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Montana  
  
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Montana

## Council Meeting

Spokane, Washington

October 15-17, 2002

## Minutes

### **Decision –Meet in Executive Session**

Judi Danielson made a motion that the Council meet in executive session at the call of the chair to discuss matters protectible under the civil litigation exception. John Brogoitti seconded, and the motion passed unanimously on a roll-call vote.

### **1. Council Decision on Release for Public Comment Draft Mainstem Amendments**

John Shurts, General Counsel; Doug Marker, director, Fish & Wildlife Division; Bruce Suzumoto, Manager, Special Projects; and John Fazio, Senior Power Systems Analyst

The Council conducted a page-by-page markup of what staffer John Shurts called a “predecisional markup draft” of the mainstem plan amendments to the 2000 F&W Program. Council members made numerous changes, substantive and editorial, as they worked through the sections of the document.

In the Vision chapter, Council members discussed how to word a footnote that dealt with the Biological Opinion and the Council’s position on breaching of the lower Snake River hydro projects. Eventually, compromise language was worked out that indicated that throughout the draft amendments, the Council’s position is not contrary to that of the NMFS 2000 Biological Opinion with reference to any and all considerations of breaching lower Snake River hydro projects.

In the Biological Objectives section, the Council discussed how best to describe the purposes of the biological objectives and strategies in the mainstem plan and decided that the section should rely on language in the Northwest Power Act. Kempton raised the issue of including objectives and strategies drawn in part from Appendix D, “Provisional Statement of Biological Objectives for Environmental Characteristics” of the 2000 F&W Program. Shurts said in a few cases, the

draft has language drawn from Appendix D, but that most of the language comes from the 2000 Program itself. The Council agreed that the Notice Letter for the draft amendments should highlight Appendix D and where language in the draft is drawn from it. The draft will include Appendix D as a separate document, with a copy of the comments the ISAB made on it.

The Council discussed and reworked language dealing with FERC licensing and relicensing and its relationship to reintroduction of anadromous fish into mainstem areas blocked by dams.

The Council adopted NMFS' Biological Opinion (BiOp) project-by-project survival performance rates for in-river passage of listed fish, but added "achieve these objectives at the minimum cost."

Members also inserted a footnote indicating that the Council considers current spill operations, as well as any other specific spill operations included in the draft amendments, to be "interim" while the Council works with the region to determine the most biologically effective level of spillway discharge at each project.

The Council had a lengthy discussion about smolt-to-adult survival rates (SARs) for listed Snake River and upper Columbia salmon and steelhead. The Council decided to keep the SAR numbers in and seek comment on the issue. "As an interim objective, contribute to achieving SARs in the 2-6 percent range (minimum 2 percent; average 4 percent) for listed Snake River and upper Columbia salmon and steelhead." The text also says the Council will consult with others on "the soundness and achievability of, and impact of ocean conditions on, smolt-to-adult survival rate objectives," and then, in a public process, either confirm the SARs as program objectives or move to different objectives.

Jim Kempton added a provision that requires the BPA Administrator and federal hydro project managers, in consultation with the Secretary of the Interior, the NMFS Administrator, state F&W agencies, and tribes, to "assure that flow and spill operations are optimized to produce the greatest biological benefits with the least adverse effects on resident fish."

The Council agreed to add a footnote indicating that the subbasin plans will supersede existing management and mitigation plans, once the subbasin plans are adopted.

Before tackling the "strategies" section of the document, staffer John Fazio gave an update on his preliminary analysis of one of the mainstem proposals. It would provide substantially more water for flows and significantly increase the likelihood of meeting flow objectives, compared to the BiOp, he stated. The water would come from the Upper Snake, from Mica Dam, and from lower drafting limits in the summer, Fazio said. It would also significantly increase spill volume, he noted. This proposal would cost the region between \$42 million and \$47 million, and those costs don't include acquiring the non-Treaty or Upper Snake water, Fazio said.

Under the scenario, from September to April, there would be increased flows for chum salmon, and the system would have to fill to flood control elevations by April 10, he explained. From April to June, BiOp flow objectives would be followed, with bypass spill 24 hours a day, according to Fazio. Reservoirs would fill by the end of June, and flows at Dworshak would

increase to 22 kcfs. During July and August, the region would try to acquire 1 million acre-feet (MAF) of Upper Snake water as well as 1 MAF of non-Treaty (Mica Dam) water, he said.

At the end of August, draft limits would be increased, and reservoirs would be “really lower” than what is called for in the BiOp, Fazio pointed out. From December to March, the region would lose about 3,000 megawatt-months of generation, he said.

Staffer Bruce Suzumoto presented an analysis of juvenile fish survival through the hydro system using the SIMPAS model, which compared the BiOp and the mainstem scenarios proposed under this option and one proposed by Montana members . The SIMPAS model looks at how changes in flows affect fish survival at the dams, he noted.

Suzumoto said the study didn’t show much in the way of differences in survival in the spring under the scenarios. Bloch pointed out that the Independent Scientific Advisory Board (ISAB) has questioned the use of SIMPAS and said that input values to it were “ad hoc guesses.” They are “best professional judgment,” responded Suzumoto.

Nothing jumped out in the results in the summer period because virtually all the fish in the Snake River are transported, Suzumoto said. There is little difference between the spill proposals and the BiOp because not many fish are left in the river, he stated. In the lower river when fish are not transported, you see fairly high decreases in survival as fish pass through the system, Suzumoto noted.

In summary, he said, if you want to use the study’s results to determine what decisions to make about spill, you would try to optimize spill at all the dams. If you want to consider spill reductions, you would look at the collector dams on the Snake, and you’d try to optimize spill better at the lower river dams, such as The Dalles and John Day, Suzumoto stated. You might also want to look at spill reductions in the summer, he added.

Shurts said the Columbia Basin Fish and Wildlife Authority (CBFWA) had just sent the Council a letter about the SIMPAS model. It says “SIMPAS is not appropriate for determining which fish passage options should be implemented,” and that CBFWA agrees with the ISAB’s recommendation that “it is not appropriate to develop a long-term management plan on the basis of SIMPAS analysis.”

The ISAB has criticized the SIMPAS model because it has lots of uncertainty, Bloch said. We need to make it clear to the public that SIMPAS is not the only science we are relying on, he added. Bloch suggested the Council schedule presentations on some other models and on the scientific validity of the SIMPAS approach. Other Council members agreed and suggested presentations on the CRiSP and FLUSH models.

The Council discussed language dealing with juvenile fish transportation and decided to say the Council endorses the strategy of “spread the risk” until it becomes clear whether migration in-river or transportation provides the best levels of survival. Hines asked for the issue of “spread the risk” to be highlighted for public comment in the Council’s Notice Letter accompanying the document.

The Council discussed spill proposals in the draft document, which included the proposition that “spill should be managed according to the most biologically effective spill level at each project.”

In this section, you “are trying to build a case spill is not as good as people think it is,” Bloch said, adding that there is no scientific support for some of the statements being made about spill. After some debate, the Council decided to state that “spilling to the maximum gas supersaturation levels represented by the 120 percent Total Dissolved Gas (TDG) water quality standard may be increasing mortality at some dams.”

There was a suggestion the [AI] Giorgi report be cited in connection with the statement “spill may have negative effects on returning adults.” “I have a high resistance to writing the Giorgi report into this document as if it had more standing than other information the Council has received,” said Shurts. We want this document based on the best scientific knowledge we have at hand, responded Judi Danielson. “Don’t use it as the basis, use it as a reference,” she suggested.

Shurts described four proposals the Council could adopt on spill levels: one the status quo, and three other options. Why not put all four out for comment? suggested Larry Cassidy. If we do that here and then elsewhere in the document, “we’ll be recommending everything,” responded Kempton. We should pick one as a preferred option, he said. Bloch urged sending out all four for comment.

I want to send out something the region can focus on, rather than having “a smorgasbord of alternatives,” said John Hines. It will sharpen the regional discussion if we “could come out with a smaller plate,” he added.

Tom Karier recommended putting in the following language: “The Council will recommend specific spill levels at specific projects after comprehensive spill studies have been conducted. The Council intends these studies to begin immediately and be carried out without delay.”

You are setting up a study at each project when the Council may want to take a position on flow and spill, commented John Brogoitti. This shows we are serious about doing the studies quickly and then we’ll recommend specific positions consistent with that knowledge, Karier replied. “What’s quickly?” asked Brogoitti. It could be done in one season, Karier said.

The Council agreed that Karier’s language should be inserted, but that the draft should also include a recommendation about spill in the interim, while the studies are being done. Brogoitti urged putting out the three options on spill-level proposals. Our job is to make a decision and put a preferred approach in the document, responded Danielson. Otherwise, “we’re just dragging the painfulness of this out,” she stated.

Hines moved, and Ed Bartlett seconded, that the Council use the option proposed by Montana’s Council Members as its preferred interim option. It says that until the cumulative effects of high levels of spill are better understood, the Council recommends the region use a gas concentration limit of 115 percent, and at Libby and Hungry Horse, that gas concentration levels would not exceed 110 percent. Hines said we want to take a conservative approach to the spill regime in the region and thinks that a 120 percent limit leads to increased fish mortality.

Kempton said his concern is that when the system is operated at a 120 percent limit, there are sometimes surges that cause gas concentrations to go up to 126 or 128 percent, and there are no consequences when operators let that happen. The closer you operate to 120 percent, the more you will exceed it, he stated. A 115 percent limit “is a reasonable place for the region to go,” Kempton said.

Your limit, if applied systemwide, would hurt us in the lower river where we have no transportation, said Cassidy. Without spill there, “we hurt our migrants in a big way,” he added.

I’m opposed to this, stated Karier. Changing the interim target is fruitless, and if it comes from a divided Council, it wouldn’t be taken seriously in the region, he said. We shouldn’t alter the status quo until we do the studies, Karier added. The motion failed on a 4-4 tie.

### **Decision – Use Idaho Proposal as Interim Spill Option**

Kempton moved, and Danielson seconded, that their proposal be used as the preferred interim spill option. It recommends that more strenuous efforts be made to avoid exceeding TDG limits of 120 percent, that state waivers can be put in jeopardy if system operations “become careless,” and it requires managers to say what kind of mortality they expect will result if the 120 percent limit is exceeded, according to Kempton. I assume the status quo under the BiOp continues with this option? asked Karier. Yes, this is consistent with the BiOp, Kempton replied.

Bloch asked that the Notice Letter accompanying the draft indicate that other spill options were left out of the document, but that the public can comment on them, and staff said they would do that. Kempton’s motion passed unanimously.

In the Water Management section, the Council calls for modifications in FCRPS operations established in the BiOp to protect, mitigate, and enhance all fish populations affected by the hydro system, not just listed populations, Shurts said. The white sturgeon operations team thinks there are better operations to help Kootenai white sturgeon than what is in the U.S. Fish and Wildlife Service’s Biological Opinion, and the team asked the Council to propose them in its mainstem draft, he noted. The Council adopted the language.

Five proposals appeared in the markup draft on spring reservoir/flow operations. Bloch moved to send all five out for public review, and Karier seconded. I oppose the motion, because one option involves an additional 1 MAF of water from the Upper Snake, said Kempton. It’s time for us to make the call and put one alternative in the draft and move on, urged Danielson.

There’s “a great debate raging across the region” as to the value of some spring operations, stated Bloch. If we are too rigid, we’ll miss the opportunity to help the region through some of these highly divisive issues, he said. Bloch’s motion failed, 7-1.

### **Decision – Adopt Montana’s Proposal**

Hines then moved to adopt his proposal as the “cornerstone of the preferred option” on spring operations, and Bartlett seconded. Hines said that there is documentation of the harm from some of the flow operations and that his approach uses the system more efficiently and would result in power savings. It causes no adverse impacts downstream and fulfills the Council’s vision, he added.

His option would assure a 95 percent refill probability for Hungry Horse and Libby, operate Dworshak and Grand Coulee to assure a high probability of June refill, and eliminate the provision in the BiOp that calls for ensuring a high probability that storage reservoir levels are within a half-foot of the upper flood control rule curve by April 10. It says the Council does not support BiOp flow targets “due to lack of evidence they are related to survival within the range of the agencies’ control.”

We can build from this proposal, said Bartlett, suggesting the some elements of other proposals could be combined into one preferred alternative.

What’s the effect of removing the April 10 flood control target? Cassidy asked. It would protect our reservoirs and allow more efficiency for the hydro system, replied Hines. What’s the risk to downriver areas? Cassidy asked. There are other operational constraints that would protect downstream areas, Hines responded.

I’d prefer to put out an alternative that doesn’t endorse the BiOp, but doesn’t try to rewrite it, said Karier. The 95 percent probability is unrealistic, he added.

Karier proposed amending Hines’ motion to add a “note” after the description of the preferred alternative that would invite public comment on the staff proposal, which calls for an evaluation of spring operations and questions the validity of flow objectives and flow augmentation, but does not seek interim changes in BiOp operation before completion of the evaluation. By having this note, there’s an acknowledgement of other alternatives, Karier said. Cassidy seconded the motion, and it passed unanimously.

I would like to add an amendment that would include my proposal on spring operations in the draft, with the exclusion of its call for 1 MAF from the Upper Snake, said Bloch, and Brogoitti seconded. It would be made clear that this is an alternative to any preferred alternative, Bloch said.

I oppose the motion, Kempton said. Karier’s amendment relates what we are doing to BiOp provisions, but this motion offers the region a measure that exceeds the BiOp, he stated. Bloch’s amendment failed, 7-1.

Cassidy asked about spring operations at Grand Coulee if Montana’s proposal is the recommended option. Fazio said his analysis indicates the alternatives could be blended together without any problem.

Hines said he couldn’t support the proposal that calls for maintaining the April 10 flood control rule curve at Grand Coulee. That rule is important for fisheries, said Karier. I oppose rolling Grand Coulee operations into the motion, said Hines.

I move to amend the Hines motion to include the proposal on Grand Coulee operations, said Karier, and Cassidy seconded. The Council discussed whether the two proposals could work together. What you are trading off is power flexibility in the winter for spring flows, said Fazio. He opined the proposal wouldn’t affect Montana’s 95 percent refill probability for Libby and Hungry Horse. Karier’s amendment failed on a 6-2 vote, with Cassidy also voting yes.

We have to say something about Grand Coulee, Cassidy said. He offered an amendment to Hines' motion to include the proposal for Grand Coulee in the preferred alternative, without the requirement to maintain the April 10 flood control rule curve, but with a note inviting public comment on the question of hitting the April 10 target. Bartlett seconded, and the motion passed unanimously.

Hines' motion with the two amendments passed on a 7-1 vote, with Bloch voting no. Kempton then explained his proposal for operation of Lower Granite Dam, saying it posed no conflict with the preferred alternative. He moved that it be incorporated into the preferred alternative. Danielson seconded, and the motion passed 7-1, with Bloch voting no.

Summer operations proposals included five alternatives. Bloch moved that his proposal, which includes providing up to 1 MAF from the Upper Snake, be sent out as one of the alternatives for comment, and Brogoitti seconded. Idaho can't support that, said Kempton. The 1 MAF is a big issue -- "we just can't go there," added Danielson.

These are recommendations we are proposing be included in a *draft* program for comment, and the 1 MAF would be on a willing-seller, willing-buyer basis, Bloch said. His motion failed, 7-1.

#### **Decision – Preferred Alternative**

Hines moved that the options labeled from members in Montana, Idaho, and Washington be combined into a preferred alternative, and Bartlett seconded. What does that combination do to outbound migrants? Cassidy inquired. It would reduce flows in July and August and increase them in September, replied Shurts. It's about a 1-3 percent decrease in flows from the BiOp, said Hines. Overall, it would provide less volume than the BiOp, noted Fazio. Hines' motion passed 7-1, with Bloch voting no.

Shurts explained another proposal that would increase flow objectives compared to the BiOp, going up to 160 kcfs in December, to protect fall/winter chum and chinook spawning and rearing below Bonneville Dam. He noted the BiOp calls for 125 kcfs. If we adopt this, we would need consultation about operations and in-season management at Grand Coulee, said Karier.

Bloch moved to adopt the proposal as a Council recommendation, with a note that would indicate there is a conflict with Grand Coulee operations and ask for comment on how to prioritize or reconcile, and Brogoitti seconded. I won't support this; the current operations at Grand Coulee are difficult enough, said Karier. The motion failed 6-2, with Brogoitti also voting yes.

In the section of the draft dealing with monitoring and evaluation, Cassidy explained a proposal dealing with the Fish Passage Center (FPC). It sets out the purposes and functions of the FPC and states that the Council will appoint a technical advisory committee to assist the FPC oversight board in evaluating the technical performance of the FPC. The Council needs to establish a solid management role with the FPC, he said. My concern is there are protocols and scientific questions that most oversight board members can't answer, Cassidy stated. Karier suggested adding a sentence that says the Council may revise the functions of the FPC as the region develops a comprehensive data management system. The Council agreed to the language in the section.

The Council decided to drop the proposed language in the section dealing with Mid-Columbia Habitat Conservation Plans. In its place, members substituted a sentence that says the Council will review and include in its program, as appropriate, settlement agreements for the mid-Columbia hydro projects.

Shurts went over the “transition provisions” for the draft mainstem plan. This section contains language to solve any problems related to the sunset provisions in the 2000 F&W Program. The Council agreed to the language.

Shurts noted that the Council’s “*Analysis of the Adequacy, Efficiency, Economy and Reliability of the Power System*” (AEERPS) paper would be sent out as an attachment to the draft mainstem plan amendments.

### **Decision – Release Draft Mainstem Amendments**

Danielson moved that the Council release for public comment the draft mainstem amendments to the F&W Program, including the draft analysis of the *Adequacy, Efficiency, Economy, and Reliability of the Power System*, with changes adopted at today’s meeting, and subject to final approval of the Council’s editorial committee; and direct the staff to give appropriate notice of the opportunity for public comment. Brogoitti seconded, and the motion passed on a 7-1 vote, with Bloch voting no.

The Council chairman appointed Karier, Bloch, Kempton, and Hines to serve on the editorial committee.

Shurts said he hoped the Council could release the document by October 25. Public hearings in each state would then be held, he noted. The Council debated when to close comment on the draft. Danielson said she was reluctant to wait until after the first of the year to do that. Bloch suggested accepting comment up until the Council’s meeting on January 14.

### **Decision – Close Written Comment on January 10**

Cassidy moved to close written comment on January 10, hold the last public meeting on the draft as part of the January 14-15 meeting, and be set to make a final decision at the Council’s meeting in February. Hines seconded, and the motion passed 5-3. Bloch, Danielson, and Kempton voted no.

## **2. Update on Subbasin Plan Scheduling, and Approval of Subbasin Planning Contracts**

Doug Marker; and Brian Allee, Manager of Policy & Program Implementation

Staffer Brian Allee requested that the Council negotiate contracts for subbasin planning with the Lower Columbia Fish Recovery Board, the lead entity for 11 subbasins in Washington state. The aggregate amount for the contracts would not exceed \$1,350,000, he said. Discussion ensued as to whether BPA wanted to fund the work through the board or have 11 separate contracts. Cassidy and Karier emphasized that Washington state wants the funding to flow through the board, and BPA needs to conform to that desire.

It astounds me that BPA is calling this into question when Washington has made it clear how they want to do subbasin planning, said Bloch. We support this funding, but we want the Lower Columbia Fish Recovery Board to be “the lead dog in the hunt,” Cassidy stated.

**Decision – Authorization to Negotiate Contracts**

Danielson moved that the Council authorize the Executive Director to negotiate contracts with the Washington Lower Columbia Fish Recovery Board for subbasin planning for the 11 subbasins within the Recovery Board’s region in an aggregate amount not to exceed \$1,350,000, as well as \$347,680 for technical support, as presented by staff. Karier seconded, and the motion passed unanimously.

Allee brought up for Council approval a \$253,425 contract with the Deschutes Resources Conservancy for completion of the Deschutes subbasin plan. The funding will enable a “statewide SWAT team” to help in the planning process for 14 months, from December 2002 to February 2004, he said.

**Decision – Authorization to Negotiate a Contract**

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Deschutes Resources Conservancy for subbasin planning in an amount not to exceed \$253,425, as presented by staff. Cassidy seconded, and the motion passed unanimously.

**3. Presentation by Energy Regulators on FERC Initiatives, including Standard Marketing Design and the RTO West Order**

Marilyn Showalter, Chair, Washington Utilities and Transportation Commission; and Marsha Smith, Commissioner, Idaho Public Utilities Commission

The main message about the Standard Market Design (SMD) is that it’s a radical transformation of the electricity system of this nation and would seriously disrupt the way electricity is provided in the Northwest, which is a good system, Marilyn Showalter, chair of the Washington Utilities and Transportation Commission, told the Council. There are three aspects to the electricity system -- physical, economic, and political, she stated. You have to have all three or it doesn’t work, Showalter said. The Federal Energy Regulatory Commission (FERC) in its proposed SMD rule has only focused on the economic side of things and hasn’t paid attention to the political side, she stated.

The first 100 pages of the 600-page SMD rule deal with discrimination in the provision of electricity, Showalter said. What is that? It’s when a vertically integrated utility prefers its own customers, she stated. What FERC calls undue discrimination is the state law and policy of 35 states for the last 75 to 100 years, Showalter said.

“Independence is a major buzz word” in FERC’s rule, so it sets up Independent Transmission Providers (ITPs), which are private corporations with private boards, she indicated. “What FERC calls independence looks to us like independence from political accountability,” Showalter said.

There's now "a circle of political accountability" in our electrical system, she continued. Utilities are overseen by regulators, and ratepayers participate in that process, Showalter said. In FERC's rule, these significant functions are extracted from the states and put into ITPs that are only accountable to FERC, she stated. If things don't go right, as happened in California, ratepayers won't have anywhere to turn, and state officials won't have the authority to help, Showalter said.

Another worrisome aspect of the SMD is that it's "a national scheme," she stated. It was developed on the experience of Mid-Atlantic states, while the system in the Northwest is different politically, geographically, and in the way resources are used, Showalter pointed out. "Locational Marginal Pricing" (LMP) is designed to make the most efficient use of plants on the grid, but there's a disconnect with LMP and how the Northwest system works, she said.

What we should be doing, instead of having "a grand, national scheme," is focusing on whatever real-world problems we have here, according to Showalter. We should identify transmission bottlenecks and supply problems and find solutions, and that's something that had been going on with the RTO process, she stated. But it's difficult to carry on the conversation about regional problems, if at the same time we are dealing with the SMD proposal, Showalter said. We recommend that FERC withdraw the rule, abandon the effort to assert jurisdiction, and go back to the regional conversations that focus on real problems, she concluded.

Montana has similar concerns to yours, said Hines. The SMD "seems like brain surgery when an aspirin might suffice," he stated. Do you think RTO West is a good platform for solving our transmission problems in the Northwest? Hines asked. I'm comfortable with using the RTO process, Showalter replied. It isn't far enough along to know whether it can solve our problems, she added. States like Montana that have already deregulated are under FERC jurisdiction now, but under the SMD, FERC would pre-empt Montana from pulling back from deregulation, Showalter noted.

FERC doesn't have a good track record, said Karier. It didn't help with the energy crisis in the Northwest and only intervened when our economy was close to collapse, he stated. Since FERC is an advocate for this change, it gives me reason to be skeptical, Karier said. During the California crisis, the Northwest "screamed for help" for eight months, and FERC didn't intervene, Showalter said. The question is whether FERC is sufficiently nimble to respond to problems that will arise as a result of any big new market design, she stated.

The FERC rule "is obsessed with an economic design that they think will achieve economic efficiency," Showalter said. It won't, and there are other objectives to consider with respect to electricity, such as reliability, safety, and accountability, she added.

How do we get at the resource adequacy and transmission problems facing the West? Bloch asked. We need to get Congress to give BPA the money to add transmission lines rather than "throwing over the whole system," Showalter replied. Under the SMD, BPA, a public entity that owns most of the transmission lines, would be replaced by an ITP that is not accountable to the public, she said.

Marsha Smith, commissioner of the Idaho Public Utilities Commission, recapped the history of “how this all started,” beginning with the passage of the Energy Policy Act of 1982 through FERC Order 2000. The West and the Northwest had worked for years before Order 2000 to consolidate the transmission system, she said, noting the IndeGo effort failed due to cost issues.

RTO West is a platform to solve problems with transmission in the Northwest, and FERC ought to allow us to use it, Smith stated.

Unfortunately, FERC has put out the SMD that has distracted us from our main goal, which is getting our transmission governance question solved in a way that avoids cost-shift issues, she said.

Demand response and reserve margins are other issues we need to work on, Smith indicated. The Western Governors Association has been actively working on the needs of the transmission system in the West, she pointed out. But the big issue that is unaddressed is planning, and the RTOs think this issue should belong to them, Smith said. We have benefited from a long history of resource diversity and load diversity between the Northwest and Southwest, and we should continue to be able to do that, she concluded.

It has been hard to document the benefits and the costs of the RTO, noted Karier. What’s your thinking on how to do that? he asked. One’s view of the problem depends on whether you think transmission is an open road for commerce, or if you see it as a means to get a certain amount of power to an end-user when they need it, replied Smith. Even people with the latter view know we need to add to the transmission system in the Northwest now for reliability, she said. But it depends on which view of the overall system you have in determining how many improvements you think the system needs, Smith added.

How can the region get FERC to recognize the method the Northwest wants to use to solve its own problems? Hines asked. Due to the extreme political pressure that has been put on FERC, its members have begun to see they underestimated the effect of the SMD on different regions, Smith replied. But to keep their attention, the political pressure has to be steady, she warned. FERC is “talking the talk” about giving regional deference, but now we need to make sure they “walk the walk,” Smith stated.

#### **4. Council Decision on Subbasin Planning Master Contract Language**

Brian Allee

Allee said staff recommends the Council approve an amendment proposed by BPA to the Master Contract for subbasin planning. The new language would say: “Guide BPA’s expenditures to ensure the avoidance of jeopardy and progress towards recovery of ESA-listed populations as affected by the FCRPS, while satisfying the requirements of the Northwest Power Act.” We sent it out for comment and received no negative comments, he noted.

Danielson moved that the Council approve the amendment proposed by BPA to the Master Contract between the Council and BPA for subbasin planning, as presented by staff. Karier seconded, and the motion passed unanimously.

## 5. Potential Council Decisions on Fish & Wildlife Projects

Doug Marker; and Mark Fritsch, Fish Production Coordinator

### – Request for “Evaluate an Experimental Reintroduction of Sockeye Salmon into Skaha Lake”

Staffer Mark Fritsch presented a request from the Colville Tribes for \$49,700 to complete environmental sampling to provide information requested by Canadian agencies regarding the possible re-introduction of sockeye salmon into Skaha Lake.

#### Decision – Recommend Funding

Danielson moved that the Council recommend, pursuant to a request from CBFWA, that BPA fund, from the FY 2003 placeholder, the Colville Confederated Tribes’ Project 200-013-00, “An evaluation of an experimental re-introduction of sockeye salmon into Skaha Lake,” in an amount not to exceed \$49,700, as presented by staff. Brogoitti seconded, and the motion passed unanimously.

### – Request for “Yakima/Klickitat Fisheries Program (YKFP) – Training and Education”

Fritsch presented a request from the Yakama Nation for \$188,407 to complete training and education of four tribal personnel to fulfill operational needs to meet the goals of the Yakima/Klickitat Fisheries Project (YKFP). Staff recommends that the Council not approve the funding, but rather that BPA be encouraged to prioritize the existing budget for the YKFP to address these emergency needs, he said. Why do we need a motion on this? Cassidy asked. BPA needs the Council’s direction in order to find these funds, said staffer Doug Marker.

#### Decision – Recommend BPA Not Fund Project

Danielson moved that the Council recommend that BPA not fund the request from the Yakama Nation for additional funding for “YKFP Training and Education,” and instead work with the project sponsor to prioritize the existing budget for Project 1988-120-25 to meet the emergency needs identified. Brogoitti seconded, and the motion passed unanimously.

Karier pointed out that BPA has a role in providing tribal scholarships, but it hasn’t been carried out on a very organized basis. BPA needs to have a clearer mission and budget for this effort, he said, adding that he has prepared a draft letter to BPA about this. Hines and Bloch said they would like to know if the letter plans to propose specific dollar amounts for tribal scholarships. This is a good idea, but isn’t it beyond the scope of the Council? Bartlett asked. Staffer John Ogan pointed out that the Council hadn’t provided notice of a discussion of tribal scholarships for this meeting. Let’s put that on the agenda for the next meeting, Cassidy recommended.

### – “Select Area Fisheries Evaluation Funding Condition”

Fritsch brought up the Select Area Fishery Evaluation Project, which had not been funded in the provincial review because more information was requested about the economic benefits accruing to the commercial fishing economy through this project. He indicated the information had been provided.

### **Decision – Recommend Funding**

Danielson moved that the Council find that the project sponsors of the Select Area Fishery Evaluation Project have satisfied the conditions placed on it as part of the Lower Columbia and Estuary provincial review and recommend that BPA fund the project at the levels and with the conditions set out in the staff recommendation from the September Council meeting. Brogitti seconded, and the motion passed unanimously.

## **6. Briefing on the RAND Institute Report on Northwest Power**

Terry Morlan, Manager Economic Analysis; and Mark Bernstein, RAND

The RAND report, *Generating Electric Power in the Pacific Northwest: Implications of Alternative Technologies*, grabbed some big headlines in September when it was released, and the Council asked me to review it, said staffer Terry Morlan. I was disappointed to see that it ignored the Council's efforts to promote energy efficiency and that it left the impression the Northwest hasn't been aggressively pursuing conservation and renewables for the last 22 years, he stated.

Mark Bernstein of RAND apologized for the omission and said the report should have acknowledged the work of the Council. He explained that RAND's involvement with the study began when it teamed with CONSAD, a small Pittsburgh-based contract research firm, to respond to an RFP from the Northwest Energy Coalition. We used the Regional Economic Model Inc. (REMI) to create scenarios and assess the macroeconomic regional impacts of different energy futures for the Pacific Northwest, Bernstein said.

He explained the three scenarios RAND looked at: 1) What if the Northwest tried to meet 20 percent of its load growth with conservation and renewables, instead of natural gas? 2) What if the region built enough renewables and conservation to serve the loads of the DSIs? and 3) What would be the effects of replacing the four lower Snake dams with conservation and renewables?

Bernstein said the study results derive from a regional economic standpoint. Our results suggest that removal of the dams, when viewed against the total regional economy, would result in minimal overall regional economic impact, he stated. In terms of the model, "it's in the noise," Bernstein added.

We didn't look at the local impacts of dam removal, and we know there would be some, he said. On the employment side, there isn't a big effect from removing the dams, Bernstein stated. "The total number of jobs that would be lost in the total region from dam removal is not a lot," he said. We have no position on dam removal, and we didn't analyze the advantages or disadvantages of doing it, Bernstein added.

The basic point of the RAND study is that "diversification could provide the opportunity to hedge against future volatility in natural gas prices and supply and hydroelectric production," he said.

Did you look at the Congressional authorizations for why the Snake dams were built? Cassidy asked. No, Bernstein replied. Did you factor in there would be no port of Lewiston? Cassidy

asked. I assume that is in the Corps' [Lower Snake River Juvenile Salmon Migration Feasibility draft] EIS, which we used for cost estimates, replied Bernstein.

Staff thought your report failed to factor in amortization payments for the dams that would still continue if they were removed, is that so? Hines asked. I'll check on that and let you know, replied Bernstein.

Why hasn't the West developed wind power any faster, do you think? Kempton asked. It hasn't developed as fast as people thought, but costs have come down in the last few years and turbines are more efficient and quieter, Bernstein replied. But there's not a lot of experience in operating wind farms in utility systems yet, he added.

Given the need for wind machines to make connections to the transmission system, how practical is it in the West? Kempton asked. Bernstein answered that 700 megawatts (MW) of wind is not that much for this region, but he acknowledged there needs to be work on transmission access issues and that transmission could make the costs of wind higher than what people anticipate.

Did the study consider what it would take for wind energy to replace a portion of the hydro system? Brogoitti asked. For 1 aMW of hydro replacement, you would need to put in 4 aMW capacity of wind, replied Bernstein. So to replace 1,000 aMW of hydro, you would need to put in 4,000 aMW of wind -- "that's a lot of wind," he acknowledged.

With respect to using conservation to cover the DSI load, your study said there would be more than twice as much conservation available than our studies have shown, said Karier. Where did you find those additional megawatts? he asked. "We decided it was an upper bound that could be possible based on work we've done in California," replied Bernstein. We may have thought it was not likely, but it "may be achievable," he said.

Did you take into consideration the hydro reserve needed to back up wind energy if it were to fail? Kempton asked. We didn't go into that detail, replied Bernstein. The wind estimate is also "an upper bound" -- it seems to be feasible, he added.

Bloch referred to a handout on "Clean Energy Resource Potentials" by the Northwest Energy Coalition at the meeting that says the Northwest can meet all its growing needs for electricity through energy efficiency and renewables. Bernstein suggested, based on California's experience, the "huge, untapped potential" of retrofitting existing homes and using more efficient lights and appliances.

RAND should be careful about extrapolating experience from California to the Northwest, said Karier. You should have looked at our power plan, which involved months of technical work and public participation, he told Bernstein.

Does RAND intend to rectify the "holes" in its report or let it stand? Danielson asked. The report stands as it is, replied Bernstein. What we looked at should only be one facet of the decisionmaking, he added. There are things left out of your report that are of major importance, Danielson observed.

Karier noted that staff has drafted a letter to RAND about the omissions in the report, which will be circulated to Council members for final approval before it is sent.

## **7. Discussion of Council Recommendations on the Future Role of Bonneville**

Dick Watson, Director, Power Division; and Mark Walker, Director, Public Affairs Division

Staffer Dick Watson said the Council will need to formulate a set of recommendations on the future role of BPA. He outlined the reasons the issue has moved to the forefront, including the competitive market; the debate over the allocation of, or dilution of benefits of the federal system; and the DSIs seeking clarity on whether they will have access to federal power post-2006.

“This is A REALLY BIG DEAL,” Watson said. It will be the most significant change to BPA’s role since the passage of the Northwest Power Act, he stated.

Watson described the various proposals afoot for the future role of BPA, including the Joint Customer Proposal and three “limited purpose” proposals. They are from: public interest groups, centered around F&W and conservation and renewables; Alcoa, focused on service for Alcoa; and the steelworkers, dealing with service for the DSIs, he explained.

The Council will review the proposals and “analyze the big issues in them,” Watson said. We should get our recommendations to BPA so it can consider them as it formulates its own proposal, he recommended. BPA’s proposal is due out late this year or early next, Watson said.

This *is* a big deal, stated Karier. The Power Four will work on drafting the Council’s recommendations so they can be taken up at our November meeting, he said.

## **8. Presentation to Lake Roosevelt Net Pen Volunteers**

Stacy Horton, Biologist, Washington Council Office

Staffer Stacy Horton made a presentation to the net pen volunteers of the Lake Roosevelt Forum, recognizing their work in protecting and enhancing a fishery that brings millions of dollars in economic benefits to the region. Cassidy presented the volunteers with certificates and pins, pointing out that there is nothing more important to fisheries improvement than volunteer help.

## **9. Presentation by Energy Regulators on FERC Initiatives, including Standard Marketing Design and the RTO West Order**

Roy Hemmingway, Chair, Oregon Public Utility Commission; and Bob Anderson, Commissioner, Montana Public Service Commission

The federal government is on the right track, and I give them credit for putting forward the SMD and encouraging RTOs, said Roy Hemmingway, chair of the Oregon Public Utility Commission. Why is federal action needed? Because there has been a dramatic increase in market activity,

and there is still discrimination between transmission owners and those who want to get on the lines, he said. There are still “seams” issues, and there has been market manipulation, according to Hemmingway. We want to ensure our transmission system is adequate and that appropriate investments are made when needed, he said.

FERC hasn’t made it clear how the SMD and the RTOs will work together, Hemmingway stated. He said the SMD requires:

- All transmission owners to turn over operation of their transmission to ITPs
- Open access to the transmission system
- That the ITP operate short-term markets
- That there be resource adequacy (“If we’d had that in California, we would have avoided the entire problem.”)
- Congestion pricing
- Creation of a market oversight unit.

After the SMD proposal went out, FERC approved RTO West, saying that it is 95 percent compliant with the SMD, Hemmingway pointed out. FERC isn’t going to micromanage the Western market or transmission system, he said. FERC thinks the West is free to “design its own market design” as long it meets certain general criteria, according to Hemmingway.

He said the SMD is a good idea because:

- The Northwest will get some appropriate pricing on the transmission system.
- It will deal with the realities of the current marketplace in which over 80 percent of new generation is from merchant generators that need non-discriminatory access to transmission.
- It offers the opportunity to do Westwide planning like the Northwest has done.
- There are efficiency gains to be gotten from single dispatch.
- Having a market monitoring mechanism could have headed off problems like those experienced in the past two years.

There are those in Washington state who say we’ve paid for the transmission system -- it’s low cost and reliable, so why make this change? said Karier. The system isn’t working well now -- it’s broken in terms of sending price signals to new generators as to where they should build generation, Hemmingway responded. And we don’t have a market monitoring unit, he added. Things seem to be working now because we have a temporary surplus, but what happens when we have a shortage again, Hemmingway said. The question is: are we going to think ahead to deal with the problems of tomorrow? he concluded.

You say FERC would accommodate a Western alternative if it meets certain conditions, stated Hines. What steps are necessary for the region to go down that path? he asked. The utility commissions, the Council, and state energy and governors’ offices need to work to put together an agenda for the entire West, replied Hemmingway. We are “looking for ‘a Goldilocks solution,’ so that we don’t build too much transmission or too little,” he said.

Bloch asked about the concern Showalter raised about the SMD stripping political accountability from state and local institutions and transferring it to FERC. Marilyn and I agree that the accountability parts of this need to be beefed up, Hemmingway replied.

I agree with Roy that something in the way of an SMD is needed, said Bob Anderson, a Montana Public Service Commissioner. The Western interconnected market “isn’t fixed,” and we saw a dramatic dysfunction in 2000 and 2001, he stated. The SMD has addressed some of the problems, Anderson added.

Today, most generation is built by merchant generators, and the transmission system is more of a network, he observed. Things aren’t the way they used to be, and we have to react to these changes, Anderson said.

What should be done? I’m no fan of the SMD, but we do need a Western market design, Anderson stated. We need to address questions of market manipulation and underinvestment, he said.

The Council should look at the system and its problems and figure out how it should and could work, Anderson suggested. It’s not a choice between the market model and some “golden age” of vertically integrated utilities, he said. All utilities buy and sell in the competitive market even if they are vertically integrated, Anderson noted.

There have been two responses to the SMD, he said. The first is the “Just Say No school of thought,” and the other is “It doesn’t work in the West, but we need something,” according to Anderson. I am in the latter camp, he noted.

The “Just Say Nos have hammered FERC so badly” that FERC has said “just tell us what you want in the West,” so that’s a good challenge for us, Anderson said. I hope the Council will use its analytical resources and regional perspective to help us work on this, he added.

Karier noted that in the 2000-01 situation, it took FERC months to intervene. FERC lost credibility -- why should we trust them now? he asked. That FERC chair “had a laissez-faire attitude,” but there’s a different chair now, replied Anderson. FERC’s other role is to establish rules so that the market can operate on its own, he noted.

The West needs time to do more analysis, Anderson continued. I’d like to see a simulation where we recreate the 2000-01 conditions and see how the SMD and or a Western market design works, he said.

We need to set up rules “so we don’t have to depend on who the personalities are at FERC to prevent future Californias,” said Hemmingway. “These people at FERC get it,” he stated, adding “they want to set up rules that last longer than they do.”

Have you talked to FERC about giving us more time to formulate a Westwide SMD? Hines asked. No, but I’d be surprised if more time couldn’t be made available, Anderson replied. What’s needed is leadership, he said. Some of us “have to step out of the bunker and take some risk,” Anderson urged. The Council could play a constructive role in developing the Western market design, he concluded.

## **10. Council Business**

### **– Adoption of Minutes**

#### **Decision – Adopt Minutes**

Danielson moved that the Council approve the minutes for its September 10-11, 2002 meeting; Brogoitti seconded, and the motion passed unanimously.

### **– SAIC Contract**

Staffer Steve Crow notified the Council that the scope of work for the contract with Science Applications International Corporation (SAIC) to help in the design of a data system for the region has been modified. The budget will increase by \$13,500 as a result, he said.

### **– Annual Spending Report**

Cassidy said the Council has reviewed the final draft of the Second Annual Report on BPA F&W Spending and that it is ready for release. Bloch requested that the report contain some numbers related to the costs associated with non-power operations, such as irrigation, recreation, flood control, and navigation. BPA tells us that getting accurate numbers would take some time, said Karier. We could put some “order of magnitude” numbers in, Fazio suggested. I prefer we release this and develop that kind of information for the next spending report, Karier stated.

I think approximations of the numbers would be okay and would help the region understand more about these activities, Bloch said. He asked Fazio how accurate his numbers could be. Fazio replied that he would peg the costs for irrigation last year between \$500 million and \$750 million, but that it could take six months to get numbers for flood control.

#### **Decision – Release the Annual Spending Report**

Karier moved to release the report as is, and Brogoitti seconded. The motion passed 7-1, with Bloch voting no. Bloch said he would attach a minority report stating his views about the document.

### **– Fish Passage Center**

The Council appointed Tim Peone, nominated by the Upper Columbia United Tribes, to the Fish Passage Center Oversight Board.

#### **Decision – Approval of Tim Peone for seat on FPC Oversight Board**

Danielson moved that the Council approve Tim Peone, nominated by the Upper Columbia United Tribes, for the upper Columbia River Basin tribal seat on the Fish Passage Center Oversight Board. Bartlett seconded, and the motion passed unanimously.

### **– Approval of Meeting Schedule**

#### **Decision – Approval of 2003 Meeting Dates**

Danielson moved that the Council approve a meeting schedule for 2003, with the changes made by the members at the meeting. Hines seconded, and the motion passed unanimously.

### **– Discussion on Congressional Contacts**

Crow said the Council has been talking about a trip to Washington, DC the week of November 18<sup>th</sup> to meet with the Congressional delegation. Staffer Mark Walker said it looks like Congress

may go back into session after the election so there would be a 50 percent chance they will be in session that week. What is the big push to take this trip? Danielson asked. The role of BPA is a big issue to discuss with the delegation, replied Walker. Cassidy told staff to e-mail Council members about what staff thinks would be accomplished on the trip and to find out if everyone wants their representatives contacted.

The meeting was adjourned at 3:45 on October 17, 2002

Approved December 12, 2002

/s/ Judi Danielson

Vice Chairman

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