and we'll be able to look at California's AB 32 statute and what that program is turning out to be, he said.

There has been a lot of concern expressed about the mechanics of the resource model used for the plan and its complexity, Booth stated. I'd like to ask you to take a hard look at that and report back, he said.

9. Council Business:

– Adoption of Minutes

Whiting moved that the Council approve the minutes of the May 8-9, 2012 Council meeting held in Hood River, Oregon. Yost seconded, and the motion passed.

– Council decision to release for public comment the Report to Governor for Fish and Wildlife Expenditures for 2011

Whiting moved that the Council release the Draft 11th Report to Northwest Governors on Fish and Wildlife Expenditures of the Bonneville Power Administration for public comment for a period between June 14 and July 6, 2012. Karier seconded, and the motion passed. Rockefeller pointed out that the Northwest Power Act says that any member of the Council who disagrees with respect to any matters or reports transmitted to federal or state officials may submit a statement, along with the report, explaining their views. I am just letting you know that one or two of us may want to do that with this report, he said.

– Public comment on Draft Council Budget (Council document 2012-05)

There was none.

Approved July 11, 2012

/s/ Rhonda Whiting
Vice-Chair