

Rhonda Whiting
Chair
Montana

Bruce A. Measure
Montana

James A. Yost
Idaho

W. Bill Booth
Idaho



Bill Bradbury
Vice-Chair
Oregon

Henry Lorenzen
Oregon

Tom Karier
Washington

Phil Rockefeller
Washington

Council Meeting Whitefish Montana

October 9-10, 2012

Minutes

Council Chair Rhonda Whiting called the meeting to order at 1:40 pm on October 9th and adjourned it at 11:17 am on October 10th. All members were present.

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.

Phil Rockefeller reported that the Fish and Wildlife (F&W) Committee reviewed and made some modifications to the draft recommendations from the Program Evaluation and Reporting Committee (PERC). We also discussed the upcoming F&W amendment process and schedule, as well as the geographic project review, he said. The committee received an update on an August 2012 workshop on legal and regulatory efforts to minimize the spread of invasive mussels in the West, Rockefeller added.

Jim Yost reported that the Power Committee was briefed on the status of the mid-term assessment of the Power Plan and on the draft 2013 Regional Technical Forum (RTF) work plan process and quarterly progress report. We had a presentation from BPA on the agency's demand response efforts, he said. The committee also discussed the wholesale power price forecast, and the question of carbon emissions and how the carbon issue will be treated in the Seventh Power Plan, Yost stated.

Bill Bradbury reported the Public Affairs Committee would meet that day to review a new and updated Council website.

1. Update on fish and wildlife project geographic review:

Lynn Palensky, program development.

Staffer Lynn Palensky updated the Council on the draft schedule and portfolio of 85 projects for the upcoming geographic project review. We intend to start this 11-month process in December and that the Council would make its final recommendations on the projects in November 2013, she said.

This review is focused on anadromous fish habitat projects, Palensky noted. She explained how this process would track with the Council's upcoming F&W amendment process and other Council activities.

Tom Karier asked what percentage of the projects are Accord or Biological Opinion (BiOp) projects. More of them are covered by the Accords than not, but we don't know the exact percentage, Palensky replied. We can determine that and get the number to you, said staffer Mark Fritsch.

Whiting commended the staff for their efforts in getting the various F&W reviews scoped out and completed. I appreciate your efforts -- it's a lot of work, she said.

2. Update on Mid-Term Power Plan Assessment:

Charlie Black, director, power division.

In an update on the progress of the mid-term assessment of the Sixth Power Plan, staffer Charlie Black reported the Council received numerous comments on the situation scans posted on the website. Comments have come in from PNUCC, BPA, and several others, and overall, most of the comments have been "very positive," he said.

We met last week with utilities, industry associations, and BPA and asked: what have been the top changes since the Sixth Power Plan was adopted? Black said. The top two answers were: lower natural gas prices, and slower action on carbon policy than was anticipated, he reported. We plan to update the situation scan narratives and post all the comments we've received on our website, Black added.

We've also seen a shift in focus for the mid-term assessment, he said. We've gone from looking back at the Sixth Plan to looking forward to the Seventh Plan, and that's a positive occurrence, Black stated. The shift stems from the region's progress on energy efficiency achievements thus far, and current projections which show we are likely to be in the range needed to meet the Sixth Plan's targets, he noted.

We'll have a draft report ready by the end of November, Black told the Council. It will not be a final document, but rather a vehicle we'll use to prompt further discussion with the region and to get more feedback for a final report that will come out by the end of the year, he said. We are also reconstituting our advisory committees to help with the assessment and to be ready when we start on the Seventh Plan, Black added.

The Sixth Power Plan has been a success, Karier stated. When we prepared it, there were concerns there wasn't that much conservation available and that it would be more expensive than it turned out to be, he said. In the first two years of the plan, we exceeded the conservation target, Karier noted. We achieved 277 aMW in 2011, and that came in at a good price, he added. The plan was right on those two controversial issues, Karier said.

3. Presentation on regional Gas-Electric coordination:

Dick Adams, Executive Director, Pacific Northwest Utilities Conference Committee.

PNUCC executive director Dick Adams, aided by GoToMeeting and a telephone, gave a presentation to the Council on the growing link between the electric utility and natural gas industries. In 2009 and 2010, Dan Kirschner of the Northwest Gas Association (NWGA) and I began talking about how natural gas is going to be used for electricity generation in the future, he noted. We saw a growing dependence on gas for base and peaking needs, as well as for balancing variable generation like wind, Adams said.

We held a workshop with planners and operators from both industries in May 2011, he stated. At that meeting, we asked the participants to “tell us what keeps you up at night” and shared those insights and their implications, Adams recounted.

That led us to hold more meetings in 2011 to talk about topics like the differences in infrastructure and scheduling practices for the two industries, he said. In January 2012, PNUCC, NWGA, and BPA held a conference that attracted 200 people, Adams noted.

In February, the Federal Energy Regulatory Commission (FERC) started pondering what role it should play in this emerging issue, and in April, PNUCC and NWGA formed a task force to explore the subject further, he reported.

The use of natural gas for electricity generation is “one of the huge topics for the Northwest going forward, and we need to get our arms around it,” Adams told the Council. At this juncture, the Northwest is fine in terms of having adequate gas for electricity generation, but we need to look at the future, he added.

Adams described the gas infrastructure in the Northwest, noting there are two major pipelines that feed in gas for domestic use and electricity generation. This infrastructure is “dramatically different” from the electric transmission system in the region, he said.

About 20 to 25 percent of the annual gas demand in the Northwest has gone to electricity generation in recent years, Adams noted. There is about 8,000 MW of installed natural gas-fired capability in the Northwest today, and according to utility integrated resource plans, about 2,000 MW more is expected to come in over the next five to 10 years, he said.

FERC was probably thinking about this issue for some time, but it came to the forefront in February 2011 when cold weather caused electric and natural gas outages in Texas and other Southwestern states that lasted four to five days, Adams explained. “It was a very big deal,” with 4 million electricity customers and over 50,000 natural gas customers affected, he said.

FERC and the North American Electric Reliability Corporation did an exhaustive review of the situation, and this February, FERC’s Phil Moeller sent out a letter seeking comment on what FERC’s role should be in the natural gas-electricity connection, Adams noted. FERC was told it should “hold some conversations” around the country on the issue, he said.

In August, FERC hosted five technical conferences, including one in Portland, Adams reported. The Portland conference addressed three topics, he said: whether the gas and electricity markets are working efficiently; communications and coordination issues; and reliability challenges.

While there is a need for rules to separate the transmission-operations side from the power marketing/supply side, we discussed at the conference the extent to which such rules should be relaxed in times of emergencies, Adams said. We may see action out of FERC on this issue by the end of the year, he predicted.

Besides policy issues, PNUCC and NWGA are also looking at operational issues, Adams told the Council. He explained that a Northwest Mutual Assistance Agreement, involving 18 gas and electric entities, was “recently rejuvenated.” Its purpose is to ensure there are adequate protocols in place for regionwide cross-industry communication in the case of an emergency, Adams noted.

The group meets a couple of times a year and has put together several “what if” scenarios, he said. The key part of this effort is communications -- it’s not about commercial relationships, Adams stated.

In an emergency, who would coordinate a response if there were a pipeline problem? How would a group of 18 arrive at a solution? Bill Booth asked. This group is about getting the right people in the room to have a conversation that will lead to action, replied Adams. “There is no czar,” but these people would have the resources to coordinate action in a timely fashion, he added. Who convenes the group? Phil Rockefeller asked. There’s a chair and vice-chair, and they take on the responsibility to get the conversation started, replied Adams.

The task force we launched in April includes electric and gas utilities, pipeline companies, storage owners and operators, BPA, ColumbiaGrid, and “other smart people,” he explained. We have set three goals, Adams said: education -- to learn each others’ language, concerns, and perspectives; evaluation of systems; and building relationships.

In August, the task force wrote a natural gas-electricity primer to be used as a reference guide, he noted. The next items on our agenda, Adams said, are to look at pipeline and storage operating characteristics; whether gas and electric schedules could “mesh” better; what pipeline services are offered; and dual fuel capability. Our task force will do more analysis of peak day capability, within-day needs, seasonal usage of natural gas and electricity, and transmission constraints along the I-5 corridor, he stated.

Communications is also one of the task force’s missions, and we give regular updates on this issue to conferences and forums, Adams continued. We are having more conversations with FERC and monitoring national activity, he added.

Adams urged the Council to keep its staff participating in the task force and to apply the Council’s “analytic muscle” to the technical issues laid out. You have an effective communications network and can help us “spread the word” about the increasing role of natural gas in electricity generation, he said. Adams recommended that the Seventh Power Plan contain “a major chapter” on this issue.

Henry Lorenzen asked about transmission constraints if gas is increasingly used to balance variable generation. That’s a major analytic question, replied Adams. There is the question of how the current natural gas infrastructure, which was built for a different purpose, would support

that, and “the pipeline people” have also wondered about the contractual relationships that would need to be in place, he said.

It would be helpful to sort out which problems can be solved by the industry and which will require government involvement, said Tom Karier. The industry can resolve contractual questions, but other issues may need action from FERC or utility commissions, he stated.

4. Presentation on the transfer of ownership of Kerr Dam:

Brian Lipscomb, Director of Department of Energy, Confederated Salish and Kootenai Tribes.

Brian Lipscomb, director of the Confederated Salish and Kootenai Tribes’ (CSKT) Department of Energy, gave a presentation on the history of the Kerr Dam, the cultural and physical resources the tribes lost as a result of its construction, and the CSKT’s plans to acquire the dam. He said Kerr Dam was built on the Flathead Indian Reservation in 1934 and began producing power in 1939. One of the first transmission lines built as part of the Kerr project went to the substation at Anaconda, Montana, to run the Anaconda Copper Company’s smelter, Lipscomb stated.

The dam has a 196-MW generation capacity, and it regulates the top 10 feet of Flathead Lake, providing 1.2 million acre-feet of storage, he noted.

The CSKT have been the co-licensee of the dam since 1985, Lipscomb said. In 1997, Montana deregulated its power industry, and Montana Power put all its generating assets up for sale, including the dam, he noted. In 1999, Pennsylvania Power and Light acquired the dam and operates it as PPL Montana, Lipscomb said.

Under the terms of the FERC license, CSKT has the exclusive right to acquire the project from PPL Montana at “original cost less depreciation” and become the sole owner/operator, he explained.

We began the process to acquire the dam in 2010, and our target is to complete the acquisition in 2015, Lipscomb said, pointing out that the dam’s license lasts until 2035. PPL Montana has given us a price of around \$51.4 million, including mitigation costs, he added. We will dispute the inclusion of those costs and “argue it out” with them, Lipscomb said. By March 2014, the arbitrators have to provide a final price to us, he noted.

What happened to the Montana utility that sold its generation? Rockefeller asked. It’s a long story, but they converted to a fiber optic company, which went bankrupt, and then NorthWestern Energy came in, Lipscomb replied.

What did becoming a co-licensee entitle you to? Karier asked. It gave us the ability to buy the project in 2015 and use the remaining years of the license, Lipscomb replied.

The CSKT’s Department of Energy is continuing the work for the Kerr takeover and is also studying the development of other energy assets on the reservation, he reported. We received a

grant from the U.S. Department of Energy to study building a biomass plant that would use wood waste, he said.

We have formed a corporation, Energy Keepers, Inc., to operate the dam, Lipscomb stated. We will continue to operate the dam to provide power, as well as flood control, and we will be part of the Federal Columbia River Power System and a member of the Pacific Northwest Coordination Agreement, he said.

Currently, 10 percent of the power from the dam is sold to Mission Valley Power, and once we acquire the project, we will have to decide about continuing that and whether we will sell power to other utilities, which will depend on the market, Lipscomb stated. We have hired a power marketing coordinator who is being trained at BPA, he noted.

From an operational perspective, we won't see a change, but the change we will see is that the revenue that was going to Allentown, Pennsylvania, will now go to the CSKT, Lipscomb said.

5. Council decision on Regional Technical Forum Membership for 2013-2015:

Tom Eckman, conservation resources manager; Charlie Grist, senior analyst; and Gillian Charles, energy policy analyst.

Staffer Tom Eckman said the Council solicited applications for Regional Technical Forum (RTF) members, both voting and non-voting, in June. We received 45 nominations from across the region, he reported. After extensive review, we have come up with a slate of 30 nominees we think will maintain the technical expertise needed to carry out the diverse set of tasks included in the RTF's work for 2013-2015, Eckman stated. We haven't released the names yet, he noted.

Measure suggested that David Bopp of Flathead Electric be added as a voting member. His addition would provide more opportunity for rural utilities to be heard in the RTF process, Measure stated. He suggested Bopp replace a staff member on the list and that person be made a non-voting member, and the Council agreed with the changes Measure recommended.

Measure moved that the Council approve the list of voting members to serve on the Regional Technical Forum for 2013-2015, including David Bopp of Flathead Electric as a voting member, and approve the staff recommendation that Tom Eckman continue to serve as RTF chair and Charlie Grist as vice-chair. Bradbury seconded, and the motion passed.

6. Update on Program Evaluation and Reporting Committee (PERC):

Bill Booth, Idaho Council Member; Tony Grover, director, fish and wildlife division; Lynn Palensky; Nancy Leonard, fish, wildlife and ecosystem monitoring and evaluation manager; and Peter Paquet, manager, wildlife and resident fish.

Rockefeller said the F&W Committee had a "vigorous" discussion about the draft recommendations from the Program Evaluation and Reporting Committee (PERC) and that the committee moved a set of recommendations forward for Council action in November. PERC was constituted in July to provide guidance to the Council on data management needs and projects in the region. Bill Booth, who chaired PERC, said the group had met its three-month

deadline and that its work was quite extensive, with many meetings and teleconferences. We were working to find efficiencies and to determine if projects needed fine-tuning, he said.

Kevin Kytola of Sapere Consulting, who facilitated the PERC effort, explained how the project review took place. Staffer Tony Grover walked the Council through the draft PERC recommendations, noting at the outset that “data management is an incredibly complex world” and the question is what the Council needs to do its work.

PERC reviewed four databases and two processes, he said. The first database was the Northwest Habitat Institute’s Interactive Biodiversity Information System (NHI-IBIS), which was “tremendously valuable” in providing environmental data and GIS mapping for our subbasin process, Grover noted. Its 2012 budget was \$165,821, and the request for 2013 is just over \$1 million to continue to support subbasin planning, do a digital library for GIS habitat data, integrate habitat inventories, and other work, he explained.

PERC’s draft recommendation is that this contract be carried forward for three months into FY 2013 at a \$25,000 level, and after that, there be no further funding, Grover said. BPA would work with NHI to store any unique data at StreamNet, he added.

The second database is the Pacific Northwest Aquatic Monitoring Partnership (PNAMP), which is staffed by the U.S. Geological Survey (USGS), Grover said. Its 2012 budget from BPA was \$583,045, and the 2013 funding request is about \$793,853, he noted.

“The key to PNAMP is that all its real dollars come from BPA,” Grover said. NOAA Fisheries used to help fund it, but they don’t now, he added. PNAMP is a coordination body that strives to develop and encourage compatible and standardized data collection and methodologies in the Northwest, and it has produced a lot of good tools to support monitoring, Grover said.

Is this something the USGS would have done on its own? Measure asked. We probed that in the PERC meetings, Grover replied. PNAMP does a lot of work to support the Biological Opinion (BiOp), and BPA found it a convenient way to accomplish some of its BiOp needs, he added.

Frankly, before PERC started, “PNAMP was a black box,” Grover said. We found they get most of their guidance from BPA staff, but we think it would be better to have policy guidance from the Council, he stated.

PERC recommends a budget reduction for PNAMP within the range of 10 percent to 15 percent, which is commensurate with the reduction being sought from project managers through the Columbia River Basin, Grover told the Council. PERC also recommends that BPA should, through direct contracting, find efficiencies in contracted services, he said. Also, PNAMP should report annually on its priorities to, and seek policy guidance from, the Council’s F&W Committee, Grover stated.

PNAMP developed templates, metrics, and protocols because everyone in the basin was collecting data their own way, and that’s probably still the case, said Karier. I think the answer lies with BPA, he stated. Karier suggested using the approach BPA used with its energy efficiency programs. Once, utilities measured their energy efficiency programs differently, but then Congress told the Council and BPA to develop a standard set of protocols through the RTF,

he explained. BPA required every utility that received energy efficiency funds to use the same methods and all utilities did so, Karier said, adding that's why we got 277 aMW of conservation savings last year.

BPA has not required a standard set of measures or protocols for its fish projects, and the question is, is BPA willing to do that, he continued. It's really a challenge to BPA at this point, Karier added. BPA needs to identify a method it wants used and work it through PNAMP and other processes, and there can always be exceptions, if need be, he said.

Bradbury agreed and said "it's between us and BPA to try to get that done."

StreamNet is the third database PERC looked at, Grover continued. It is a cooperative regional data delivery project that stores fish-related data and makes it accessible to others in the region, he stated. Its 2012 budget was \$1,964,576, and the request for 2013 is \$2,186,271, Grover noted. PERC recommends a budget reduction within the range of 10 to 15 percent, that StreamNet hold an annual policy guidance meeting with the Council's F&W Committee, that BPA funds only be used to collect Columbia River Basin data, and that StreamNet should prioritize entering that data into its database before non-BPA funded data, he said.

The fourth database PERC reviewed is that of the Columbia Basin Fish and Wildlife Foundation (CBFWF), which produces the Status of the Resource report and does other coordination activities, Grover said. This used to be a Columbia Basin Fish and Wildlife Authority (CBFWA) effort, but "over the years, CBFWA as an organization has disintegrated," and it no longer represents all the agencies and tribes in the basin, he stated.

The 2012 budget was \$853,580, and the 2013 request is for \$955,035, Grover said. PERC's recommendation is to discontinue the Status of the Resource report and that the Council and BPA put together a staff steering committee to see if additional technical services are needed to support the F&W Program's reporting needs, he stated. If so, the committee would recommend the most economically efficient means for that by January 2013, Grover said.

I don't think anyone is vested in the Status of the Resource document, said Whiting. People need to remember this review is happening across the board because we have advanced so much technically, she said. It's not an attack on one particular group, Whiting added.

We didn't approach this with any axe to grind, said Grover. We looked at all this information, and some efforts were useful in the past, but not today -- that's a natural outcome of this kind of process, he stated. There are some good aspects of the Status of the Resource report that shouldn't be lost, but it needs to be rethought, said Karier.

PERC reviewed the Habitat Evaluation Project (HEP), which calculates habitat units based on vegetation transect data, Grover said. Its 2012 budget was \$442,028, and the same amount is requested for 2013, he stated. PERC is not sure there is much need for HEP in the future and recommends the Wildlife Crediting Forum be reconvened to address future plans for HEP, including the need, if any, for future HEP surveys, Grover reported. Those recommendations should be given to the Council's F&W Committee by January 2013, he added.

PERC also reviewed the Coordinated Assessments for Salmon and Steelhead process, which is not a BPA project and is co-funded by CBFWF, PNAMP, and StreamNet, Grover said. They have done some good work, including developing a data exchange template, which is “a recipe for data exchange,” he noted. They evaluate whether an entity has the capability to follow that recipe, and if not, they provide training and workshops to help, Grover added.

Karier called the PERC evaluations “great work.” He said he has asked people in the region, what happens if HEP values go up or down, and the answer is “not much.” There is a lot of capacity in the Basin without the HEP team, Grover added. BPA is worried if everyone does HEPs in their own jurisdictions, it will be hard to compare them, but I’m not convinced that will be a problem, he said.

We received a lot of comment in support of HEP, said Booth. It’s time to have the WCF take one more look at it, but we want that done by the end of the year, he stated.

Grover said another PERC recommendation is that BPA continue to support the quarterly teleconference meetings and workshops of the Fish Screening Oversight Committee.

Henry Lorenzen said he was impressed by the work the PERC had done. It would be helpful to me, he said, to have an overview of what data needs to be developed for the Council and for BPA -- for example, regarding the abundance of individual fish species, what data is needed to assess that? The discussion at the Council’s November meeting about biological objectives will help with that, Grover responded.

PERC tried to look at how data is used, said Booth. No one is disparaging work that was done in the past, but in this new world we have, there is a need to do prioritizing and try to determine what is essential, he stated. It can be painful for some folks, Booth noted. Our recommendations reduce the funding levels for these entities by about half a million dollars from 2012 funding levels, he said. We are still gathering information in several areas, but we will have a package of recommendations for the Council to vote on in November, Booth stated.

7. Briefing on Montana Public Service Commission evaluation of utility IRP best practices:

Jason Brown, Montana PSC.

Jason Brown of the Montana Public Service Commission gave a presentation on the results of a study, funded by a grant from the National Association of Regulatory Utility Commissioners (NARUC), which reviewed the PSC’s administrative rules governing planning and procurement of new resources. He went over some of the history of Montana utilities, noting that Montana Power sold its generating assets after the state passed a deregulation law in 1997.

Brown explained that NorthWestern Energy acquired the transmission and distribution assets of Montana Power and at the outset, purchased power from the market, but in recent years, NWE has begun to acquire its own power plants. NWE has acquired a share in Colstrip unit 4 and the Dave Gates generating station, which provides regulation services, he noted. Under a law passed in 2007, NWE can get PSC “pre-approval” of a generating resource it wants to acquire, Brown said.

We wanted this study done, he explained, because the PSC has two sets of rules for utilities. The question was whether the integrated resource planning rules for non-restructured utilities and the planning rules added in 2003 for restructured utilities could be combined into one set of “more comprehensive and robust” rules, Brown said.

The study included meetings with stakeholders and research on what other states are doing, he noted. The consultant delivered recommendations to us in August and wrote a final report, including a set of draft rules to be considered, in September, Brown said.

He summarized some of the recommendations, such as having the PSC solicit public comments on draft RFPs, requiring bidders’ conferences, and having a utility’s proposed self-build projects compete with other proposals in an RFP. The study recommended changing the PSC’s definition of “resources” to separate out demand-side resources and distribution-side resources from power resources, Brown noted. It also suggested the PSC lower the threshold for Qualifying Facilities from 10 MW to 1 MW, he said.

8. Progress Report on Fish Tagging - IEAB Task order on Fish Tagging

Forum:

Tony Grover.

The Fish Tagging Forum will wind up the last of its technology-specific discussions in October, said Grover. The forum, he noted, was chartered in 2011, and its mission is to evaluate the fish tagging efforts that take place under the Council’s F&W program and the cost-effectiveness of different tagging technologies and programs. Grover introduced Kevin Kytola of Sapere Consulting who has been the facilitator for the forum. Kevin has managed a potentially conflict-filled environment very well, commented Grover.

He said the forum met seven times between November 2011 and September 2012 and that the meetings have been very well attended. We are asking the Independent Economic Advisory Board (IEAB) to assist the forum with the development of information on the cost-effectiveness of fish tagging efforts; for example, to determine what set of technologies is the most cost-effective way to address the highest priority management questions, Grover explained.

We expect to have a package of recommendations from the forum to the Council by next May, and we would like to extend the Sapere Consulting contract, he added.

Bradbury moved that the Council approve Task 199 for the IEAB, Analysis of the Cost-Effectiveness of Fish Tagging Technologies and Programs, at an estimated cost of \$54,700 from the IEAB’s FY 2013 budget. Measure seconded, and the motion passed.

9. Council Business

– Approval of minutes

Bradbury moved that the Council approve the minutes of the September 11-12, 2012 Council meeting held in Astoria, Oregon. Measure seconded, and the motion passed.

– **Extension of Sapere contract for Fish Tagging Forum**

Bradbury moved that the Council approve the amendment to the Fish Tagging Facilitation Services contract with Sapere Consulting to fund facilitation services in Fiscal Year 2013 at a budget not to exceed \$60,000. Measure seconded, and the motion passed.

– **Approval of contract with Jeff King**

Black presented a request for approval of a contract with Jeff King. The purpose, he said, is to use King's experience to help the Council with development of data and analyses about generating resources and wholesale power markets. The contract also involves training and transfer of knowledge to existing Council staff, Black noted.

Bradbury moved that the Council approve a contract with Jeff King to perform training and special study functions during Fiscal Year 2013 at an amount not to exceed \$65,000. Karier seconded, and the motion passed.

Approved November ____, 2012:

Vice-chair

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