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## BAKER RIVER PROJECT RELICENSE

### Economics/Operations Working Group

January 10, 2001

1:30 p.m. – 4:30 p.m.

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), Jim Sinclair (Hydro Consultant), Tom Spicher (Hydro Consultant), Charles Morton (PSE, North Generation), Bob Helton (Private Citizen), Larry Campbell (Swinomish Tribe), Chris Hansen-Murray (U.S. Forest Service), Lyn Wiltse, facilitator (PDSA Consulting)

#### NEW ACTION ITEMS

- Kevin: Get Concrete's Waste Water Comprehensive Plan
- Kevin: Integrate hydrology group interests and issues with those of this group
- Kevin: Get hard copies of Bob Barne's presentation to Bob Helton
- Kevin: Look at PSE budget for economic analysis
- Charles: Bring hard copies (not updated) of Emergency Action Plan to discuss at next meeting
- Chris: Talk with Jon Vanderheyden re: non-market stuff

#### REPORT ON OLD ACTION ITEMS

Kevin: Check with Ed Schild regarding sharing information on present costs and value of operations.

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

Bob: Email copies of presentation overheads along with his speaking notes to working group members

Charles: To give significant outage dates to Bob.

ALL: Review interests and issues, making sure that your group is included.

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Kevin: Check with Jon VanderHayden re: Wild & Scenic River 101 presentation  
Kevin: Will contact County (Jackie) for presentation on Flood Plain Values

**January 10, 2001 at PSE Office in Mt. Vernon, WA**

1. Review/revise minutes and agenda
2. Action items
3. Presentations

Tribal presentations on cultural and spiritual significance of resources by Larry Campbell

4. List of discussion items (finish issues/interests)
5. Set agenda for February 14<sup>th</sup> meeting
6. Evaluate meeting

**PRESENTATION**

Larry (Swinomish Tribe): Larry discussed the history and culture of the Swinomish Tribal Community. Highlights of his talk are as follows:

- History is very important to the Swinomish Tribe.
- They have spiritual rules regarding culture, environment, finance, and religion. All of these rules are seen as one and the same.
- Their ceremonies are designed to help them remember who they are and who their family is. This is reflected in the individual names they have and the legacy that goes along with those names.
- Salmon is king. As important as the cedar tree. Cedar is used in making baskets, canoes, spiritual tools, clothing and longhouses.
- The tribal custom is not to forget elders, whether they are living or dead. They remember the people who lived and died in the Baker area. If burial sites are disturbed, it would send an upsetting ripple throughout the community.
- There is also an emphasis on family relationships. They are always reaffirming relationship to one another. They want to be able to take care of their ancestors.
- They are still learning how to talk about their culture and values with non-native people.
- They realize that as we go through the relicensing process, we all get to know each other better. They are learning how to work with the scientific community. They are finding out how working with archeologists and anthropologists can be mutually beneficial. The scientists can be good liaisons between tribes and communities.
- They realize that they can no longer sustain their culture through fishing alone. Economic development is now seen as the way to sustain their culture over the long term.
- Larry felt that he wasn't sufficiently spiritually advanced to address the question of how small, private hydro projects might impact spiritual/cultural resources.

Kevin distributed the list that he put together of potential projects for this working group. The team discussed the list and admitted that while they concentrate on the operations end of things, an outside consultant would need to be hired to handle the economic analysis set forth by this group.

Kevin's list: [I've taken the liberty to remove the benefits section so we can move beyond side debates about benefits and costs of hydro projects, in general, and get to the specific issues before us.]

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## **OPERATIONS**

- Emergency Action Plan (Review existing and discuss)
- Flood Control Operations

## **ECONOMICS**

- Reservoir Fluctuation and Spill Analysis (To address requests for constraining reservoir operation)
- Instream Flow and Ramping (Operational & economic effects, current constraints)
- Additional Generating Unit (Is it economic? If so, under what conditions? Benefits/drawbacks)
- Ramification of deregulation and price volatility
- Mitigation Costs

Bob Helton shared the list of eight economic questions he developed:

### **Bob Helton's Questions for Economic Model (Analog or otherwise)**

1. What is the ideal conversion rate of available rain and snow pack into electrical power under:
  - Normal regulated/semi-regulated power rates?
  - Out of state surplus power sales to a power hungry California?
2. What is the expected economic effect of reservoir drawdown for flood control under:
  - Current expiring contract conditions with Army Corp of Engineers
  - Under future expected conditions and potential lack of “high priced” sales opportunity to California and others.
3. How far will PSE have to go to meet streamflow requirements for “salmon nests” in the middle Skagit and how will this affect optimum/ideal conversion rate of available precipitation to electrical power over a yearly period?
4. What are the low-end precipitation rates that would make the Baker Project untenable due to low hydraulic head, keeping in mind the possibility of reservoir rationing to maintain licensing streamflow requirements?
5. What are the limits of reservoir lowering and keeping the public use boat ramps/areas usable for public recreation purpose?
6. How valuable is the Baker River Project in terms of the PSE blended power-cost rate for:
  - Current and future commercial/business rates?
  - Residential power rates?
7. What are the true economic advantages of the Baker Project to PSE in terms of:
  - Reductions in the blended power rate i.e., without and with Baker power?
  - Minimization of rolling blackouts?
  - Sales to other states under power surplus conditions?
8. What are the proprietary constraints, if any, in answering in a detailed manner, any of the above questions?

Chris Hanson-Murray suggested that, given limited time and research money, we might want to consider what information we need in terms of various alternatives we wish to examine. A question was raised regarding FERC's response to recent economic events and regulations.

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## ISSUES AND INTERESTS

### Issues:

- Downstream passage
- Stability/safety of West Pass dike
- 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

### PARKING LOT

Forest Service Watershed Analysis

- Consider who will be the number cruncher for this team:  
PSE? Other?
- GANNT chart with due dates, etc.
- Presentations:
  - Wild and scenic river 101
  - Flood Plain Values 101

### EVALUATION OF THE MEETING:

#### Well-Dones:

- Larry's presentation was outstanding
- Bob's economic questions
- Appreciate engineering expertise in Tom and Jim
- Good facilitation

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- Good juice

**Need to Improve:**

- Ended late

**TENTATIVE AGENDA FOR NEXT MEETING**

**February 14, 2001 at PSE Office in Mt. Vernon, WA**

**1:30 to 4:30**

1. Review/revise minutes and agenda
2. Action items
3. Possible Presentations:
  - Wild and Scenic Rivers 101 (FS)
  - Flood Plain Values (County)
4. Review draft of Emergency Action Plan (Charles)
5. Review combined lists of issues and interests (Hydro Group with this group)
6. Finalize issues/interest list
7. Review action plan for this group
8. Set agenda for March 14<sup>th</sup> meeting
9. Evaluate meeting