

Bruce A. Measure  
Chair  
Montana

Rhonda Whiting  
Montana

W. Bill Booth  
Idaho

James A. Yost  
Idaho



Dick Wallace  
Vice-Chair  
Washington

Tom Karier  
Washington

Melinda S. Eden  
Oregon

Joan M. Duker  
Oregon

## **Council Meeting Missoula Montana**

**June 8-9, 2010**

### **Minutes**

Bruce Measure called the meeting to order at 1:12 p.m. on June 8 and adjourned it at 12:45 p.m. on June 9. All members were present.

#### **1. Presentation by the U.S. Fish and Wildlife Service on Bull Trout recovery:** Ted Koch, USFWS Bull Trout Coordinator; and Dan Brewer, USFWS biologist.

Ted Koch of the U.S. Fish and Wildlife Service (USFWS) gave a presentation on the recovery of bull trout in the region, noting the species was listed under the Endangered Species Act (ESA) in 1998. Bull trout, he said, are the best indicator of healthy cold-water habitats and the best aquatic indicator of the effects of climate change.

Koch described bull trout conservation accomplishments in Idaho and Montana, including habitat improvements, migration enhancement, and water quality and quantity improvements.

Koch also explained efforts to reconnect the Clark Fork River to allow bull trout access, including the breaching of the Milltown Dam and installation of new fish ladders at Thompson Falls Dam. Avista, which has two dams on the lower Clark Fork, has agreed to install fish ladders and carry out other mitigation measures at those facilities, he reported.

In Montana, an effort called the Blackfoot Challenge has resulted in many accomplishments to benefit bull trout, including noxious weed management, 85,000 acres of conservation easements, restoration projects on 37 tributaries, 32 miles of in-stream restoration, and the installation of fish screens, he reported.

The draft bull trout recovery plan was completed in 2002, and we intend to finalize the recovery plan in 2011 or 2012.

We hope the Council will help us in our recovery efforts, and will adopt the bull trout as its freshwater fish mascot for the next 10 years or so, Koch concluded.

Dick Wallace asked if the USFWS has indicators it will use to quantify recovery. We don't have the statistical power and data sets there are in the salmon conservation world, but we are working toward the same type of recovery goals, Koch replied.

We are discouraged by your request for so much critical habitat in our state, Bill Booth said. The request for new critical habitat seems extreme. We are asking you to come up with a recovery plan for Idaho that takes our success into account, and we want to know where the finish line is.

We proposed broadly in Idaho, Koch said, because if you fail to propose something, you can't go back and include it later, he said. Idaho agencies have given us specific comments, and those have been helpful. We will re-engage with Idaho and Montana on recovery planning in the coming months, and try to come up with an answer to the question of "how much is enough?"

## **2. Remarks by Steve Doherty, Senior Northwest Advisor to Secretary of Interior Ken Salazar.**

Measure introduced Steve Doherty, Senior Northwest Advisor to Secretary of the Interior Ken Salazar, who made a brief presentation to the Council. Doherty, a lawyer and former Montana state senator, said part of his job is to serve as Secretary Salazar's "eyes and ears on the ground" in the Pacific Northwest and Wyoming.

In one of his recent meetings with state and federal agencies, Doherty reported he has talked with the USFWS and others about ways to use conservation easements to help keep rural communities intact and to keep working agriculture on the land. These efforts that are aimed at large landscape-size conservation areas can bring about results that will help us delist bull trout and provide connectivity for key species like the grizzly and lynx, he said.

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

Bill Booth, chair, fish and wildlife committee; Tom Karier, chair, power committee; and Rhonda Whiting, chair, public affairs committee.

Bill Booth reported that the Fish and Wildlife (F&W) Committee discussed several F&W project reviews, as well as the comments received on the draft Monitoring, Evaluation, Research and Reporting (MERR) Plan. We had an update on the Research, Monitoring and Evaluation (RM&E) and artificial production categorical reviews, which are on schedule, he noted. Public workshops have been held around the region, Booth said.

Tom Karier reported that the Power Committee discussed the role and function of the Regional Technical Forum and received an update on transmission planning in the region; carbon reductions related to the Power Plan, wholesale energy prices and BPA's Integrated Program Review and conservation budget, as well as the status of codes and standards related to conservation in the region.

On behalf of Public Affairs Committee Chair Rhonda Whiting, staffer Mark Walker reported on the Congressional staff trip scheduled for August. He said the trip would begin in Portland and move on to Astoria and that it has been arranged for NOAA vessels to take the group on an estuary tour. There will also be a trip to Dittmer for a briefing on transmission and wind integration, Walker noted.

Measure reported on the meeting of the Fish Passage Center (FPC) Oversight Board on Monday, June 7, which he said was well-attended. The board discussed Randy Fisher's recent performance review of the director of the FPC, the guidelines for peer review of FPC products, and operating rules for the board.

### **3. Briefing on Regional Technical Forum role and function:**

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

Staffers Tom Eckman and Charlie Grist updated the Council on the past, present, and possible future of the RTF. In July, we'll come to you with recommendations based on NEET's evaluation of the RTF, so we wanted to give you a refresher on the RTF before you consider modifying it, Eckman noted.

One of the RTF's principal benefits is providing centralized technical review of energy-savings data, assumptions, and measures so individual utilities don't have to do that themselves, and that has resulted in cost savings for utilities, Eckman pointed out.

Over time, the mix of issues the RTF deals with changes, added Grist. In the beginning, it was mostly residential measures, but now we are dealing with commercial and industrial measures and behavioral factors, he noted.

We have hired a contractor to add to the "package of tricks" people can use to do conservation, Eckman said. The contractor will look for new measures and work with utilities on simplified measurement protocols, and we are also about to launch a small utility conservation initiative.

### **4. Update on Bonneville's Integrated Program Review:**

Greg Delwiche, Bonneville Power Administration.

Given the poor water conditions and the recession, we will likely end up in the red by over half a billion dollars by the end of FY 2010-2011, Greg Delwiche told the Council at the outset of a presentation on BPA's proposed F&W budget for FY 2012-2013. When the Biological Opinion (BiOp) and the Columbia Basin Accords were signed, BPA kicked off an Integrated Program Review, which explains how they fit with our budget, he noted.

Delwiche said BPA's projected costs for the F&W direct program are \$226 million for FY 2010-2011 and \$252 million for FY 2012-2013. Those compare to actual spending of \$155 million in FY 2007-2009, he noted.

Delwiche explained how BPA is building its FY 2012-2013 F&W budget, noting new Research, Monitoring, and Evaluation (RM&E) requirements for the BiOp's Adaptive Management Implementation Plan (AMIP) will cost an additional \$1.3 million, as well as new costs of \$1.7 million per year for the Shoshone-Bannock Fish Accord and \$500,000 for the Washington Estuary Accord. Completing a previously negotiated Accord with the Kalispel Tribe will likely increase the budget by about \$960,000 a year, he said.

Delwiche explained other risk factors, such as the fact Accord provisions allow for unspent dollars to be moved into future years. At some point, Accord spending levels in excess of base budgets could occur, possibly starting in FY 2012-2013, he noted.

Are there any more Accord MOAs in the making? Whiting asked. We've been approached, but nothing is close to being finalized, replied Delwiche.

The treatment of inflation has been a sensitive issue, he said. The Accords have a 2.5 percent a year inflation-rate commitment, and BPA is using a 0.9 percent inflation rate for BiOp non-Accord and general funds, Delwiche explained.

For the Accords, is 2.5 percent applied automatically, or could a lower percentage be used, depending on the real inflation rate? Eden asked. The 2.5 percent is hard-wired in, replied Delwiche. My concern is that we are creating different classes of projects within the F&W program, stated Eden. The Council didn't ever contemplate that, she added. Plus, it sounds like you have not closed the door on new MOAs, she added.

Another risk factor is that several major hatchery facilities, such as Leavenworth, Entiat, and Winthrop, are in a deteriorated condition, Delwiche noted. The region needs "to roll up its sleeves" and consider how the capital needs of these facilities will be dealt with, he said, predicting "there'll be way more to come on this issue."

## **5. Remarks by Bill Drummond, Manager, Western Montana Electric G&T Cooperative, Inc.**

I appreciate the opportunity to update you on the concerns of public utilities these days, Bill Drummond, manager of the Western Montana Generating and Transmission Cooperative, told the Council. He said WMG&T's members are full requirements customers of BPA.

BPA customers are concerned about the impacts of rate increases combined with upcoming changes in rate design, Drummond said. We understand that rates could go up between 12 and 20 percent, and "that's a significant increase," he stated.

If BPA has burned through a large portion of its reserves, the question is whether it should rebuild them by raising rates immediately, or put in place a cost recovery adjustment mechanism that would trigger if the situation gets worse, Drummond said. That's the kind of tradeoff BPA and its customers will be discussing -- it's a huge issue, he added.

The next rate case will be the first to use tiered rates, Drummond noted. The new rate structure employs a completely different approach, and customers are concerned about several features, he said. For example, the demand charge, Drummond stated. Initially, it will be about 4 percent of a customer's bill, but I could envision, by 2015 or 2020, it could be 20 percent, he said. That's one of the reasons utilities will focus their efforts on energy efficiency, according to Drummond.

There is also the load-shaping charge, which he termed "an odd animal." The load-shaping charge means there will be a huge seasonality in a customer's bill, Drummond said. Customers are just starting to struggle with this combination of a large rate increase and a change in rate design, and "it's sort of scary," he told the Council.

The price signals from BPA's tiered rates are making utilities think about how they should structure their own rates, Drummond said. There is the question, for example, of what happens if a utility gets a new large customer and has to buy a lot more Tier 2 power, he explained. Should the utility charge the new customer the cost of the Tier 2 power or try to meld the cost into

overall rates? And if it does charge the Tier 2 rate, would that have a dampening effect on new economic development? Drummond added.

The Council's new power plan, the Tier 2 price signals, and state renewable portfolio standards are all affecting utility views of energy efficiency, Drummond said. "If they weren't true believers before, they are now," he stated.

Energy efficiency poses specific challenges to utilities in rural areas like western Montana, Drummond pointed out. We've been working on a program that would have energy audits conducted by people who come out in a big truck, stocked with insulation, appliances, and water heaters to do as much as they can during one trip.

Another challenge is that while Montana has a really good building code, it is not enforced, Drummond stated. We expect to address this problem during the upcoming legislative session.

Customers had hoped to see some changes in the way BPA operates conservation programs, and to have the approach be less "top-down" and allow for more local control, he said. We argued that tiered rates would change how utilities view energy efficiency and that BPA would not need to employ a "restrictive approach," but we lost, Drummond stated.

He called some of the Council's comments on BPA's proposed post-2011 conservation program "disappointing." Drummond questioned support for BPA's use of 42 percent as public power's share of regional energy efficiency. He said the idea of beefing up BPA's backstop role in conservation is "offensive" because it assumes utilities will be bad actors. We agree that doing more energy efficiency reduces costs and risk, but we are concerned that not all the things utilities are doing are being counted and credited against the Council's targets, according to Drummond.

He reported on the evaluation of the Regional Technical Forum (RTF) performed by a consultant hired by the Northwest Energy Efficiency Taskforce (NEET). The consultant's report found the RTF has provided value to the region, and that most of the people interviewed thought RTF was "essential to the region meeting its conservation goals," Drummond said. But the RTF's current structure may not be appropriate for the demands that will be placed on the organization in the future, he noted. There are also questions about who the members of the RTF represent, Drummond said.

The report recommends, among other things, initiating a process on RTF stakeholder definition and having a multiyear work plan, he continued. I view this as "a maturation of RTF," and that may require an upgrade of its structure, according to Drummond.

At the next NEET meeting, I'll propose a process to resolve some of these RTF issues, patterned on the region's efforts to deal with wind integration and adequacy, he said. I'll come back to you in July with a plan on how to move forward, Drummond told the Council.

Not only does the RTF have a reputation for great technical work, but they do it all on a budget of \$1 million or less, said Tom Karier.

Karier asked if conservation should be part of Tier 1 or 2 and expressed the opinion that Tier 2 "could go to zero," which could undermine the region's progress on efficiency. Customers think

certain costs should be in Tier 1, such as the RTF, the Northwest Energy Efficiency Alliance, and low-income weatherization, replied Drummond.

When you get to utility incentives and how they are funded, that's where there is a difference of opinion between BPA and customers, he said. We wanted the conservation program to have symmetry with BPA's approach to resource acquisition under tiered rates, but we lost, Drummond added.

Karier urged him to look to the long term. There might be a way to give more responsibility for conservation to utilities in future rate cases, he said.

### **Public hearing on the Bitterroot Subbasin Plan**

Barbara Hall of the Clark Fork Coalition urged the Council to adopt the Bitterroot Subbasin Plan. I appreciate the Montana Council members' encouragement of the development of the Bitterroot and Blackfoot subbasin plans, she said. Hall thanked the Council for allowing the plans to go forward outside the Council's regular subbasin process. These plans will be the catalyst for private and public funding, she said.

Lynn Ducharme of the Confederated Salish-Kootenai Tribes said bull trout are a significant cultural species for the tribes that can be helped through the subbasin plans. She said the tribes would be looking for opportunities for mitigation.

Charles Pace, an Idaho citizen, questioned whether Council members are encouraging parties to go after ratepayer funding in connection with the plans. I applaud what's going on in the Bitterroot, but it's not something ratepayers should pay for, he said.

### **6. Presentation by Idaho National Laboratory:**

Phil Sharpe, manager thermal sciences and safety analysis department; Richard Rankin, program director for integrated environmental science and technology business line; and Jennifer Jorge, manager, environmental stewardship & water management, Idaho National Laboratory.

A panel from the Idaho National Laboratory briefed the Council on various issues INL is working on, particularly water and nuclear energy. Richard Rankin explained the work being done by the laboratory's Mountain West Water Institute. The Institute provides scientific tools and technology to address water quality and water availability concerns, he said.

We are also working on ways to increase water-use efficiency, improve water resources management and increase the understanding of climate-change impacts on water availability and energy production in the Mountain West region, according to Rankin. Among the capabilities of the Institute, Rankin noted, are remote sensing, advanced geospatial analysis, system dynamics, and advanced monitoring systems.

"The nuclear renaissance in the United States has started," INL's Phil Sharpe told the Council. Among the factors driving renewed interest in nuclear energy are demand for electrical generation, concerns about greenhouse gas emissions, technology advances, improvements in the regulatory process, and new legislation, he said. Thirty new reactors are now under consideration, and more will be needed, according to Sharpe.

The proposed locations for new nuclear plants are generally centered in the southeast and on the east coast, he said. A new plant is being proposed near Hammett, Idaho, Sharpe pointed out. Currently, 104 reactors operating in 31 states supply 20 percent of the nation's electricity needs, Sharpe stated. Nuclear energy's production costs are lower than any other primary energy, including coal and natural gas, he noted. Nuclear and hydroelectric power are the only low-carbon options that can provide baseload power, Sharpe said. He pointed out that NuScale Power, based in Corvallis, Oregon, has a 45-MW reactor design, and that it will be the first company to take this type of technology to the Nuclear Regulatory Commission.

Summing up other nuclear-related developments in the Northwest, Sharpe noted that the Columbia Generating Station is pursuing a 20-year licensing extension, to 2043. The French company Areva has proposed building a new enrichment facility in Idaho Falls, he said. Public acceptance in the Northwest is likely very dependent on addressing water issues, additional ratepayer costs, and carbon emission pricing, Sharpe concluded.

Booth asked if there is any initiative in Congress to look at the Carter-era ban on reprocessing. The Administration has a blue-ribbon commission that will address that, Sharpe replied. Jim Yost asked about water savings with new nuclear technologies. Sharpe explained work at some plants involving the use of dry cooling and other technologies available that are similar to pumped storage, but he acknowledged that for nuclear energy, cooling issues "are complicated on the regulatory side."

## **7. Update on status of supplemental Biological Opinion:**

Ritchie Graves, NOAA; Sarah McNary, Bonneville Power Administration; Kate Puckett, U.S. Bureau of Reclamation; and Rock Peters, U. S. Army Corps of Engineers.

Ritchie Graves of NOAA Fisheries presented an overview of the 2010 supplemental BiOp, which incorporates new science and the Adaptive Management Implementation Plan (AMIP). New information in the supplemental BiOp includes data on the effects of climate change on salmon and steelhead, new adult return data, as well as updated data on cormorant predation, invasive species, and toxics, he said.

The AMIP has been added into the BiOp as a new Reasonable and Prudent Alternative (RPA) measure, called RPA Action 1A, Graves noted. The AMIP includes six new actions to address key uncertainties and climate change, he said. The AMIP actions include: a report by the Corps on the use and location of adult salmon thermal refugia in the lower Columbia and lower Snake rivers; a study by the Corps at The Dalles and John Day dams to determine if PIT-tag detectors can improve inter-dam adult survival estimates; new reports on water temperature data; and requirements for the action agencies to consider invasive species and site-specific toxicology issues, and to assist NOAA with studies on adverse hatchery effects on listed fish species.

Graves said the agencies are preparing records of decision and working on a final 2010-2013 implementation plan. Sarah McNary of BPA said they have offered to give a presentation to the Council on that plan, which she said is a large component of the Council's F&W program.

## **8. Council decision on deferred first quarter with-in year project funding request:**

Mark Fritsch, manager, project implementation.

### **– Project #2007-127-00, East Fork of South Fork Salmon River Passage Restoration**

Staffer Mark Fritsch presented a funding request for a project to restore fish habitat in the Salmon River Watershed in Idaho. The Nez Perce Tribe and BPA are requesting \$295,000 in expense funds in FY 2010, he said. The F&W Committee gave this project a favorable recommendation, Fritsch added.

As a result of the comments received by residents in the area, BPA and the tribe have decided to do additional environmental assessments. The F&W Committee added a condition to its approval aimed at ensuring local residents are kept abreast of project activities and that they be allowed an opportunity to comment in the future, Fritsch noted.

The project would involve road decommissioning, said Booth, and that's what caused a lot of the local residents' concerns, and that's why the committee "added a caveat" to its approval to make sure local residents can comment further on the project.

Wallace moved that the Council recommend that BPA change the geographic scope of and add \$295,000 in expense funds to Project 2007-127-00, Reestablish Connectivity and Restore Fish Habitat in the East Fork of the South Fork Salmon River Watershed, with the condition that BPA and the project sponsor provide meaningful opportunities for local affected interests to comment on the project as it is implemented and to have those comments considered. Joan Dukes seconded, and the motion passed.

## **9. Summary of public and ISRP/ISAB comments received on the Draft MERR Plan:**

Nancy Leonard, fish, wildlife and ecosystem monitoring and evaluation manager.

Dick Wallace reported that 21 entities had submitted comments on the Council's draft Monitoring, Evaluation, Research and Reporting (MERR) report. We discussed the comments with the F&W Committee and will sort them into "three buckets," he said.

Those are: (1) things we can address between now and August 1, so we can use them in the Council's Research, Monitoring, and Evaluation (RM&E) categorical review; (2) things we can do between the categorical review and the Council's next F&W amendment process; and (3) things that will arise during the F&W amendment process, Wallace explained. Staffer Tony Grover said he is working on a letter to the Independent Scientific Review Panel (ISRP) about MERR and the categorical review projects.

Karier asked if the Council is being clear on its goals and what it is trying to achieve. We have spent a lot of money on RM&E relative to our budgets, and we do not always get the results we need, he said. Forty percent of our budget goes to RM&E, Karier noted. We didn't set out to spend so much, but partly as a result of ISRP evaluations, we have created "expensive silos of monitoring," and they are not integrated, he said.



We need to ensure the collection of data for the Council's high-level indicators and program indicators, the implementation of BPA's share of the RM&E provisions in the BiOp, and to address the effectiveness of the projects in the Council's F&W program, Karier stated. He recommended the Council consider reprogramming up to 10 percent of the current RM&E budget to on-the-ground projects by the start of FY 2012 and reprogramming an additional 10 percent of RM&E funds by 2014 and another 10 percent by 2016.

As we step forward with MERR, a topic that the region as a whole appears to be interested in, we'll attempt to make careful, thoughtful recommendations to the Council that accommodate the data needs of the BiOp and the Accords, Grover said. But our recommendations will also aim to create an overall approach to RM&E "so there aren't isolated silos," he stated.

I am opposed to telling the ISRP, the Independent Scientific Advisory Board, and the region to cut 10 percent for the next three years from our evaluation work, she stated. We should continue with MERR, and we need to make sure our F&W projects are working, Eden concluded.

## **10. Council Business:**

### **– Approval of minutes**

Wallace moved that the Council approve the minutes of the May 11-12, 2010 Council meeting held in Portland, Oregon. Eden seconded, and the motion passed.

### **– Council approval to release draft fish and wildlife spending report for public comment**

Staffer John Harrison said he had made changes to the draft annual report to the governors on F&W spending in response to comments from Council members. Dukes asked about the proposal to add to the report a chart that shows BiOp and non-BiOp expenditures. Measure suggested that staff retitle the chart and add a footnote that explains more about the information on the chart.

Wallace moved that the Council approve for release the Draft Ninth Annual Report to the Northwest governors on F&W Expenditures of the BPA for public comment through Friday, July 9, 2010. Dukes seconded, and the motion passed.

### **– Public comment on draft FY 2012 and revised FY 2011 Council budget (Council document 2010-07)**

Staffer Sharon Ossmann said the deadline for public comments on the Council's draft FY 2012 and revised FY 2011 budgets is June 30, but that the Missoula meeting is a scheduled opportunity for the public to present comments on those documents. No comments were offered.

### **– General Public Comment**

Charles Pace, an Idaho resident, made comments to the Council by phone on a variety of topics, including Bill Drummond's remarks, tiered rates, RM&E, and the federal power system.

Approved July 14, 2010

/s/ Dick Wallace  
Vice-chair

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