
BAKER RIVER PROJECT RELICENSE

Solution Team

February 10, 2004
9:00 a.m. – 1:30 p.m.

USFS Building
Mountlake Terrace, WA

Mission: By April 30, 2004, the Baker Solution Team will draft a settlement agreement for relicensing of the Baker River Project that best meets the interests of the signatories.

FINAL MEETING NOTES

Note: Call Connie at 425-462-3556 if unable to attend the meeting so she can plan for lunches. Call Lyn's cell phone 425-890-3613 if something comes up at the last minute (on the way to the meeting).

Conference Call Number: This is a toll-free call. The procedure is:

- Dial **1-866-280-6429** at the designated date and time. Enter the Participant code of **144995** followed by the # **sign**. You will be asked to record your name. You will hear hold music until the Host has dialed into the call.

Team Leader: Connie Freeland (Puget Sound Energy) 425-462-3556, connie.freeland@pse.com

2004 Solution Team Meeting Dates

Feb. 24, Mar. 2, Apr. 6, and Apr. 27. Note: The meeting on Mar. 23 has been morphed into a Policy Team Meeting (see below). These meetings will be held at the USFS Building in Mountlake Terrace, unless otherwise specified.

Policy Team Meeting Dates

Monday, March 15; Tuesday, March 23; Monday March 29; and possibly Tuesday, April 6. PSE will find locations sufficiently large. The Mountlake Terrace location is *not* available on March 15 and March 29.

Members Present: Keith Brooks, by phone (FERC), Stan Walsh (Skagit River System Cooperative), Scott Schuyler and Doreen Maloney (Upper Skagit Indian Tribe), Gene Stagner, by phone (USFWS),

Gary Sprague (WDFW), Jon Vanderheyden, by phone (USFS), Bob Nelson (Rocky Mountain Elk Foundation), Patrick Goldsworthy (North Cascades Conservation Council), Jack Oelfke (National Park Service), Ruth Mathews (The Nature Conservancy), Joel Molander, on phone, Ed Schild, Cary Feldmann, and Kris Olin, (PSE), Arn Thoreen (Skagit Fisheries Enhancement Group), Bob Helton (interested citizen), Linda Smith (USACE), Dave Brookings (Skagit County Public Works), Dee Endelman (Agreement Dynamics), Lyn Wiltse, Facilitator and Mary Jean Bullock, Note-Taker (PDSA Consulting, Inc.)

AGENDA

February 10, 2004 at USFS Office Building in Mountlake Terrace

9:00 a.m.–3:00 p.m.

1. Introductions
2. Settlement Process Update/Work Plan
 - Review PME status (updated table)
 - Review Draft License Articles
 - Review Cost Estimates
 - Decision Making Process
 - License Articles
3. Schedules/Timeline/Document Updates
4. Action Items
5. Other – Boundary/FERC
6. Set up time and location for celebration! (Note: The Upper Skagits have offered their facilities for the event!)
7. Set February 24, 2004 Agenda
 - Final review of disposition of all PMEs. Recommended next steps for PMEs still unresolved by Working Groups.
8. Evaluate Meeting

NEW ACTION ITEMS

- Steve F. and Gene: Talk with Steve H. to get clarification on schedule for final terms and conditions.
- Kris: Summarize what is covered in each one of the numbers in the \$/MWh cost sheets that PSE distributed. Also, prepare a list of the nine settlement agreements used for comparison with a description of fish passage, instream flows, etc. for each.
- ALL: Confirm person from your organization who would serve on the Policy Team and invite them to the next (Feb. 24) Solution Team Meeting.
- Dee and Lyn: Call Solution Team members not present to confirm who their Policy Team representative will be.
- Kris/Cary: Update PME table to show detail of costs associated with each proposed PME.
- Kris: Email newly proposed FERC project boundaries to all.
- Connie: Find location for Policy Team meetings.
- Connie: Confirm list of Policy Team participants.

SETTLEMENT PROCESS UPDATE /WORK PLAN

Review PME Status (Updated Table)

PSE and Skagit County met February 9 to work on addressing the issue of flood control within the context of meeting everyone's interests. They will be meeting again February 11 (in lieu of the Economic/Operations Working Group) to continue to work toward a resolution. If they can come up with a "straw dog" between now and our next meeting, they will route it around for our review. There remain questions around: how flood control is being defined; how if the economic benefit/cost analysis proves positive, the environmental assessment will be performed; and who would pay for any mitigation costs and lost power generation opportunities.

The BAWG (of the Terrestrial Working Group) met February 5 to look at further refining a PME package so it fits within the scope of what PSE can support. They noted there may be some synergies with an Aquatic habitat restoration PME. They are waiting to see what happens in the Aquatics Working Group, what the entire package looks like, and, possibly, direction from the Policy Team.

Dee distributed an updated table showing current PME status and a summary of issues for unresolved PMEs.

All discretionary funding PMEs have been moved to the Shared Resource category because, though the funding for each resource area will be discrete, the funding mechanism will be the same.

For 3.1.1, Gary noted that he shares Stan's concerns re: numbers, timing and methods. Scott and Doreen encouraged folks to present some viable alternatives/ways to address concerns so we can complete our tasks within the relicensing schedule. We are running out of time!

Cost Estimates

Kris distributed a spreadsheet that showed the history of PSE's cost estimates from October 2003 (draft PDEA) through February 2004. The format was in annualized costs per megawatt-hour (\$/MWh) and based on net present value (NPV) of 2006 dollars (*not* adjusted for inflation). It showed how costs by resource area have changed from the October PDEA to now. The spreadsheet also contained a column outlining the PDEA costs with/PMEs in dispute. For the sake of comparison, a range of numbers from nine other Northwest relicense settlements by resource area was provided.

He then distributed a 2nd spreadsheet with a summary of NPV, nominal dollars (adjusted for inflation) in the same categories as the first sheet. These represent numbers the WUTC will be using to evaluate the prudence of the amount that PSE agrees to in our settlement. The basis of comparison will be against other energy resources. If PSE signed up for what's in the 2/04 PDEA today which contain PMEs not in dispute, their power costs would be \$32.8/MWh. The original "numbers" (based on the draft PDEA, October 2003) that PSE thought it could defend and we asked Ed not to tell us was \$28/MWh. Ed thinks it's possible that PSE's upper management might support \$32/MWh. He added that he couldn't say this with any certainty at this point. Incorporating costs in the Risk Uncertainty category (seismic upgrades, flood control upgrades), this number rises to \$42.5. This is a number PSE cannot/will not support.

Dave offered that Skagit County expects to play a financial role to support additional flood control if a deal is reached. Scott suggested there may be some creative funding sources to support seismic upgrades of the dam (perhaps from Homeland Security).

Decision Making Process

We reviewed the description of the roles and decision-making authorities of the Working Groups, Solution Team and Policy Team, as outlined in Section III, A-D of the Process Document. It describes how the Working Groups consider interests and make recommendations; the Solution Team resolves conflicts using consensus; and the Policy Team resolves issues if the Solution Team does not reach consensus. We agreed to follow these procedures as outlined in the Process Document and acknowledged there is a risk of folks not signing the Settlement Agreement if they feel their interests have not been met. At our next meeting (February 24), we will take stock of where we are with each Working Group. By exception, technical Working Groups will be allowed to continue to fine tune their PME's. Otherwise, unresolved issues will be turned over to the Policy Team. Ideally, we'd like to keep participation in the Policy Team meetings broader than the minimum outlined in the Process Document (state and federal agencies with authorities under the Federal Power Act, Clean Water Act, the three tribal communities, and PSE, with input from all).

Next Steps

Starting immediately, we will distribute draft license articles that have been drafted by the Louis Berger Group and approved by the technical working group members to the Solution Team and Legal Working Group simultaneously. This will prevent the Solution Team from becoming a bottleneck, slowing the process.

We agreed that since there is so little time left that it made the most sense to form a single Policy Team to review the pieces of the entire PME package within the context of the size of the pie as defined by PSE. The Solution Team will review the entire PME package on February 24. Costs associated with each PME will be added to the status table.

Likely participants on the Policy Team include Arn for SFEG, Ruth/Len for TNC, Jack for NPS, Patrick for NCCC, Bob N. for RMEF, Ed/Other? for PSE, Gene for USFWS, Steve F. for NMFS, Gary/Other? for WDFW, County Commissioner/Chal? for Skagit Co., Linda/Other? for USACE, Scott/Doreen, for Upper Skagits, Lorraine/Marty for Swinomish, Jason/Rebecca for Sauk-Suiattle (Stan/Larry), Ray H. for DOE?, John Phipps for USFS?, who for DNR? Others? All were asked to confirm who at least speaks for those with signing authority from their organizations, if not those who actually have signing authority. We will confirm the list at our next meeting.

Future Policy Team Meeting dates were set as follows: Monday, March 15, Tuesday March 23, Monday March 29. We don't see a need for attorneys to attend these meetings.

The Legal Working Group will meet March 11; March 31, April 7 and 27 (on the 27th they will meet with the Solution Team).

OTHER?

FERC Project Boundary

Kris shared revised changes that reflect proposed boundary changes. The red line shows the proposed boundary and the green line shows the existing boundary. Kris will send out copies to all Solution Team Members.

REPORT ON OLD ACTION ITEMS

- All considered adoption of proposed norm (see end of notes).
- Steve F. and Gene talked with Steve H. to get clarification on schedule for final terms and conditions.

TIME AND LOCATION FOR CELEBRATION!

We decided to discuss this at our meeting on Feb. 24. The Upper Skagit Tribe has offered their facilities for this function.

MEETING EVALUATION

Things That Went Well

- The pie had an excellent crust!
- Cary's analogies
- Process discussion (great participation)
- We're still talking, working hard, and enjoying each other!
- We'll have the cost detail and be able to identify the pie gaps at our next meeting.

Things That Needs To Be Changed

- No morning break – we need one!
- No penalty for violating the analogy norm!

HANDOUTS

- PME status as of February 10, 2004
- Baker Relicense Costs (\$/MWh) – pages 1 and 2
- Communications Protocol/Process Document (pages 2, 3, and 4 of Process Document)

TENTATIVE AGENDA

February 24, 2004 at USFS Office Building in Mountlake Terrace

9:00 a.m.–3:00 p.m.

1. Introductions: Welcome to Policy Team Members!
2. Settlement Process Update/Work Plan
 - **Review disposition of all PMEs, including Cost Estimates**
 - **Confirm Policy Team participants**
 - **Recommend next steps for PMEs still unresolved by Working Groups**
3. Schedules/Timeline/Document Updates
4. Action Items
5. Other?
6. Set up teamlet for celebration! (Note: The Upper Skagits have offered their facilities for the event!)
7. Set March 2, 2004 Agenda
8. Evaluate Meeting