



BAKER RIVER PROJECT RELICENSE

Solution Team

October 28, 2003

9:00 a.m. – 3:00 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

Introductions: We welcomed Lorna Ellestad, representing Dave Brookings, and Chuck Steele and Bob Wright, who will be representing DOE on Rod Sakrison's behalf in this process as he recovers from his illness.

If you'd like to send a card to Rod, please send it to his home address:

3333 59th Ave. SW
Seattle WA 98116

Members Present: Keith Brooks and Steve Hocking (FERC) by phone, Stan Walsh (Sauk-Suiattle Indian Tribe/Swinomish Tribal Community), Gene Stagner (USFWS), Gary Sprague (WDFW), Bob Nelson (Rocky Mountain Elk Foundation), Jerry Louthain (City of Anacortes and Skagit County PUD), Bob Helton (Citizen), Len Barson (The Nature Conservancy), Patrick Goldsworthy (Northern Cascades Conservation Council), Bill Reinhard (Wildcat Steelhead Club), Jon Vanderheyden (USFS), Ed Schild, Paul Wetherbee, Cary Feldmann, Kris Olin, Connie Freeland, and George Pohndorf (PSE), Arn Thoreen (Skagit Fisheries Enhancement Group), Lorna Ellestad (Skagit County Public Works), Chuck Steele and Bob Wright (DOE), Marian Valentine (USACE), Dee Endelman (Agreement Dynamics), Lyn Wiltse, Facilitator and Mary Jean Bullock, Note-Taker (PDSA Consulting, Inc.)

2003 Solution Team Meeting Schedule

(These will be at USFS Building in Mountlake Terrace.)
November 25 and December 16

2004 Solution Team Meeting Schedule

(These will be at USFS Building in Mountlake Terrace, except for March 23rd.)
January 6 and 27; February 10 and 24; March 2 and 23; April 6 and 27

AGENDA

October 28, 2003 at USFS Office Building in Mountlake Terrace

9:00 a.m.–3:00 p.m.

1. Introductions: George Pohndorf on WUTC Prudence Process
2. Settlement Process Update
 - Report form Oct. 20 Attorney Meeting
 - RESOLVE Sessions
 - Shared Resources Teamlets
 - Next Steps: Create Work Plan to address unresolved issues
3. Schedules/Timeline/Document Update
4. Preparation for FERC Call/ FERC Call
5. Action Items
6. Working Groups:
 - What's Hot?
 - Status of Studies in Working Groups
 - Update on HYDROPS Runs
7. Other?
8. Review Parking Lot
9. Set November 18 and/or November 25, 2003 Agenda(s) as per work plan
10. Evaluate Meeting

NEW ACTION ITEMS

- George: Send Connie Charlie Black's Least Cost Plan narrative (for distribution to Solution Team).
- Connie: Send out 10/20 draft notes from Legal Working Group along with distribution list.
- Connie: Ask Jessie to call Jason Joseph re: Ron Kent joining the Cultural Working Group.
- Steve H: Touch base with Frank Winchell re: Ron's participation on the Cultural Working Group (concurring or primary signatory?).

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- Ed: Give Gene Galloway a raise for his exemplary performance during recent flood event.
 - Dee: Discuss “new” settlement process with team leaders. Ask also that they begin to prepare updates of Technical Working Groups’ progress for Solution Team meetings.
 - Connie: Attach Paul’s presentation (minus photos) to draft minutes.
 - Connie: Attach Paul’s presentation (with photos) if posted to website along with hyperlink.
 - Cary: See that Instream Flows Technical Working Group lists potential areas of concern for Solution Team.
 - Connie and Dee: Provide statement of intent (non-legalese) for each section of the Settlement Agreement.
 - Connie: Make sure notes from the Fish Passage Expert Workshop went to Solution Team members (will be posted on the website).

GEORGE POHNDORF’S PRESENTATION OF WUTC PROCESS

George Pohndorf, Director of Regulatory Affairs at PSE, explained how PSE must demonstrate prudence in its energy cost and associated risks to the Washington Utilities and Transportation Commission (WUTC) in order to increase rates. PSE is in the cost recovery process. Basically, approved costs are passed through to the rate payers.

Elements of the WUTC Prudence Standard:

1. Demonstrate need for resources
2. Collect information re: alternatives (for new and existing generation)
3. Articulate a well-defined evaluation process so consider everything equally
4. Demonstrate selection process where criteria/analyses are applied. This must be a replicable process.
5. Re-evaluate the process

Ed explained that PSE uses the following formula to establish rates (this also includes taxes which are not listed here):

$$\begin{array}{ccccccc}
 \text{Revenue} & = & \text{O \& M} & + & \text{Power Cost} & + & \text{Rate Base} & \times & \text{Rate of Return} \\
 \text{(Rates)} & & \text{Operations} & & \text{Contracts} & & \text{Utility Plant} & & \\
 & & \text{Maintenance} & & \text{Trades} & & \text{Generation} & & \\
 & & & & \text{Fuel} & & \text{Transmission} & & \\
 & & & & & & \text{Distribution} & &
 \end{array}$$

SETTLEMENT PROCESS UPDATE

Report from October 20 Attorney Meeting

The attorney group meeting met on October 20. The meeting was well attended. They set up another meeting on November 10 to gain conceptual agreement on the draft boilerplate Settlement Agreement Language drafted by PSE attorney Lorna Luebke. We are expecting 100% attendance at that meeting. During that meeting they will also establish the protocol for reviewing draft license articles.

RESOLVE Sessions

Cultural:

- Addressing PMEs through the Historical Properties Management Plan.

Terrestrial:

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- Making good progress on habitat acreage issue. Will meet again on November 5.

Recreation:

- Outstanding issue is who pays (cost sharing between PSE and USFS). Ed and Jon will be meeting this week to discuss this issue.
- Have tentative agreement on a number of things. Ardis has volunteered to rewrite the PME's to validate conceptual agreements before sending them to the Louis Berger Group to translate into license article language.

Aquatics:

- Big outstanding issue is flows. The Instream Flows Technical Working Group is continuing to meet, as is the Technical Scenario Teamlet.
- New PME proposed for maximizing sockeye production. Stan is working on clarifying scope and staging of this PME.
- There are three outstanding PME's related to water quality. Will be meeting on November 14 to resolve these.

Shared resource issues are being addressed through various resource area Working Groups. We added Land Acquisition to the list, as both Terrestrial and Aquatics Working Groups are discussing this.

Process for Converting PME's to License Articles:

1. Working Groups come to tentative agreement on PME.
2. Working Groups send these PME's to the Louis Berger Group to be translated into license articles.
3. Berger sends license articles back to the Working Group members (and copies Steve and Keith) to ensure the technical intent is preserved.
4. Working Groups also receive preliminary feedback from FERC.
5. When Working Groups agree that license articles are "good to go," they will send them to the Solution Team.
6. Solution Team reviews license articles and sends those they approve of in concept to Legal Working Group. License articles that need work will be sent back to the Working Groups.

SCHEDULES/TIMELINE

Kris distributed an updated schedule along with list of milestone dates. The schedule shows that FERC is now allowing an additional two months after FERC's Notice of Acceptance of PDEA and license application (six months past the end of April) for the Water Quality Certification to be submitted. If we take advantage of this, we could still get the new license before the existing license expires. This will be discussed at the Water Quality teamlet meeting in November.

Some agency representatives announced they will be focusing on writing comments on the draft License Application and draft PDEA and preparing preliminary terms and conditions, all due January 2, 2004. Thus they may not be available to participate in other licensing activities during the next two months. In response to this, the Solution Team drafted the following process:

Meeting Priority/Planning between now and the first of the year:

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- No more Working Group meetings unless agenda is previously approved (through email) at least a full day ahead of time by Working Group members who agree it still makes sense to meet without agency participation.
 - Technical Working Groups/Teamlets continue to meet (Instream Flows, Fish Passage, Adaptive Management, Alluvial Fan, TST, Attorney Meetings, Flood Control, Water Quality).
 - Terrestrial, Recreation, Economics/Operations and Cultural “Regular” (technical) and RESOLVE meetings will continue as scheduled (subject to initial bullet above).
 - The Louis Berger Group starts drafting license articles where there is “tentative agreement” reached by Working Group members.
 - There will be an email technical review of draft license articles by FERC and (technical) Working Group members. Team leaders will continue to act as the clearing house for PMEs.
 - “Regular” Solution Team meetings will continue as scheduled.
 - New PMEs introduced will be discussed by email (e.g., Stan’s)
 - Solution Team members will draft a settlement strategy for January and beyond at November 25 meeting.

REPORT ON OLD ACTION ITEMS

- Connie: Emailed out release form to participants.
- Paul: Verified Washington Group was using new hydrography and old datum for flood control study and let PIE know.
- Kris: Updated agency authorities in the critical path document and sent to Gary to review.
- Connie: Got new USACE contact information.
- Dee: Asked Steve J. if DNR would be having their own attorney review our settlement agreement.
- Kris: Emailed revised schedule (after approval by Gary) to Steve, Nan, and Keith (FERC).
- ALL: Contacted Paul at 425-462-3746, paul.wetherbee@pse.com re: any HYDROPS runs you were interested in.

WHAT’S HOT IN THE WORKING GROUPS?

Aquatics

- Hourly habitat models

Economics/Operations

- Flood control
- PDEA review (content)

Cultural

- Historical Property Management Plan (HPMP)!
- We still like each other!
- GIS products from Joetta (R2)

Terrestrial

- All feel time crunch re: PMEs

Recreation

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- Size of PME package
 - PME timing
 - Reservoir rule curve
 - Lots of multi-tasking!

STUDIES UPDATE FOR SOLUTION TEAM

Aquatics

- Studies are underway.
- Just starting to get the use of hourly habitat models. We don't yet have the daily habitat models. This limits the information available to assist in instream flow discussions.

Economics/Operations

- Flood control economic feasibility study is well underway and will be complete in November.
- Preliminary results are being reviewed.
- Low Flow Augmentation Study is still on hold.
- Discussion on R-02 is still currently deferred (Evaluation of Optimal Flood Control Storage in Upper Baker Reservoir).

Cultural

- All study drafts are complete
- Some movement on Traditional Cultural Properties (TCP) studies

Terrestrial

- All reports will be done by end of November.
- Rare plant survey deferred (will survey areas where we do improvements).

Recreation

- Aesthetics Study will be out by the end of November.
- Capacity/Suitability – Re-working data and should be out in early December (need this information for PDEA and rationale for PMEs).
- Needs Analysis – Integrating comments into final draft report – awaiting data on proposed reservoir operations and aesthetics study information.
- Dispersed site inventory Recreation Visitor Surveys are nearly complete. Look for them before the holidays.

TST REPORT - UPDATE ON HYDROPS RUNS

Paul gave us a brief PowerPoint presentation of project operations during the recent flood event. His presentation will be posted to the website.

He also distributed a TST update outlining the HYDROPS runs to date.

CORPS REQUEST TO JOIN THE CULTURAL WORKING GROUP

Marian explained why the Corps has requested to join the Cultural Working Group. The Corps needs to complete its Section 106 responsibility for the existing flood control agreement. They felt it would be best to coordinate that 106 compliance with the relicensing process instead of doing two separate processes. There will not be a confidentiality issue with the Corps joining the group. This request was discussed within the Cultural Working Group, and Ron Kent of the Corps was approved to join. The Solution Team concurred with this decision. Ron is already familiar with our process because he attended the last Cross Resource Workshop and one meeting of the Cultural Working Group.

Steve H. will check with Frank Winchell at FERC to see if the Corps would be a signatory or a concurring party on the programmatic agreement for cultural resources.

PARKING LOT

- Adaptive management:
 - How can we take into account future technology, knowledge, conditions, resources, weather (global warming), etc.?
 - How can we balance licensee exposure?
- Summary Record of Decisions
- Recommend length of new license
- WUTC presentation??

HANDOUTS

- Technical Scenario Teamlet (TST) Activities Summary, October 28, 2003
- Baker Relicense Project – Milestone Dates and Flow Chart Schedule (10/27/03)
- PME Status as of Oct. 27, 2003
- Status of Overall PMEs – 10/27/03

TENTATIVE AGENDA

November 25, 2003 at USFS Office Building in Mountlake Terrace

9:00 a.m.–3:00 p.m.

1. Introductions
2. Settlement Process Update
 - Report from November 10 Attorney Meeting
 - RESOLVE Sessions
 - Shared Resources Teamlets
 - Next Steps: Create 2004 Settlement Work Plan
3. Schedules/Timeline/Document Update
4. FERC Call: 11:00
5. Action Items
6. Working Group and Technical Working Groups:
 - What's Hot?
 - Status of Studies in Working Groups
 - Update on Technical Working Groups (TST, Fish Passage, etc.)
7. Other?
8. Set December 16, 2003 Agenda

9. Evaluate Meeting

MEETING EVALUATION

Done Well

- Got out early
- Welcome Chuck and Bob!
- Good wishes we are sending Rod
- Preliminary PME cost estimate (per PDEA plus PMEs as of August)
- Paul's and Marian's recap of recent flood event
- George's presentation on WUTC prudency test
- Good lunches

Do Differently Next Time

- Schedule was crammed too full during the first half of day
- Stan's attention span
- Agency "situation" as described in Gary's email (limited ability to attend meetings between now and the end of the year)