
BAKER RIVER PROJECT RELICENSE

Solution Team

February 24, 2004
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

2004 Solution Team Meeting Dates (**NOTE: THE MAR. 2 MEETING HAS BEEN CANCELLED.**) 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

March 15, Embassy Suites, Lynnwood
March 23, Embassy Suites, Lynnwood
March 29, Embassy Suites, Lynnwood
Possibly April 6 (location?)

Members Present: Keith Brooks and Steve Hocking, by phone (FERC), Scott Schuyler and Doreen Maloney (Upper Skagit Indian Tribe), Stan Walsh (Skagit River System Cooperative), Jon Vanderheyden and Rod Mace (USFS), Bob Nelson (Rocky Mountain Elk Foundation), Bob Helton (interested citizen), Patrick Goldsworthy (North Cascades Conservation Council), Ruth Mathews (The Nature Conservancy), Ed Schild, Connie Freeland, Cary Feldmann, and Kris Olin, (PSE), Jerry Louthain (Anacortes, Concrete & Skagit Co. PUD), Gary Sprague (WDFW), Steve Fransen (NOAA), Arn Thoreen (Skagit Fisheries Enhancement Group), Dave Brookings and Mike Stansbury (Skagit County Public Works), Steve Jennison (DNR), Jim Eychaner (Interagency Committee for Outdoor Recreation), Bob Wright and Chuck Steele, (DOE), Marian Valentine and Linda Smith (USACE), Dee Endelman (Agreement Dynamics), Lyn Wiltse, Facilitator and Mary Jean Bullock, Note-Taker (PDSA Consulting, Inc.).

Announcement: At the April 9, 2003, Economic/Operations Meeting there was a presentation on Dependable Capacity. This is on the web site for those who wish a review of this subject.

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 PME's, including Cost Estimates
 - Confirm Policy Team participants
 - Recommend next steps for PME's 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 15, 2004 Policy Team Meeting Agenda
8. Evaluate Meeting

NEW ACTION ITEMS

- Scott: Review interest statements of SSC and amend as necessary to reflect interests of the Upper Skagit Tribe and send to Connie.
- All: Review Interest Statements from your Organizations (3/27/02). Update them as necessary. Send revised interest statements to Connie.
- Lyn and Dee: Draft Policy Team Meeting Norms and send around for Solution Team member comments prior to March 15 Policy Team Meeting.
- Lyn and Dee: Send out draft agenda, draft norms, approach, and expected outcomes for Policy Team Meetings to Policy Team Members prior to March 15 meeting.
- Lyn, Dee, and Connie: Put together packet of handouts from this meeting and others as appropriate to Policy Team members in preparation for March 15 meeting.
- All Policy Team Members: Come to March 15 meeting having read prep material (see above).
- All: Brief your Policy Team members prior to March 15 meeting.
- Connie: Make sure HYDROPS runs and other appropriate documents reflect "SRSC" instead of "SSC."

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- Steve F. and Gene: Check with Steve H. of FERC re: timeframe for draft and final terms and conditions. Delay notice by 60 days?
 - Kris: Get length (30 – 50 years) of licenses of comparison projects on cost sheets provided by him.
 - Kris: Get background on Aquatics costs as shown in columns 10/03 and 02/04 on cost sheet.
 - Connie: Send out email with supporting cost data for each Resource Group.
 - Connie: Create “Master list” of remaining relicensing meeting dates and send out.
 - Connie: Email policy people list to all members.
 - ALL: Come to Policy Team Meeting with your BATNA in mind (Best Alternative to a Negotiated Agreement).

SETTLEMENT PROCESS UPDATE /WORK PLAN

PME Status

Dee distributed the updated PME Status Table. She outlined the Major Outstanding Issues:

- Instream Flows (Add 1, 2 or 3 turbines? Looking at options for flows within each scenario)
- Aquatic/Riparian Habitat (Terrestrial at \$7 Million & Aquatics at \$20 Million)
- Flood Control (PSE and Skagit County are meeting regularly to define a PME to address this issue. They will keep us informed of their progress.)

The Solution Team needs to keep the full package in mind as we work to resolve these issues. Discussion included a placeholder/re-opener in the license for additional flood control and what that might mean to other pieces of the settlement. Concern was also expressed about the lack of related technical information within the relicense timeline.

PME Cost Sheets

Kris reviewed the economics cost sheets with reference materials put together as a result of the action item received at the last meeting. Participants expressed appreciation for this.

Review Disposition of All PMEs. Including Cost Estimates

Dee reviewed PME descriptions and costs submitted to the Louis Berger Group for inclusion in the PDEA. The PMEs were organized by resource area and costs totaled accordingly.

POTENTIAL AREAS FOR DISCUSSION

We asked if there were issues that could be resolved at the Solution Team level, without elevating them to the Policy Team or sending them back to Working Groups.

The major unresolved PMEs are:

- 1.1.1, 1.3.2., 1.3.4/3.4.4 (habitat)
- Recreation (costs)
- Instream Flow (Effect on dependable capacity is a large cost item. See “Announcement” on page 2 of notes for background.)
- 3.1.1 Fish propagation
- Flood Control
- Others

CONSIDERATIONS FOR THE POLICY TEAM

1. Need people with authority to agree.
2. People with a multitude of hats.
3. Commitment to consistency (same people at meetings).
4. Solution Team members to brief policy people in advance.
5. Allow time for “sidebar” caucuses. (We decided to use the first meeting to serve this purpose.)
6. Don’t negate what one policy person says.
7. Policy people need to know pros and cons of various options.
8. Understand “differences in interests” and commit to seeing that all interests are met.
9. Present big picture – focus on dilemma.
10. Time for non-license stakeholders to meet.
11. Define what we’re going to do on flood control (placeholder vs. action).
12. Strategy – Work to address the two major issues first (flood and flows) as these as the big ticket items and possible show stoppers.

SUGGESTIONS FOR MOVING FORWARD

Have the Policy team focus on “deal breaker” issues:

Instream Flows
Flood Control

Do Policy Team meetings include attorneys? Yes, to the extent they constitute the technical support. Policy people would sit at table with support folks behind them. We would have facilitators for these meetings and document key decisions (on flip chart) for the record.

We agreed that the initial Policy Team meeting would be *WITHOUT* PSE. This will give other participants in the process the chance to caucus to come up with a unified option for solution in reaching settlement. The meeting will be facilitated.

Draft Initial Policy Team Agenda

March 15: 9:00 am. – 3:00 p.m. at Embassy Suites in Lynnwood

NOTE: THIS INITIAL MEETING WILL SERVE AS A CAUCUS FOR PARTICIPANTS OTHER THAN THE LICENSEE. PSE WILL NOT ATTEND.

- 9:00 – 10:00 Welcome, Introductions, Review/Edit Draft of Meeting Norms, RESOLVE Overview
10:00 – 12:00 Walk through entire package of PMEs
Ask clarifying questions
Note interests, nexus to project, etc. in response to specific questions (FERC will ultimately require rationale)
12:00 – 12:20 L U N C H
12:20 – 2:45 Identify where we’re far apart
Prioritize issues in terms of urgency to RESOLVE
Resolve issues we can resolve
Create a path to RESOLVE other issues
2:45 – 3:00 Set March 23 Policy Team Meeting Agenda (confirm location) and evaluate meeting

Note: All should come with their BATNA (Best Alternative to a Negotiated Agreement) in mind.

REPORT ON OLD ACTION ITEMS

- Kris: Summarized what is covered in each of the numbers in the \$/MWh cost sheets that PSE distributed. Also, he prepared a list of the nine settlement agreements used for comparison with a description of fish passage, instream flows, etc. for each.
- ALL: Confirmed person from their organization who would serve on the Policy Team and invited them to this meeting as well at the Policy Team meetings.
- Dee and Lyn: Called Solution Team members not present to confirm who their Policy Team representative will be.
- Kris/Cary: Updated PME table to show detail of costs associated with each proposed PME.
- Kris: Emailed newly proposed FERC project boundaries to all.
- Connie: Found location for Policy Team meetings.
- Connie: Confirmed list of Policy Team participants.

TIME AND LOCATION FOR CELEBRATION!

We did not discuss this at our meeting. The Upper Skagit Tribe has offered their facilities for this function.

MEETING EVALUATION

- (Deferred since we ran late)

HANDOUTS

- Solution Team Minutes, February 10, 2004
- Explanation of Baker Relicense Cost Information presented to the Solution Team on 2/10/04
- Baker Relicense Costs (\$/MWh)
- PME Status as of February 24, 2004
- PME Package for PDEA (Appendix B of PDEA)
- PME Cost Summary (2006\$): Details for Resource Areas -- Terrestrial, Recreation, Aquatics, Cultural, Economics, Shared Resources
- Kris Olin's formula for translating total current cost estimates into \$/MWh (using Terrestrial PMEs as an example). Engineering Economics, pages 592-593, Appendix B:
 - 6% Interest Factors for Discrete Compounding Factors
 - 7% Interest Factors for Discrete Compounding Periods

TENTATIVE AGENDA FOR NEXT SOLUTION TEAM MEETING

April 6, 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 disposition of all PMEs, including Cost Estimates
 - Review Policy Team Decisions
3. Schedules/Timeline/Document Updates
4. Action Items

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5. Other?
 6. Set up teamlet for celebration! (Note: The Upper Skagits have offered their facilities for the event!)
 7. Set April 27, 2004 Agenda
 8. Evaluate Meeting