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## **BAKER RIVER PROJECT RELICENSE**

### **Economics/Operations Working Group**

October 11, 2000

1:30 p.m. – 4:30 p.m.

Puget Sound Energy Mount Vernon Business Office  
1700 E. College Way  
Mount Vernon, WA 98273

### **AGENDA**

Review/revise minutes and agenda
Action items
Continue fleshing out Issues/Interests
Set agenda for next meeting
Evaluate meeting

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PSE Office  
Mount Vernon, WA

### **MEETING NOTES**

**Team Leader:** Kevin Brink (Puget Sound Energy) (425) 462-3222, kbrink@puget.com

#### **PRESENT**

Kevin Brink (PSE), Stan Walsh (Skagit System Coop), Bob Helton, (Interested Citizen), Paul Schissler, (Town of Concrete), Tom Spicher (Hydro Y.E.S.), Lyn Wiltse, facilitator (PDSA Consulting)

#### **NEW ACTION ITEMS**

Kevin: Check on PSE's responsibility for road maintenance.

Kevin: Contact Bob Barnes re: Hydrology 101

Paul: Bring Town of Concrete's Waste Water Comprehensive Plan

#### **ACTION ITEMS**

Charles: • Prepare a handout that includes:

- Relative value of equipment,
- Present costs of operations,
- Present values of operations

Kevin: • Contact BPA/Western Systems Coordinating Council re: their participation on this team

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## **AGENDA**

**October 11, 2000, PSE Office Building, Mount Vernon**

1. Review/revise minutes and agenda
2. Action items
3. Continue fleshing out Issues/Interests
4. Set agenda for next meeting, November 8, 2000
5. Evaluate meeting

### **BOB HELTON'S SUGGESTIONS FOR PSE:**

1. After reading '97, '98, & '99 PSE Annual Reports, noted there is no (direct) mention of environmental/ fishery good works or who was in charge of same.
2. Looked at April, 2000 list of concerns and wish list of probable/possible mitigation areas (unprioritized).
3. The ALP is going to go for next 50 years (from 2004 onward) and who knows or who can predict what the real needs are 20 years from now if sooner or later.
4. New research and findings from other ALPs/power generators may hold clues for no cost at all. Therefore, the best we can do right now is to prioritize present concerns and propose solutions; but how do we pay for mitigation efforts (agreed upon by who and when do we start saving for improvements if really needed using the current baseline of knowledge?)

An overall solution may be as follows:

PSE needs to create an Environmental Ombudsman that can operate as the "Corporate Conscience" for the relicensing period (next 50 years).

- a. The ombudsman works with interested private, governmental groups and they vote on what happens over 10-year periods, for example.
- b. Funding to carry out projects comes from 1% of net profits into a corporate "Lock Box Fund". (maybe more than 1%, but this depends on PSE management attitude).
- c. Salary of Ombudsman comes out of fund and all interested parties for proposed mitigation activities are voluntary by government agencies, private groups/parties.
- d. One possible allowed use of accumulated fund/pot could be for dam removal if it comes to that.

Advantages of this process are:

1. PSE and interested parties only work on prioritized projects as accumulated funding permits.
2. If Ombudsman function is set up right it could receive donations from non-PSE sources to carry on good works.
3. Now evolving priorities can move to top of list as licensing procedure proceeds.
4. PSE can claim to be "honestly green" and public/groups have a point of contact to work with and keep track of progress.
5. Everybody wins to limit of acceptable rate of funding %/year by PSE plus donations.

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	1999	1998	1997	1996	1995
Basic & Diluted Earnings/Common Share	2.06	1.85	1.25	1.70	0.94
Income for Common Stock (K)	174,502	156,609	105,741	142,228	79,130
Common Shares Outstanding (K)	84,613	84,561	84,560	84,418	84,189
Dividends/Common Share	1.84	1.84	1.78	1.67	1.67
Δ Cash (K)	?	17,519	3,385	(17,479)	11,1143
Cash at End of Year (K)	?	25,278	7,759	4,335	21,814

For example 84,000,000 shares  
 @ 0.003/share, we get 252K/year  
 @ 0.006/share, we get 504K/year.

For example \$.01/share or 849,000/year for Environmental Operation  
 125,000 Salary, etc.  
300,000 Credit for Fish Operations  
 425,000 Credit /year  
 415,000/year new dollars

Over 50 years = >0.25 cents. Shareholders lose <\$0.25

840,000/year  
 84,000,000 shares

(0.01) (50 years) = \$0.50 A small sales job.

#### Definition of Ombudsman:

- (a) A government official who hears and investigates complaints by private citizens against other official or government agencies.
- (b) A person who investigates and attempts to resolve complaints and problems, as between employer or between students and a university (This second definition would be most appropriate).

#### **PARKING LOT**

Forest Service Watershed Analysis

- PSE should in the near future provide a Hydro-Economics 101 class for this team:

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- Include both utility and hydro plant perspectives
  - Consider who will be the number cruncher for this team:  
PSE? Other?
  - GANTT chart with due dates, etc.
  - Presentations:  
Wild and scenic river 101  
Flood Plain Values 101

## **ISSUES AND INTERESTS**

The team brainstormed issues (items for discussion) and interests (needs, fears, or concerns) for the Operations & Economics Working Group as follows:

### **Issues:**

- Downstream passage
- Stability/safety of West Pass
- Volcanic eruption of Mt. Baker (overtopping)
- Gate failure
- Resource protection
- Notifying people in event of emergency
- Project viability
  - Economic efficiency: Can revenues generated off set costs? (market and non-market?)
  - Financial
- Economics of operations of the project & how we compare those to the non-commodity tradeoffs (e.g., aesthetics, preservation of historic buildings)
- How resources management interacts with PSE operations

### **Interests:**

- To protect, preserve,, and perpetuate fish and wildlife and their habitats (legislative mandate)
- To have 95-100% successful passage of fish with mitigation for anything less than 100%
- Maintaining public safety
- Fear: income might be less than cost of operations and mitigation
- Fear: We won't be able to afford all mitigation
  - 4(e) conditions and ability to fund
  - Section 18, etc.
- Commercial fear:
  - Road access for removal /management of resources
  - Having to modify management practices to meet aesthetic regulations

## **EVALUATION OF THE MEETING:**

### **Well-Dones:**

- Progress was good.
- Thinking "outside of the box" (Bob)

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- Ended early

**Need to Improve:**

- Poor attendance
- Need to arrive on time
- Need lap top

**TENTATIVE AGENDA FOR NEXT MEETING**

**November 8, 2000 at PSE Office in Mt. Vernon, WA**

1. Review/revise minutes and agenda
2. Action items
3. Flood Control Presentation by Army Corps of Engineers
4. Hydro 101 Presentation by Bob Barnes
5. Set agenda for next meeting
6. Evaluate meeting