

MINUTES

STATE OF WASHINGTON

ENERGY FACILITY SITE EVALUATION COUNCIL

May 14, 2001 – Regular Meeting

Rowe Six Conference Center

Building 1

4224 6th Avenue SE

Lacey, Washington

Item 1: Call to Order

Chair Deborah Ross called the meeting to order at 1:30 p.m. A quorum was present.

Item 2: Roll Call

Chair	Deborah Ross
Department of Ecology	Chuck Carelli
Community, Trade & Economic Development	Heather Ballash
Department of Fish & Wildlife	Jenene Fenton
Department of Natural Resources	Tony Ifie
Utilities and Transportation Commission	Dick Byers

Others in Attendance

EFSEC Staff and Counsel

Allen Fiksdal

Mike Mills

Michelle Elling

Irina Makarow

Mariah Laamb

Robert Fallis, AAG, EFSEC

Guests

Alan Harger, WSDOT

John Barratt, Natural Carbon

Darrel Peoples, Newport NW

Mark Anderson, Shapiro

Ann Donnelly, Power Resource Managers

John Arbuckle, Energy Northwest

Bill Staeger, Jones & Stokes

Tony Usibelli, OTED

Chuck Lean, Perkins Coie

Liz Thomas, Preston, Gates & Ellis

Dave Tomlinson, Ecology & Environment

Jane Rowcliffe, Golder Associates

Laura Schinnell, Energy Northwest

Brian Carpenter, REBOUND

Vickie Van Zandt, BPA

Gayle Rothrock

Marc Boule', Shapiro

John Newman

Katy Chaney, URS

Mike Torpey, BP Cherry Point

Dave Warren, OTED

Karen McGaffey, Perkins Coie

Steve Buckner, PG&E NEG

Mike Sotak, Duke Energy

Charles Lockhart, Golder Associates

Mike Elmer, Starbuck Power

Danielle Dixon, NW Energy Coalition
Andrea McNamara, Senate Energy Committee
Claire Jackson, Preston, Gates & Ellis

David Schaefer, Starbuck Consultant
Mike Dunning, AGO-CFE

Item 3: Approval of Minutes

Charles Carelli made the following motion:

Motion: To approve the minutes of the April 9, 2001, regular Council meeting, with one change as follows. On page 10, item 11, the motion, starting “To authorize the Chair...”, should include the following language just after the words *preliminary site study*, “and to assist the Council in its review of the application for site certification”, then continue with “for the BP Cherry Point project”.

Jenene Fenton seconded the motion.

Action: It passed unanimously.

Charles Carelli made the following motion:

Motion: To approve the minutes of the April 13, 2001, special Council meeting.

Jenene Fenton seconded the motion.

Action: It passed unanimously.

Item 4: Adoption of Proposed Agenda

Changes proposed were the addition of item 8, a Briefing on Starbuck by staff Irina Makarow, to follow the energy briefings being presented by Dave Warren and Vickie Van Zandt; and moving item 11 – Other, to follow item 5 – Legislation. The agenda was adopted with these changes.

Item 5: Legislation

<i>Adoption of Engrossed House Bill 2247</i>	<i>Deborah Ross, EFSEC Chair reporting</i>
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Chair Ross presented the major changes in the bill, which will affect how the Council operates. The most immediate is the removal of four (4) member agencies from the Council - the Department of Agriculture, the Department of Health, the Department of Transportation, and the Military Department. However, those agencies may participate as Council members at their own discretion in application reviews, provided they elect to participate no later than sixty days after an application is filed. For applications filed before the effective date of the bill, membership is mandatory for all of the agencies represented on the Council prior to the effective date of the changes to RCW 80.50.

Other major changes include raising the minimum threshold for any stationary thermal power plant, which requires Energy Facility Site Evaluation Council (EFSEC or Council) certification, from 250 megawatts to 350 megawatts; raising the minimum threshold for floating thermal power plants from 50 megawatts to 100 megawatts; tasking the Council to avoid costly duplication in the siting process; and making the position of Chair a full-time, salaried position.

Item 6: Other

<i>Reschedule June Council meeting</i>	<i>Deborah Ross, EFSEC Chair reporting</i>
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Chair Ross requested the June Council meeting scheduled for the 11th, be postponed to a later date. She will be attending a conference on the east coast and wants to present her report on rulemaking during the June meeting. The Council discussed meeting on June 18th as a possible alternative. Staff will check the availability of the Rowe Six conference room for the June 18th meeting date and will notify Council and all interested parties of the changes.

Item 7: Energy-Related Briefings

<i>Supply and Deliverability of Natural Gas</i>	<i>Dave Warren, AD, Energy Policy reporting</i>
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Mr. Warren presented a report on the Supply, Demand and Deliverability of Natural Gas relating to Washington State and the Northwest's current and projected needs.

A complete copy of this presentation can be requested through the Energy Policy group of the Office of Trade and Economic Development at 360/956-2096. The title of the report is "Convergence: Natural Gas and Electricity in Washington", publication date, May 2001.

The report is available in electronic format at the following address:

<http://www.energy.cted.wa.gov/Papers/Convergence.htm>

<i>BPA Transmission System</i>	<i>Vickie Van Zandt, BPA, reporting</i>
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Ms. Van Zandt presented a report on the Bonneville Power Administration (BPA) transmission system and other Northwest transmission facilities; and discussed the problems that the overall system is currently facing.

To acquire a copy of this report, contact Ms. Van Zandt's office in Vancouver, Washington, at 360/418-8459.

Item 8: Starbuck Power Project

<i>Briefing on Starbuck</i>	<i>Irina Makarow, EFSEC staff reporting</i>
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Ms. Makarow reported that Starbuck Power Company currently plans to submit their formal Application for Site Certification at the July 9th Council meeting. Approximately two thirds of the draft application will have been submitted to Jones and Stokes Associates (JSA) for review prior to the submission of the formal application to EFSEC. Starbuck Power believes that the draft portions that will not be submitted for review by JSA, will not require the same level of review because they will address application requirements in a more straightforward manner. Mike Elmer of Starbuck Power stated if the comments on the draft application sections from Jones and Stokes were not favorable, they would consider delaying their submission of their formal application to a later date. He indicated that Starbuck Power understood that proceeding in this manner may lead to a larger than anticipated review by JSA of the formal application submitted to EFSEC.

Item 9: BP Cherry Point

<i>Contractor Selection</i>	<i>Michelle Elling, EFSEC staff reporting</i>
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Ms. Elling introduced representatives from Shapiro and Associates, the firm selected by the Council as its independent consultant to assist in the review of the BP Cherry Point Project. Marc Boule' is one of the owners and senior V.P. and principal-in-charge of the project. Mark Anderson is the project manager and an air quality specialist with extensive experience on refinery projects. They have been meeting with BP Cherry Point staff and information is flowing smoothly between companies.

Item 10: Satsop Combustion Turbine Project

<i>Initial Site Restoration Plan</i>	<i>Mike Mills, EFSEC staff reporting</i>
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Mr. Mills referred the Council to a letter dated April 10, 2001, from Energy Northwest and Duke Energy, transmitting the Initial Site Restoration Plan for the Satsop Combustion Turbine Project, and an e-mail handout with staff's comments on the proposed plan. Mike Sotak, from Duke Energy, and Laura Schinnell, from Energy Northwest, were introduced to present a summary of the key elements of the plan.

Mr. Sotak indicated that the proposed restoration plan updates the initial plan provided in the 1994 application. The revised plan provides funding guarantees should cessation of the project occur, either during construction or operations. Duke Energy North America, LLC, the parent of Duke Energy Grays Harbor, LLC, will provide a corporate guarantee in the amount of \$5 million, to secure their obligations under the plan. A proposed guaranty agreement is included as Appendix A to the plan. That guarantee will remain in place during construction until it is replaced with either cash or some form of a financial instrument, such as a letter of credit, in the amount of \$5 million within six (6) years of the commencement of commercial operations. It was pointed out that Duke will meet its full obligation at six years versus making payments over an extended time period.

Rusty Fallis stated that the points he raised had been reviewed with Duke Energy and Energy Northwest and agreed to and he felt that the issues had been resolved. However, he was proposing one additional change that would give the Council the opportunity to suggest some additional language to the guaranty form.

Specific changes accepted to the document were: (1) In Section 8.2 ("Termination of Operation"), delete the second sentence of the second bullet (i.e., the sentence that reads "Such time period may be extended upon request by the Certificate Holder and agreement by EFSEC, which agreement shall not be unreasonably withheld."; and (2) in Section 9.0 ("PREPARE FINAL RESTORATION PLAN"), delete the last phrase of the last sentence of the first paragraph (i.e., "which approval shall not be unreasonably withheld").

Chair Ross added that the Council's rules require a certificate holder to review its site restoration plan at least every five years. That requirement will need to be added to the initial plan.

Chair Ross expressed her preference that the Council have the changes discussed incorporated into the plan document before it votes on accepting the plan. She indicated her sense that the Council would act favorably on the plan, with changes, at its June meeting. Staff will work with Duke Energy and Energy Northwest to finalize the plan document for that meeting.

Item 11: Energy Northwest Columbia Generating Station & WNP 1/4

<i>Columbia Operations-Refueling Outage</i>	<i>John Arbuckle, ENW reporting</i>
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Mr. Arbuckle presented his monthly report on Columbia Generating Station operations. The plant is running well, and has been online for 235 continuous days. Energy Northwest is preparing for the refueling and maintenance outage, which is scheduled to take approximately 30 days, starting on May 18th, and being completed by June 17th. Enough fuel will be loaded to operate the plant for 24 months.

During the outage, Energy Northwest will also be installing new “fill” in two of the Columbia cooling towers, which is expected to increase their efficiency, thereby increasing plant capacity by 6-8 megawatts. The “fill” serves as baffles to break streams of water into small droplets to aid the plant’s cooling process. The “fill” being removed contains asbestos and is being replaced with plastic piping. Staff indicated they would work with Energy Northwest to determine if the increased capacity would require a technical amendment to the Columbia SCA.

<i>WNP-1 Solar Energy Project</i>	<i>John Arbuckle, ENW reporting</i>
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Mr. Arbuckle reported that Energy Northwest is planning a partnership with the U.S. Department of Energy (through the Bonneville Power Administration) and Bonneville Environmental Foundation to build a solar power station at the WNP-1 site. The facility will be owned and operated by Energy Northwest. The generating capacity is estimated to be between 35-50 kilovolts, enough to power eight (8) average households for one (1) year.

Also at WNP-1, Energy Northwest is planning to install and operate a temporary diesel generator project, similar to the project by lessee, Northwest Regional Power. The project would place eighteen (18) 1.6-megawatt diesel generators at the site, which will produce about 30 megawatts of energy; and require the addition of 5 – 20,000 gallon diesel storage tanks. Discussion followed on how the Council should treat an Energy Northwest sponsored project at the WNP-1/4 site versus lessee activities. It was pointed out that the Council will need adequate lead time to consider activities planned at the site. Energy Northwest committed to work with the Council on this matter.

<i>FY 2002 Monitoring Contracts</i>	<i>Mike Mills, EFSEC staff reporting</i>
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Mr. Mills reviewed the six contracts that are proposed to be renewed with the state agencies that provide Compliance Monitoring and Air Permitting services for EFSEC projects. Staff recommends Council approval of the contracts as outlined below.

Compliance Monitoring

- Ecology – Kennewick: Recommended FY 2002 budget is **\$16,077**; reduced from \$27,039. Ecology provides environmental auditing for Columbia & WNP-1 sites.

- Health – Division of Radiation Protection: Recommended FY 2002 budget is **\$226,612**, increased from \$215,977 last year, due to salary and cost of living increases. Health provides radiological monitoring, laboratory support, and nuclear safety services for Columbia.
- State Patrol – Fire Protection Bureau: Recommended FY 2002 budget is **\$2,000**, the same as last year. The bureau conducts fire and life safety surveys at Columbia & WNP-1/4 sites.
- Labor & Industries –Boiler/Pressure Vessels: Recommended FY 2002 budget is **\$2,381**, the same as last year. The boiler section provides for code compliance reviews at Columbia & WNP-1.
- Fish & Wildlife – Habitat Program: Recommended FY 2002 budget is **\$67,711**, reduced from last year at \$95,659, due to completion of the initial phases of the Rattlesnake Rehabilitation Project. The department provides environmental audit and wildlife mitigation services at Columbia, WNP-1, Chehalis & Satsop CT projects.

Air Permitting

- Ecology – Air Quality Program: Recommended FY 2002 budget is **\$55,000**, increased from last years' \$19,500, in anticipation of receiving applications from the four projects that are currently doing Potential Site Studies. The Air Quality Program provides air permitting services in support of the Notice of Construction/Preventions of Significant Deterioration (NDC/PSD) permits issued for the Chehalis and Satsop CT certified projects; and for the review and preparation of air quality permits for potential applications for the Starbuck, Wallula, Mercer Ranch and BP Cherry Point projects.

Jenene Fenton made the following motion.

Motion: To approve the contracts for the Department of Health, Washington State Patrol and Labor & Industries.

Heather Ballash seconded the motion.

Action: The motion was passed unanimously.

Jenene Fenton made the following motion.

Motion: To approve the two contracts for the Department of Ecology.

Dick Byers seconded the motion.

Action: The motion was passed, with the Department of Ecology abstaining.

Heather Ballash made the following motion.

Motion: To approve the contract for the Department of Fish & Wildlife.

Charles Carelli seconded the motion.

Action: The motion was passed, with the Department of Fish & Wildlife abstaining.

Item 12: Rulemaking

<i>Update</i>	<i>Deborah Ross, EFSEC Chair reporting</i>
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Chair Ross reported on the review of the Council's rules that she has been working on. She indicated that she has prepared a list of approximately 170 changes, of which more than half are minor technical changes, (updating statute changes or grammar, etc). Approximately 40 are procedural changes that the staff has recommended be implemented or changes that resulted from changes in the statute. Then there are about 15 changes that address policy issues.

She is recommending the Council start the rulemaking process by issuing a CR 101, which outlines the proposed rulemaking categories and areas of concern. Also, she recommends offering this document to stakeholders for comment prior to any official rulemaking filing. The Executive Committee will review how to proceed with rulemaking at its next meeting.

Mr. Fiksdal reported that any one wishing to sign up for our mailing list on rulemaking, may do so on our website.

Item 13: Other

Mr. Mills reported that at its last meeting, the Council delegated authority to the EFSEC manager for the approval of certain plans and specifications for the Chehalis Generating facility. On April 27, 2001, Mr. Fiksdal issued a letter, approving 16 of the plans required to be submitted prior to the beginning of construction. Mr. Mills added that construction activity has started at the Chehalis project site and he and other review team members plan to visit the site to monitor progress.

Note: Written progress reports were provided for Starbuck Power Project, Wallula Potential Site Study, Mercer Ranch Project, and the BP Cherry Point Cogeneration Project.

Item 14: Adjourn

The meeting was adjourned at 4:20 p.m.