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## BAKER RIVER PROJECT RELICENSE

### Economics/Operations Working Group

October 8, 2003

9:00 AM – 11:00 PM

PSE Office

Mt. Vernon, WA

## FINAL MEETING NOTES

### The Economics Working Group Mission Statement:

*“To ensure that alternative project proposals, operations and emergency plans for the Baker River Project and its components provide for: (1) Public health and safety; and (2) Thorough analysis and evaluation of the economic costs and benefits (including non-market and economic impacts.)”*

**Team Leader:** Lloyd Pernela (PSE), 425-462-3507; [lloyd.pernela@pse.com](mailto:lloyd.pernela@pse.com)

*Note: Please let the team leader know if you are unable to attend a meeting. If something comes up at the last minute, please call Lyn prior to the meeting. Lyn's cell phone is 425-890-3613.*

### PRESENT

Lloyd Pernela, Gene Galloway, Anna Miles, and Paul Wetherbee (PSE), Bob Helton (interested citizen), Jerry Louthain (EES for City of Anacortes, Skagit County PUD, and Town of Concrete), Keith Brooks by phone (FERC), Dave Brookings and Lorna Ellestad (Skagit County Public Works), Charles Howard (consultant), Jay Smith (Tetra Tech), Stan Walsh (Swinomish Tribal Community and Sauk Suiattle Indian Tribe), Mark Killgore (Louis Berger Group), Chuck Steele (Department of Ecology), Ken Brettmann and Beth Coffey (USACE), Mary Jean Bullock, note-taker, and Lyn Wiltse, facilitator (PDSA Consulting Inc.)

### DATES OF FUTURE MEETINGS

November 12, December 10, 2003 at PSE Office, 1700 East College Way, Mt. Vernon. A different meeting location is being investigated.

### AGENDA

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**October 8, 2003 at PSE Office, Mt. Vernon, WA**  
**9:00 to 11:00 a.m.**

9:00 - 9:05     Introductions  
9:05 – 9:10     Review/revise minutes and agenda  
9:10 – 9:15     Review Action Items

- *Draft Preliminary Development Environment Assessment (PDEA)*, Chapter Six, “Development Analysis” –Mark Killgore
- PSE Baker Daily Operations Review: Anna Miles (PSE, Electric Buyer), Gene Galloway (PSE, manager real time operations)
- PSE Operations during flood event: Ken Brettmann (Corps)
- PSE Operations review 1990 and 1995 flood events: Gene Galloway
- HYDROPS/TST Teamlet Update
- Review Study Requests:
  - R-01 Low flow augmentation
  - R-02 Baker flood control (referred to Flood Control Teamlet)
  - R-03 Examination of spawning and incubation flows in Skagit River (referred to TST)

#### **NEW ACTION ITEMS**

- ALL: Review mission of this group as described in these notes and be ready to discuss at next meeting. Then draft Econ/Ops schedule for completion of critical path.
- ALL: Review Mark’s presentation and send any questions to Lloyd so Mark can be prepared to address them at our November 12 meeting.
- ALL: By November 12<sup>th</sup>: review Chapter 6 of PDEA for PME and License Application for completeness and review other sections of the PDEA of particular concern to your entity and provide analysis and comments.
- Lyn: Ask Team leaders to flag potential “big Ticket” PME measures for this group and also to note those that impact Project operations.
- Lloyd: Work up status of PMEs listed in matrix from econ/ops perspectives and be ready to report at our next meeting. Dave is available to help.
- Lloyd: Develop high level scope/schedules for potential environmental assessment of flood management change impacts.

#### **INTRODUCTIONS**

We welcomed first-time attendees Lorna Ellestad, Gene Galloway, Anna Miles, Jay Smith, and Beth Coffey.

Beth will be assuming Bruce Sexauer’s role in this process. Chuck will assume Rod Sakrison’s role.

#### **REPORT ON OLD ACTION ITEMS**

- ☒ Lloyd: Set up presentation on how PSE operates including trading in September or October time frame.



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- ☒ Lloyd: Sent folks (or posted on Website) Charlie Black's presentation on the PSE Lease Cost Plan filed with WUTC.
  - ☒ Lloyd: Confirmed all received Draft Proposed Actions for PDEA and the June 23rd revision.

#### **STATUS/ROLE OF ECONOMIC/OPERATIONS WORKING GROUP**

Lloyd saw the role of this group as providing review of the draft and final PDEA, License Application (in particular the Developmental Analysis and Economics sections of the Application), and PSE operations sections. We will be reviewing the overall Project economics and any PME's that impact Project operations (e.g., in stream flows, etc.)

Note: Comments on the PDEA are due by January 2, 2004 as the FERC notice was issued October 2, 2003.

#### **DRAFT PRELIMINARY DEVELOPMENT ENVIRONMENT ASSESSMENT: DEVELOPMENT COSTS –Mark Killgore**

Mark walked us through a PowerPoint presentation of the Developmental Analysis for the Baker project. He explained that the report includes best available data as of July 2003 (including a PSE operating 15-foot flood buffer that has since been revised to eight feet). Since then, we have additional information provided by improved HYDROPS runs, many of the PME's have been refined by the resource working groups. PSE is in the process of issuing an updated Least Cost Plan. Adjustments will be made to reflect these updates in the next version of the document.

Preliminary Conclusions from the report:

- The net effect of implementing the Draft Action is a \$8,292,300 reduction in the net annual levelized value of the Project (about 29 percent of the net benefit) without inflation.
- \$10,535,600 reduction (about 29 percent of the net benefit) with inflation included.

#### **PSE BAKER DAILY OPERATIONS REVIEW**

Gene Galloway (PSE Manager Hydro Operations) and Anna Miles (PSE Electric Trader) presented a PowerPoint review of PSE operations. Their two departments are working closely together to coordinate optimal reservoir operations while minimizing risk to ratepayers. The trading floor is manned 24/7.

Note: The data in this presentation were based on the 1929 vertical datum.

#### **TST UPDATE**

Paul reported that this group is continuing to meet twice a month. Their next meeting is October 10. They are currently re-doing runs according to some changes to assumptions to the HYDROPS model. They are also considering downstream habitat models developed by R2.

#### **PSE OPERATIONS DURING FLOOD EVENT: Ken Brettmann (Corps)**

See Flood Control Teamlet notes.

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**PSE OPERATIONS REVIEW 1990 AND 1995 FLOOD EVENTS** SW: Gene Galloway

See Flood Control Teamlet notes.

**REVIEW STUDY REQUESTS**

R-01 Low flow augmentation (deferred pending possible resolution by others)

R-02 Baker flood control study (Flood Control Teamlet, *now conducting initial phase*)

R-03 Examination of spawning and incubation flows in Skagit River (referred to Technical Scenario Teamlet (TST)). Stan expressed that this was underway.

**HANDOUTS**

- Baker Relicense - Milestone Dates
- Developmental Analysis for PSE's Baker Project Fall PDEA, October 8, 2003 –Mark Kilgore, The Louis Berger Group
- (For other handouts see notes from Flood Control Teamlet Meeting)

**PARKING LOT**

- Consider who will be the numbers reviewer for this team: PSE? Other?
- Presentations: Flood Plain Values 101, Fisheries/Hydraulics 102, Economics 101
- FEMA Presentation?
- Corps Presentation by Jim Smith re: Corps economic model for the Lower Skagit basin.

**EVALUATION OF THE MEETING****Well Done**

- Good discussion
- Good attendance
- Good work from Skagit County, Tetra Tech, WA Group

**Change for Next Time**

- Ran over
- Plan agenda/time allotments better
- Clarify mission/role of this group

**What's Hot?**

- Flood control
- PDEA review (content)

**Study Report for Solution Team**

- Baker License Flood Control Feasibility study is underway and progressing on schedule (i.e., final report in November.) Preliminary results are being reviewed.
- Low Flow Augmentation Study is still on hold

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- *Next phase (environmental analysis study, mitigation) discussion of R-02 is still currently deferred pending results of initial phase, the flood control feasibility study. [Clarification by Lloyd, see June 11, 2002 meeting notes].*

#### **TENTATIVE AGENDA FOR NEXT MEETING**

**November 12, 2003 at PSE Office, Mt. Vernon, WA**

*(Note: The Flood Control Teamlet meeting will immediately follow the conclusion of this Meeting.)*

9:00 to 11:30 AM

9:00 - 9:05 Introductions

9:05 – 9:10 Review/revise minutes and agenda

9:10 – 10:00 Review Action Items

- Role/Mission of this Group
- (Potential) environmental analysis scope, schedule
- Questions/feedback re: PDEA and Draft License Application
- PME Matrix Review

10:00 – 10:10 HYDROPS and TST update (including status of R2 Habitat Models)

10:10 – 10:00 High Level Update on Flood Control Feasibility Study by WA Group and Tetra Tech

11:00 – 11:20 Review Other Study Requests:

- R-01 –Low Flow Augmentation from Baker Project – Deferred for now

11:20 – 11:25 Set December 10, 2003 agenda (at PSE Office in Mt. Vernon)

11:25 – 11:30 Evaluate Meeting and Set December 10 Agenda

- What's Hot?
- Studies Report for Baker Solution Team

#### **ATTACHMENT**

***The following attached notes are comments by Skagit County received on October 20th. They have not been reviewed/approved by Economics/Operations Working Group.***

# SKAGIT COUNTY COMMENTS ON OCTOBER 8<sup>TH</sup> MEETING ECONOMICS AND OPERATIONS WORKING GROUP

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## Economics/Operations Working Group

### Skagit County Comments

October 8, 2003

9:00 AM – 11:00 PM

PSE Office

Mt. Vernon, WA

## DRAFT MEETING NOTES

### The Economics Working Group Mission Statement:

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- PSE Operations during flood event: Ken Brettmann (Corps)
- PSE Operations review 1990 and 1995 flood events: Gene Galloway
- **County Review and observations of actual UB and LB Flows of 1990 and 1995 Flood Events (Lorna Ellestad)**
- HYDROPS/TST Teamlet Update
- Review Study Requests:
  - R-01 Low flow augmentation
  - R-02 Baker flood control ( ~~deferred to~~ **pending outcome of feasibility study in Flood Control Teamlet**)
  - R-03 Examination of spawning and incubation flows in Skagit River (referred to TST)

## NEW ACTION ITEMS

- ALL: Review mission of this group as described in these notes and be ready to discuss at next meeting. Then draft Econ/Ops schedule for completion of critical path.
- ALL: Review Mark’s presentation and send any questions to Lloyd so Mark can be prepared to address them at our November 12 meeting.
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- Lyn: Ask Team leaders to flag potential “big Ticket” PME measures for this group and also to note those that impact Project operations.
- Lloyd: Work up status of PMEs listed in matrix from econ/ops perspectives and be ready to report at our next meeting. Dave is available to help.
- Lloyd: Develop high level scope/schedules for potential environmental assessment of flood management change impacts.
- **Lloyd: Develop work plan and schedule for econ/operations working group for consideration. Need to correlate economics/operations working group work plan and schedule with Solution Team and settlement expectations.**

## INTRODUCTIONS

We welcomed first-time attendees Lorna Ellestad, Gene Galloway, Anna Miles, Jay Smith, and Beth Coffey.

Beth will be assuming Bruce Sexauer’s role in this process. Chuck will assume Rod Sakrison’s role.

## REPORT ON OLD ACTION ITEMS



# SKAGIT COUNTY COMMENTS ON OCTOBER 8<sup>TH</sup> MEETING ECONOMICS AND OPERATIONS WORKING GROUP

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- ☑ Lloyd: Set up presentation on how PSE operates including trading in September or October time frame.
- ☑ Lloyd: Sent folks (or posted on Website) Charlie Black's presentation on the PSE Lease Cost Plan filed with WUTC.
- ☑ Lloyd: Confirmed all received Draft Proposed Actions for PDEA and the June 23rd revision.

## STATUS/ROLE OF ECONOMIC/OPERATIONS WORKING GROUP

**Dave mentioned that he asked that we discuss this topic as a result of the last Solution Team meeting where it was mentioned that there was an interest in pulling some items from the working groups in an effort to speed up the settlement process. Dave was concerned that we were not meeting the expectations of the other working groups and he wanted to reevaluate our mission and to develop a work plan and schedule that is consistent with the other working groups and settlement timelines.**

Lloyd saw the role of this group as providing review of the draft and final PDEA, License Application (in particular the Developmental Analysis and Economics sections of the Application), and PSE operations sections. We will be reviewing the overall Project economics and any PME's that impact Project operations (e.g., in stream flows, etc.)

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See Flood Control Teamlet notes.

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See Flood Control Teamlet notes.

## **County Review and Observations of actual UB and LB Flows of 1990 and 1995 Flood Events (Lorna Ellestad)** See Flood Control Teamlet notes.

## **REVIEW STUDY REQUESTS**

R-01 Low flow augmentation (deferred pending possible resolution by others)

R-02 Baker flood control study (*Initial study request was deferred per 6/11 Econ Meeting Notes see page 5 “ We deferred discussion of the Skagit County sponsored Flood Control Study Request until after the results of the initial feasibility analysis”.*)

Flood Control Teamlet, *now conducting initial phase of Feasibility Study (6/11 Econ Meeting Notes see page 4 – “If final feasibility study still shows an acceptable BC ratio and PDEA (e.g. no fatal environmental flaws), this would be introduced into the ALP process. If ALP process is positive leading to settlement discussions concerning additional flood storage and completed by settlement deadline the change would be included.”*

R-03 Examination of spawning and incubation flows in Skagit River (referred to Technical Scenario Teamlet (TST)). Stan expressed that this was underway.

## **HANDOUTS**

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## What's Hot?

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- PDEA review (content)

## Study Report for Solution Team

- Baker License Flood Control Feasibility study is underway and progressing on schedule (i.e., final report in November.) Preliminary results are being reviewed.
- Low Flow Augmentation Study is still on hold
- *Next phase (environmental analysis study, mitigation) discussion of ~~R-02~~ current feasibility study is still currently deferred pending results of initial phase, the flood control feasibility study. [Clarification by Lloyd, see June 11, 2002 meeting notes]. Comment – It was my understanding that Stan Walsh requested that the scoping for these studies begin immediately so we are prepared to act following the results of the Feasibility Study. My notes show that the team as a whole and Lloyd agreed to do this.*

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**ADD Update from Corps/County Flood Control Study**

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