BAKER RIVER PROJECT RELICENSE

Aquatic Resources Working Group
Technical Sub-committee on Instream Flows

March 5, 2004
10:00 a.m. - noon
Conference Call

(Call in number 1-866-280-6429, participant number 144995#)

Final Meeting Notes

Meeting Purpose: Develop a process to resolve flow-related issues for Baker River Project relicensing

Fish Team Leader: Arnie Aspelund, 425-462-3442, aaspel@puget.com

PARTICIPATING: Arnie Aspelund, Cary Feldmann and Paul Wetherbee (PSE), Gene Stagner (USFWS), Phil Hilgert (R2), Mike Stansbury and Lorna Ellestad (Skagit County), Gary Sprague (WDFW), Ruth Mathews (TNC), Stan Walsh (Skagit River System Cooperative), Margaret Beilharz and Dean Grover (USFS), Steve Fransen (NOAA), and Chuck Ebel (USACE).

Next meeting(s):

- ***Instream Flow/ ARWG Meeting: March 11th at PSE-Bellevue, Summit Ridge conference room, Conf. Line # 1-866-280-6429. Participant Code 144995#.***

Handouts

- Table of Scenario costs arrayed by incremental delay in implementation [*Flow comp options1.doc*]
- Draft PME 3.5.1 addressing settlement conditions relative to flood control and instream flow, and rationale for acceptance [*Proposed flow matrix1.doc*]

Summary of Conference Call

Cary described the handouts and explained that scenarios resulting in less hydropower revenue than available under PSE's offer (PSE.02-R3) may be available if implementation is delayed. This alternative assumes that delayed implementation results in cost savings during the interim period. The 5-year, 10-

year, and 15-year delayed implementation does not include the estimated 4-year construction period associated with installing or modifying turbines at the Lower Baker Development.

One of the critical issues affecting hydropower revenue at the Baker Project is the available dependable generation capacity during periods of peak power demand and low power supply. These critical dependable capacity periods typically occur September through April, Monday through Saturday, during 1 in 7 dry years. If PSE cannot maintain the dependable capacity available under existing conditions, they will have to purchase additional power during those periods, or develop other power generation options to make up the shortfall. Providing power during those critical periods drives up the cost of instream flow measures which affects the economic viability of various scenarios.

Steve suggested that rather than looking at reductions in generation from existing conditions, under relicensing PSE should consider they have no generation and any generation available through continued operations should be considered a benefit. Cary responded that the only way for PSE to provide the PME measures currently being discussed in the working groups is to have a positive revenue stream. Providing power during critical dependable capacity periods is a real cost to PSE that affects their revenue income. Stan reiterated that PSE should consider dependable capacity when developing the utility's mix of hydro and non-hydro power generation sources.

Cary asked if the conditions specific to dry year periods could be incorporated into various scenarios as a means to offset the revenue impact of instream flow measures. Margaret responded that developing measures specific to dry, average or wet year conditions had been a standing action item for several months.

Cary then discussed the draft PME text [*Proposed flow matrix1.doc*] that describes a proposed license re-opener in year X to address flood control. The delay would allow Skagit County several years to conduct environmental and engineering studies associated with flood control and to work with all parties to evaluate increased flood control opportunities at the Baker Project. Stan responded that the SRSC would oppose a license reopener specifically for flood control; they believe that a regulatory process already exists that allows a license to be reopened. SRSC also opposes implementing the Interim Protection Plan as an operating regime after License issuance. Steve noted that NOAA is writing the Biological Opinion to only address operating conditions until License issuance.

In response to questions about ongoing HYDROPS runs, Cary noted that PSE contractors had finished their cost evaluation of a 2,250 cfs turbine fed by three penstocks. The contractor estimated the turbine would cost about $38 million, which was comparable to the original rough estimate of $36 million. Gary asked how much it would cost to change-out the existing 4,100 cfs turbine runner to provide a wider operating range? Cary responded that the current estimate is $4-5 million to replace the turbine runner to allow generation over a range of 800 to 4,000 cfs for the purposes of ramping through, steady state operations would still be restricted to approximately 2,700-4,000 cfs, depending on head. Gary then suggested one alternative might be to implement changes according to the following sequence:

1) Adhere to IPP guidelines while the runner is changed out,

2) Generate under a different instream flow regime using the new runner while an additional 750 cfs turbine is constructed, and
3) After the new turbine is constructed, operate under a revised regime that allows PSE to generate under less restrictive measures during critical dependable capacity periods.

Margaret requested more information on what conditions affect dependable capacity. She suggested that if all parties knew more about what drives dependable capacity, as a group we might be better able to develop solutions. She re-iterated her support to consider operating regimes that change in response to wet/average/dry conditions.

Next Steps

- PSE will examine options to reduce the effect of dependable capacity as a controlling factor in PSE's evaluation of scenario feasibility.
- Time will be devoted to continuing the instream flow discussions during the March 11th ARWG meeting to be held at PSE-Bellevue, Summit Ridge conference room.