

DRAFT MINUTES
STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL

January 14, 2002 - Regular Meeting
Rowe Six Conference Center, Building 1
4224 6th Avenue S.E., 1:30 p.m.

ITEM 1: CALL TO ORDER

CHAIR LUCE: The meeting will come to order. This is a regular meeting of the Energy Facility Site Evaluation Council for Monday, January 14, 2002.

ITEM 2: ROLL CALL

CHAIR LUCE: The roll call.

MR. MILLS: The Department of Community, Trade and Economic Development.

MR. FRYHLING: Here.

MR. MILLS: Department of Ecology.

MR. CARELLI: Charles Carelli.

MR. MILLS: Department of Fish and Wildlife.

MS. FENTON: Jenene Fenton.

MR. MILLS: Department of Natural Resources.

MR. IFIE: Tony Ifie.

MR. MILLS: Utilities and Transportation Commission.

MR. BYERS: Dick Byers.

MR. MILLS: And I note the presence of Chair Jim Luce and there is a quorum.

OTHERS IN ATTENDANCE

EFSEC Staff and Counsel

Allen Fiksdal, Irina Makarow, Mike Mills, Mariah Laamb, Michelle Elling, Robert Fallis, AAG

EFSEC Guests

Dave Fraley, Energy Northwest; John Arbuckle, Energy Northwest; Chuck Lean, Wallula Generation; Richard Cowley, Department of Health; John A. Mudge, Critical Issues Council; Karen McGaffey, Perkins Coie; Steven Bates, Chehalis Power; Tom Schneider, Chehalis Power; Liz Thomas, Preston, Gates, and Ellis; Cindy Custer, Bonneville Power Administration; Brian Carpenter, Rebound; Ron Lavigne, Council for the Environment – Wallula; Mike Dunning, Council for the Environment – Wallula; Bill Frymire, Fish and Wildlife, Attorney; Kendall Fisher, Stoel Rives; Jim Thornton, Golder and Associates; Katy Chaney, URS; Mike Lufkin, Attorney General's Office; Suzanne Shaw, Attorney General's Office; Andy Fitz, Ecology-Attorney

ITEM 3: CHEHALIS GENERATION FACILITY

<i>Construction Status</i>	<i>Steve Bates & Tom Schneider, Chehalis Power</i>
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CHAIR LUCE: Thank you. The first matter is an information item on the agenda concerning the Chehalis Generation Facility. Who is handling that matter? Do we have a report?

MR. MILLS: We have a report from Chehalis Power on status of construction activities at the site. I would like to introduce Steve Bates and Mr. Tom Schneider from Chehalis Power, and they will provide a brief report, and there is a handout in your packet. It's a quarterly status report.

MR. SCHNEIDER: Good afternoon, Mr. Chairman, Council Members.

CHAIR LUCE: Good afternoon.

MR. SCHNEIDER: As a brief summary our project is going quite well.

MR. FIKSDAL: Could you identify yourself so the minutes reflect that.

MR. SCHNEIDER: Sure. I am Tom Schneider. I'm the site manager for Tractebel on the Chehalis Power Project.

MR. BATES: Steve Bates, Senior Project Engineer for Chehalis Project.

CHAIR LUCE: Thank you, gentlemen. Proceed.

MR. SCHNEIDER: The project has been going quite well in general. We're running about 40 percent complete for the total project to date. That includes engineering procurement and construction. Engineering is about 60 percent complete with procurement included and construction is running right at ten percent complete to date.

This past quarter has not been quite as good as the previous quarter due to the weather becoming a little more normal, maybe a little more than normal. I think we had something like 150 percent of normal rainfall in the area, so that has had some effect on our construction activities.

Otherwise we're going quite well with all the activities that are planned. We're on schedule. The manpower on site at this time runs 90 to 130 people including staff, and that's the general situation on site.

I would like to ask Steve to go over some of the other details for you at this time.

MR. BATES: Thank you. I just wanted to kind of go through the report a little bit that we sent in and give you an update on activities that we've been working on and where we are. This quarter we started some underground installation of electrical duct bank work, and that work is continuing on site.

We're also working on services, underground electrical services to our services building which is going to house our administration area and maintenance shop and water treatment equipment.

We've completed the installation of the raw water tank. That job is complete with the exception of painting the exterior of the tank. The fuel tanks are still under construction of walls and the roof support system is in place now. We're working on our fire water loop around the site.

We're about 80 percent complete on that. We're just waiting for some underground fence, some other underground so we can get that done. Our services building structural steel is up, our siding, and roof is up, what not, and we began to pour foundations for our heat recovery steam generators. We have both of those done, and we're in the process of preparing our -- we have our excavation completed, and we're preparing to do the forms for the steam turbine.

There have been no schedule changes so far. We look like we are right on schedule. We are also looking into the water rights. We are in the process right now of discussing water rights with an individual, and we're working on that as we move along.

As far as environmental we've had some challenges with the heavy rains in November and December, which have caused high turbidity in our storm-water runoff on a few occasions. We've taken measures to limit the turbidity in the storm-water by adding extra hay bales and also monitoring the discharge flows and so on, and other than that we have had no other problems to report.

CHAIR LUCE: Thank you. Does that conclude your report?

MR. SCHNEIDER: Yes, sir.

CHAIR LUCE: We have questions from the Council? Manager.

MR. FIKSDAL: You're on schedule. What is that schedule? I mean when is your target completion date and target operation date? Just remind us of that.

MR. BATES: Completion is October 31, 2003.

MR. FIKSDAL: And that is then on line.

MR. BATES: We'll be in commercial operation at that time, yes.

MR. FIKSDAL: Okay. Thank you. That's it.

CHAIR LUCE: Thank you, gentlemen.

MR. SCHNEIDER: Thank you.

CHAIR LUCE: Public comment? Yes, sir. Come forward, please, and identify yourself for the record and offer your comment.

MR. MUDGE: My name is John Mudge. I'm the president of the Critical Issues Council that was involved in this project early on, and I have a minor update for the Council as well. One of our issues we were concerned with during the process was the gas pipeline. I have had contact with Williams Pipeline on some of this process, and we have no reason to have any problem with it. The only problem right now that I think I suspect I am speaking for the Port of Chehalis as well there's a good deal of frustration that we can't find out exactly where the pipeline is going to go. They had a meeting with the Port a week or two ago, a couple weeks ago. They still don't know exactly where it's going to go, and that is a point of frustration. It doesn't look as if any part is going to be a problem, but I just want to get on the record for this with the EFSEC to be aware where the pipeline situation lies. It doesn't look like it's going to be a problem for us or anybody else that I know of, but if I move anything, I will let you know.

CHAIR LUCE: Thank you, sir.

MR. FIKSDAL: John. If I may.

CHAIR LUCE: Yes, sir.

MR. FIKSDAL: When you say exactly, you don't know exactly where the center line is or there's a proposed right of way or there's lots of variables?

MR. MUDGE: Well, there's a guess as to where it's going to go, but the Williams people brought in a map but it actually has no identification points on it as to where you could spot anything and they had not actually committed as to how far the pipeline is going to be from Burwick Creek. That's the immediate concern, and it looks from a map a lot of the scale was it might be a couple hundred feet, but nobody really seems to know. And that's a little frustrating. Even though it doesn't look like it's a problem, it would be nice to have this thing nailed down. This is pretty important.

The other thing that I don't think anybody knows, and if they do, they haven't told me, and that is the pressure that will be in this pipeline. Will it be cut from the general pipeline pressure or will it go through at the full rate and does it make a difference? Answers to these questions haven't been offered by either the Williams people or anybody else that I know of.

CHAIR LUCE: Thank you. Do we have any more public testimony on this issue?

ITEM 4: SATSOP COMBUSTION TURBINE PROJECT

Construction Status	Laura Schinnell, Energy Northwest
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CHAIR LUCE: The next matter on the agenda concerns the Satsop Combustion Turbine Project, the construction. Laura Schinnell.

MS. SCHINNELL: I am Laura Schinnell, Project Scientist for Energy Northwest for the combustion turbine project at Satsop. In terms of our construction progress we've basically just last week completed the major grading and excavation work to level out the site, so that work was finally completed last week.

We also experienced significant rainfall at Satsop. We're fortunate in that all of our runoff goes to an erosion control pond previously constructed for the nuclear plants. Although we did have some concerns as to whether during a high intensity rainfall we would overflow that pond system and thereby went ahead and sandbagged the discharge of it. We did not in fact exceed the capacity of the pond.

We did do water samples just to see what would happen if we did overflow, and the water samples showed that we would still meet water quality standards, so we're very fortunate in the system that we have. We did also put out additional hay bales and silt fence as well to try and contain the turbidity to the site itself.

Other work that's going on at the site we completed the sheet piling installation for the noise walls and stability walls for the site in terms of the pile driving. They're completing the finishing painting work on those walls right now, and we expect to have that completed shortly.

They've also constructed the berm that will be vegetated as a visual barrier to the site. That sits in front of one of the noise walls. Because of the rainfall they were not able to complete that to specifications, so the final completion of that slope will be when the weather dries, so we're not looking for that to be completed until April at the earliest, and at that time we will be able to do the shrub planting, but the Douglas Fir planting will have to be postponed until next winter.

Other items of note at the site, we have been receiving the cooling water piping and have indeed done a great deal of installation with that cooling water pipe. It's currently about 80 percent complete. We've also started the installation of the rebar for the cooling tower foundation, and we've also started installation of the foundation for the combustion turbine generators.

In addition, our major components are now scheduled to be shipped ahead of schedule. We expect to receive the steam turbine generator later this month. That was due initially in March, and we expect to receive the gas turbines now in May and June versus in July and August.

Although the rains did temporarily delay some of the construction activity, we are basically on schedule and still scheduled for commercial operation date of July 1, 2003.

CHAIR LUCE: Thank you very much. Questions from the Council? Questions from staff? Allen.

MR. FIKSDAL: In the discharge runoff from the CT site does go into the runoff ponds; is that correct?

MS. SCHINNELL: That's correct.

MR. FIKSDAL: You did have discharge from the pond to 02?

MS. SCHINNELL: We do not discharge from the pond in 02.02 is the settling pond on the old site, so there is no discharge from the combustion turbines site. It goes to what we call the Cooley 1 or C-1 pond. That pond was constructed for the nuclear plants, does have an overflow discharge, a rock ditch that would eventually take it to the river if for some reason the pond

couldn't keep up. The pond is designed for five and a half inch rainfall in 24 hours. That's the hundred-year storm. The reason we went ahead and sandbagged the identified spillway for the dam at the C-1 pond was the intensity of the storm at one point if you multiplied it out for the 24-hour period was about 6.4 inches in 24 hours, so the pond was rising a little bit faster than what we had expected. We put the sandbags in just in case, and then the storm slacked off and we didn't need it, but we'll maintain the sandbags and the structure until we're totally stable.

MR. FIKSDAL: Thank you.

CHAIR LUCE: Thank you. Any other questions, Allen? Thank you very much.

<i>Phase II – Jan 16th Public Meeting</i>	<i>Michelle Elling, EFSEC Staff</i>
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CHAIR LUCE: The next matter is the Phase II of the Satsop Combustion Turbine project. We have a meeting Wednesday night, January 16th. Michelle, do you want to report on that particular item?

MS. ELLING: Basically it's just another announcement that indeed we are holding the initial public hearing for the Satsop application for amendment to the their site certification agreement for Phase II on the 16th of January, and that's to meet the requirement to hold that initial meeting within 60 days of receiving the application. At that meeting we'll be looking to hear from different people about the expedited process that Satsop has also asked for, besides comments on the project. That meeting will be held at 6:30 at the Montesano City Hall, and so far I've heard from most council members. Mr. Fryhling, will you be able to attend?

MR. FRYHLING: I will be in attendance, but I'll probably have to drive down there because I'll be flying back into Olympia here about five o'clock.

MS. ELLING: Mr. Ifie?

MR. IFIE: I am planning on attending.

MS. ELLING: Will you be car-pooling with us?

MR. IFIE: Yes, I can.

MS. ELLING: And I'll be giving you all an e-mail to let you know when we are all going to meet on Wednesday.

CHAIR LUCE: Thank you. Any questions from Council Members?

ITEM 5: ENERGY NORTHWEST COLUMBIA GENERATING STATION & WNP-1

<i>Columbia Operations</i>	<i>John Arbuckle, Energy Northwest</i>
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CHAIR LUCE: The next item on the agenda is an information item. Energy Northwest Columbia Generating Station and WNP-1/4. I see Dave Fraley is here today to talk a little bit about WNP-1/4 site restoration status and with him is John Arbuckle. Great. Gentlemen.

MR. ARBUCKLE: Mike, are we going to go ahead and switch around?

MR. MILLS: Why don't you go ahead first.

MR. ARBUCKLE: I am the state liaison for Energy Northwest, and I'm going to cover Columbia Generation Station status and then go into the NRC finding that we received in the emergency preparedness area.

The plant's on line, 100 percent power. It's been on line for 166 days. There is a one-page handout in your package for you to go through. We are still at a heightened level of security based on the September 11 incident, and that's pretty much it for Columbia Generating Station. The plant is running really well.

<i>Columbia Emergency Preparedness</i>	<i>John Arbuckle, Energy Northwest</i>
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MR. ARBUCKLE: As far as the NRC finding on the WNP-1 lessee personnel, we did indeed receive a yellow finding for weaknesses in notification of evacuation standards for tenant and contractor employees of WNP-1. Some of the lessees have been unaware of the actions to take during emergency efforts at Columbia. This was discussed during the meeting on January 8 with Council members, members of EMD, and also WDOH. Bill Kiel, my boss, came over along with John Wyrick who's the manager of security, and he also has emergency preparedness under him.

We are not going to appeal the severity of the violation. We are just going to focus on the corrective actions that we need to take to make sure this gets resolved. Allen, did you want to say anything?

MR. FIKSDAL: We appreciate getting together with the Columbia Generating people, Energy Northwest. I think it was a productive meeting. We understand more about the finding and I think the state was pretty unanimous in its concern over the safety of the personnel at the site, and we look forward to your solving that problem.

MR. ARBUCKLE: Yes.

MR. FIKSDAL: And we'll be talking about how you're going to demonstrate that in the future.

MR. ARBUCKLE: We agree with that. Since the July inspection finding was issued we've gone and actually had our emergency preparedness department go and provide training at that WNP-1 to the lessees and the contractors, and I've been talking with Mike a little bit about what we do with follow-up and refresher training. If we think that's too long, we can go ahead and take a look at that and maybe do it quarterly or depending on as people come and go and so forth. It's something we will be looking at.

CHAIR LUCE: Thank you. I do appreciate I'll just say on behalf of the Council the willingness of Energy Northwest to come over and meet with us and have a candid and frank discussion about the safety issues. I think that that speaks very well for Energy Northwest, and I appreciate you listening to the guidance that you got, and we'll move forward from here.

MR. ARBUCKLE: Thank you. I appreciate it.

<i>WNP-1/4 Site Restoration Status</i>	<i>Dave Fraley, Energy Northwest</i>
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CHAIR LUCE: The next item on the agenda is site restoration.

MR. FRALEY: Mr. Chairman, Members of the Council, I am Dave Fraley.

CHAIR LUCE: Dave, go ahead.

MR. FRALEY: Many of you are familiar with the status of Site 1 and the issues that we've had with regard to the tenants that we have at the site. At the same time we have been dealing with other issues that we're trying to resolve in addition to the guidance and direction that you have provided.

The principal issue is the restoration of the site and decision-making process that in effect has multiple facets to it, and the facets include our landlord. We are tenants ourselves, Energy Northwest, at the sites over there with the U.S. Department of Energy, and then we have parties that are interested in the site potentially for economic reutilization. Then there's, of course, our clear obligation on the site certification agreement to meet the restoration requirements. I thought I would just give you a little bit of background on that as part of the letter that I provided you at the end of the year; give you some indication of what has been transpiring over the past years with regard to both getting some restoration done and getting some decision making made;

and then be available to talk to about the initiative to take a look at the feasibility of potentially restarting the plant. Mr. Chairmen, at your pleasure you can ask questions however you prefer. CHAIR LUCE: I think it would probably be helpful to let you go through the entire presentation and Council hold questions until you've completed the presentation.

MR. FRALEY: Thank you, sir. Over the past several years we have reported to you the interest of the Benton Redevelopment Initiative in the site. That group is comprised of the Port of Benton, Benton PUD, Benton County with ad hoc membership of Energy Northwest and City of Richland, as well as participation by Bonneville Power at that time.

During calendar year 2001 they completed a second phase of the study to take a look at the economic efficacy of reutilizing the site. They looked at the economic risks and benefits and the potential if there were any remaining show-stopper issues. The study was completed mid year last year, about the end of July, and it included a marketing analysis, a build-out scenario, a development plan, and a risk assessment very similar to the development studies, and then issues that were taken by the Satsop Redevelopment Initiative here at Satsop.

However, the situation here is different than at Satsop. Both the economics and the climate in the Tri-Cities, coupled with the fact that there is a lot of available opportunities in sites for economic utilization at the site -- I am sorry -- in the Tri-Cities area, coupled with the fact that we have a landlord and we have a proximity to the operating plant, as you're totally aware of with the emergency issues we've discussed before. The Benton Redevelopment Initiative letter I just have a draft of it, so I can't forward it to you, but in effect I would like to report to you it's my understanding at this time that they're going to step back from the project. That's not necessarily to completely separate themselves and close any interest out, but they would like to step back from the process.

In their communication they have indicated that before further consideration by them would be warranted they would like to have resolution and clarity on several items that included lease arrangements and the ability to utilize property that might be made available by the Department of Energy. They're still awaiting resolution and a funding source for restoration of Site 4.

Potential questions that still may be on the table also include the possible reconsideration of WNP-1 as a power source, and some of the other activities and initiatives that are going on in discussions right now between Bonneville and U.S. Department of Energy as possibly re-leasing or subleasing the site to another entity that's interested in economic development. Those interests as represented by Composite Power at this point are very preliminary, so I can't really tell you what the status of them is right now.

So with those questions in mind, I expect that communication will be formally communicated to Bonneville if it hasn't already soon, so I will forward you that letter as soon as I get a copy of it officially. At the same time over the past year, actually over the past several years, but over the past year we have been working very, very hard with the Department of Energy to establish an acceptable end state for both sites. That's independent of any reutilization or any other questions in the interim or in the short term that might be addressed for utilizing the site. We were successful in actually making a determination with the Department of Energy, which I did communicate to you. I believe that letter was transmitted to you. John, you submitted the letter?

MR. ARBUCKLE: Yes, I did.

MR. FRALEY: It's from the Department of Energy. They indicated that they found restoration level 3-D acceptable, which I reported to you in the June 1999 site restoration plan, where I gave you a number of alternatives that we were considering. The Department of Energy has indicated that they would accept a level of restoration, which is referred to in that plan as 3-D, which is a

sealing and demolishing to a certain level to provide limited access and public health and safety that they found acceptable to them. That's not to cause you concern whatsoever with regard to your authority and with regard to your oversight and our responsibility under the site certification agreement. It just represents progress with regard to establishing a common ground and memorializing that common ground with the Department of Energy.

In their communication and in their note I have here they indicated that it must be confirmed through a NEPA process. That's their form of communication and any confirmation of that I am assuming would be confirmed through a process that we would jointly establish, so we still have a long ways to go to establish that as well as timing and funding assurances would still be required, and that's going to include additional discussions with Bonneville to make sure that the funding could be established for WNP-4 which is currently not at this time at least with regard to the record and the communications I received from Bonneville.

At the same time Bonneville is also looking at some other alternatives for potential ownership. They're actually looking at acquiring ownership of the site through an intergovernmental agency transfer from the Department of Energy, and they're having discussions with the group that I referred to earlier with regard to their interest of reutilizing the site.

Energy Northwest, again, I want to reaffirm has some potential continuing interest, but we have a definite long-term responsibility that's very clear with regard to resolving the restoration of that site should it not be used for the purpose that it's certified for.

I would like to talk just briefly about several of the successful things that we did complete last year. The first thing that was completed last year, with the work primarily being done in year 2000, was Phase 1 Environmental Assessment for WNP-4. I identify a couple of results here, but they found four results that could have some significance.

The first two are actually on-site recommendations; one is that the soil be screened under the scrap metal storage area for possible metal accumulation, and that the soil be screened near a sand blasting operation that is utilized by Columbia Generating Station. In effect these on-site recommendations are relatively minor. They also identified the subsurface tritium plume that is coming from the Hanford operations as well as from a site, which is referred to as 618-11, which is on the site opposite the Columbia Generation Station. Those are off-site potential concerns, and those are both fairly well understood and very, very closely monitored by the Department of Energy.

As part of our communications with the Department of Energy (DOE) they have done sampling at 618-11, and I am not sure if our group, our licensing people, have communicated that to you. But DOE has a characterization of that tritium leakage that's from that waste site at 618-11, and they're tracking it at this point in time, and it's not spreading as significantly as they initially thought.

The other thing is Bonneville has authorized funding for us to initiate a Phase I Environmental Assessment for Site 1, and I am proceeding as fast as I can to get the scope of work going on that and have that contract in place I hope by February, so we will have the site characterization assessment for Site 1, completed I hope by mid June.

The other major activity on site, which you're probably familiar with, was the removal of the asbestos containing material at the cooling towers at both Site 1 and Site 4. I would like to report that that work was completed in October 2001, and the material was deposited by a licensed asbestos contractor in our construction waste site according to all the processes and authorizations that were given. I would like to thank you again for that authorization and timely review. We saved probably three million dollars would be my estimate by having the ability to

deposit, wrap, and put that material in our own fill, our own landfill. I think that was a very responsible, and I think it was very much appreciated with regard to the timely approval that you gave us about a year ago.

The last item I would like to report is to talk to you about our WNP-1 Restart Feasibility Study. I have been very involved in that over the past ten months. As you recall, it was prompted by last year's energy shortage. At this time last year energy was a little more tenuous and considerably more expensive than it is today. The feasibility study was promulgated at the behest of a couple of our federal legislature members in the eastern part of Washington. We did a three-phase study. The third phase is still ongoing.

The first phase was a review of the cost to complete. We hired Bechtel to do that and they provided a baseline estimate for the construction completion and a foundation for the cost of power.

The second phase was a cost of power review where we hired R.W. Beck Associates from Seattle to review the results of the Bechtel study and to consider that in terms of the competitiveness of the power that could be produced by that plant and the pay back that could be coming from the market if that plant was available to the market in the future.

The last phase of the study is a review and assess whether or not there is a value or an interest in the site or plant to the people of the Northwest, and that's being conducted by Neal Goldschmidt & Associates. And that process is just starting.

The first two phases of the review indicated that the plant was in excellent material condition, and there were no technical reasons that would prevent its completion. We also did not believe that there were any licensing issues that could not be surmounted with regard to the changes and the additional knowledge we know about that plant's design and the experiences we've had in operating a nuclear plant since that plant's construction was halted. The estimate provided by Bechtel was \$2.9 billion to complete. That does not include the interest during construction. You probably heard the \$4.2 billion that was in the papers. That was a fully loaded interest rate during construction, and that was actually based on the public interest rates that were available early in the spring, so that might have some difference. But there were also a number of conservative assumptions that were used in that estimate.

The cost estimate shows that the first year production cost would be higher for that plant than for a combustion turbine alternative. It did indicate a positive net value for the plant's power over the operating life of the plant. But as you could see with regard to the cost of alternatives at this point and the reduced prices in natural gas and so forth that we have experienced there's some questions whether or not that would be a viable economic alternative at this point. We've reviewed other estimates and looked at Tennessee Valley Authority projects, but it does not appear that this would be a public venture at this time or there would be a public interest in completing this plant. At this time, Goldschmidt & Associates may be having some discussions in the private sector, but at this time I am not a party to where we're at on that, so that kind of wraps up where we're at with regard to Site 1.

CHAIR LUCE: Thanks, Dave. Questions from the Council?

MR. BYERS: Mr. Chair.

CHAIR LUCE: Yes.

MR. BYERS: The slightly more than four billion dollar number that was reported in the press I forget now. It was 4.2 or something like that.

MR. FRALEY: Yes, sir.

MR. BYERS: You said it was fully loaded and the assumption there was public debt.

MR. FRALEY: That was a public debt assumption.

MR. BYERS: So isn't it in fact the same calculations?

MR. FRALEY: It was a 6.2 public interest rate I believe was assumed for this.

MR. BYERS: Would it not be reasonable to assume then if we have private debt that number would be larger?

MR. FRALEY: It would be reasonable to assume that the interest rate would be different.

MR. BYERS: And larger.

MR. FRALEY: Yes.

MR. BYERS: Thank you.

CHAIR LUCE: Any other questions? Chuck.

MR. CARELLI: Who is Composite Power and what do they do? What might their interest be?

MR. FRALEY: I am not too familiar with Composite Power. Composite Power is a publicly traded company I believe traded in the State of Nevada, and they have expressed an interest and communicated to the Department of Energy in following some of the energy policy initiatives that have been put forth by our vice president and our secretary of energy over the past several months when the national energy plan was put forth. They have had discussions with the Department of Energy and have shown an interest in reutilizing part or a portion of the site for some of those initiatives as I understand at this time.

CHAIR LUCE: Thank you. Staff, Allen, got any questions?

MR. FIKSDAL: I don't know what I missed.

CHAIR LUCE: That's why I asked the question.

MR. FIKSDAL: No, not right now.

CHAIR LUCE: Maybe, Mike, do you have any questions?

MR. MILLS: I don't think I have any questions. Just that I believe it's our intent to follow up with Energy Northwest and the Department of Energy and Bonneville Power in the very near future to continue discussion about the state's interest and site restoration.

MR. FRALEY: I look forward to that. I think we have an opportunity now that we've memorialized the position from Department of Energy to at least perhaps make some forward progress.

CHAIR LUCE: I think we have an opportunity to make some progress as you will well appreciate the Energy Siting Council has yet to agree with this level 3-D, and we don't want you to start the NEPA process under the assumption we have already bought into that.

MR. FRALEY: No.

CHAIR LUCE: But I know you wouldn't do that.

MR. FRALEY: Well, we also haven't got any assurance of funding from Bonneville for this level of restoration either at Site 4.

CHAIR LUCE: I appreciate that. The parties who are responsible for No. 4 -- well, enough said.

MR. CARELLI: Mr. Chair.

CHAIR LUCE: Yes, Chuck.

MR. CARELLI: There was talk in the past of the possibility of a review trip over to Energy Northwest to the Hanford site for the Council.

CHAIR LUCE: It's going to happen.

MR. CARELLI: It's going to happen. I just wanted to reinforce the need for that with the number of new Council Members.

CHAIR LUCE: I think it's an excellent idea. I think, Mike, you have been working with Energy Northwest to try to put that together.

MR. ARBUCKLE: Yes, we were looking at later on this month and that kind of fell through, so we are looking at February 12, 13, and 14, but I think we are going to try to move that back and get it not that far out, so I will work with Mike on that and we'll see if we can't make that happen.

CHAIR LUCE: That would be super. Any public comment on any of these issues? All right, Gentlemen. Is there anything else?

MR. FRALEY: No.

MR. ARBUCKLE: No.

CHAIR LUCE: Allen.

MR. FIKSDAL: Well, not on that. I'm sorry. Before you move on Commissioner Ray from Walla Walla County would like to be in on the next item, and we will have to call her on the phone.

CHAIR LUCE: Well, let's do it.

MR. FIKSDAL: Can we take about a five-minute break?

CHAIR LUCE: That is done.

(Recess taken.)

ITEM 6: PROJECT UPDATES

CHAIR LUCE: I think we're ready to recommence. Item No. 6 on the agenda is project updates, and my understanding, Commissioner Ray, are you on the phone?

MS. RAY: Yes, I am. Thank you.

CHAIR LUCE: Well, how is everything in Walla Walla?

MS. RAY: Cold.

CHAIR LUCE: Cold. Okay. Well, it's not exactly warm over here. Do we want to start with the Wallula project since Commissioner Ray is on the phone? Would that not make some sense, Irina?

<i>Sumas Energy 2 Project</i>	<i>Irina Makarow, EFSEC Staff</i>
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MS. MAKAROW: Actually I hope to stick to the order we have because I only have two things to say about Sumas Energy 2. We have almost completed EFSEC's internal review of the final supplemental EIS. We should be completing that by the end of this week and getting those comments back from Jones & Stokes for inclusion in the document and we're probably looking at issuing the final SEIS somewhere in the beginning of February.

CHAIR LUCE: Great.

MS. MAKAROW: The other item is the post-hearing briefing schedule. We received almost all of the briefs from the parties. Constance Hoag's is due in today, and the next step is response briefing by the Applicant due January 25.

CHAIR LUCE: Great.

MS. MAKAROW: Are there any questions about Sumas?

MR. CARELLI: Have copies of the briefs been provided to the Council?

MS. MAKAROW: They are sitting in envelopes and they will be mailed out tonight as soon as we get Constance Hoag's.

<i>Wallula Power Project</i>	<i>Irina Makarow, EFSEC Staff</i>
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MS. MAKAROW: Wallula. The preliminary DEIS has been reviewed internally by EFSEC and BPA and those comments have gone back to Jones & Stokes. We are pretty much proceeding on

schedule for issuance of the Draft Environmental Impact Statement in mid February. However, due to all of the staff's work-load we may have a few days of slippage. We do have to coordinate our mailing list with BPA, and that always takes a little bit of time, and we have to make sure we've got everybody on it, and so it gets mailed out properly.

On the adjudicative side of the deadline for petitions for intervention is January 21st. Around that date staff will issue a notice to those persons or organizations on the preliminary service list regarding a schedule for Applicant and party responses to the interventions and issues.

The first pre-hearing conference will be held approximately four weeks after January 21st due to the availability of our Administrative Law Judge who is unavailable most of February. And by the way our Administrative Law Judge on this project, Mr. Don Meath, is here today with us.

Don, stand up, and we will have the opportunity to meet with him more at the adjudicative workshop that's going to be held in February which I'll talk to you about in a few moments, and that is the update for Wallula. Is there any questions regarding Wallula? Mr. Byers?

MR. BYERS: One. I am recalling that there was to be some rather substantial work done by Bonneville on cumulative impacts of both gas lines and I think maybe on the transmission side. But it just occurred to me that in my review of the Draft EIS I didn't see a whole lot about that. Is there a joining of the documents that occurs sometime in a future hearing?

MS. MAKAROW: Yes, there is. In fact, what you saw was just a preliminary rough version. Jones & Stokes is working on producing the more expanded version of the cumulative impacts discussion and along with that BPA has also issued some concerns from their legal department about the amount of detail in figures that should be included in the Draft Environmental Impact Statement, so those two items are going to be taken care of, and we will reissue just that cumulative impact section for review internally before the Draft EIS is issued.

MR. BYERS: Okay. Thank you. That would apply also to Starbuck I assume.

MS. MAKAROW: Yes.

<i>Starbuck Power Project</i>	<i>Irina Makarow, EFSEC Staff</i>
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MS. MAKAROW: The week before last PPL Global issued a press release that indicated that its Washington project which is the Starbuck Power Project would not be proceeding. Subsequent to issuance of that press release we were contacted by Starbuck Power counsel, Liz Thomas, and late last week she did indicate to us that Starbuck Power Company did want us to pursue review of that application. Liz Thomas is here today if you'd like to ask her some questions about the press release or the Council's review of the project.

MR. FIKSDAL: Liz, do you have any other comments to make?

MS. THOMAS: Thank you, Allen. Liz Thomas from Preston Gates on behalf of Starbuck Power. Starbuck Power is evaluating its options for the Starbuck Project as well as for several other projects located elsewhere in the country. Starbuck Power or PPL Global I should say may seek to sell the project. Of course, it recognizes its obligations with respect to EFSEC should there be that kind of a transaction. But in the meantime Starbuck Power does wish to continue with the permitting of the project, and I would be happy to try to answer any questions that you may have.

CHAIR LUCE: Thank you.

MS. THOMAS: Thank you.

MS. MAKAROW: So as we proceed with the review of the Starbuck Power Project, the preliminary Draft EIS was reviewed internally by BPA and EFSEC. In order to produce the Draft Environmental Impact Statement some additional revision work is going to be required

above and beyond just incorporating comments, and that might take a little bit longer than it has been scheduled. This week staff from BPA and EFSEC and Jones & Stokes will be getting together to review that schedule. Of course, we will have to wait for Jones & Stokes to get all the comments together to see just how much additional work is going to be required. On the intervention side, the petitions for intervention are due January 30. On or around that date we'll be issuing a notice of schedule for responses to the intervention as well as the first pre-hearing conference which will be held again I suspect close to the end of February.

<i>Adjudication Workshops</i>	<i>Irina Makarow, EFSEC Staff</i>
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MS. MAKAROW: You may have already heard about it but staff is organizing an adjudication workshop. Right now we've picked February 1st as the date for that workshop. It might be either half a day or full day. We're still working on the exact agenda. We will be looking at the processes that lead up to the adjudicative hearings such as intervention, pre-hearing conferences, pre-filed testimony, the adjudicative hearings proper, the post hearing process, how other permits, such as PSD air permits and water permits associated with projects, how that fits into the whole hearing process, and other administrative matters such as Council Member reimbursement. Staff's intent was that it would primarily apply to the new Council Members, as well as our four new Administrative Law Judges, and it was not necessarily our intent that Council Members that have already been through other hearings would repeat this workshop, though it is available if you are free. And that is all I have for Sumas, Wallula, and Starbuck.

CHAIR LUCE: Do we have any questions from the Council? Commissioner Ray, do you have some questions?

MS. RAY: Not at this time I don't. I am looking forward to the workshop.

CHAIR LUCE: Will you be joining us here in Olympia?

MS. RAY: I will be on the telephone because of the weather and I have some conflicts over here, but I'll do it by telephone if that's not a problem.

CHAIR LUCE: It's not a problem. I think you would be benefited if it were possible to free yourself up from some of those conflicts to be here. I think it would be a chance to talk to some of the parties, some of the members of the Council, and the ALJ in person.

MS. RAY: I might try to do that.

CHAIR LUCE: We'll accommodate your schedule, but I hope you can join us here.

MS. RAY: Okay. I'll see what I can do. Thank you.

<i>BP Cherry Point Project</i>	<i>Michelle Elling, EFSEC Staff</i>
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CHAIR LUCE: Okay. Michelle, you're going to deal with Cherry Point and Mercer Ranch.

MS. ELLING: Thank you. Yes. The BP Cherry Point Project had initiated a process for our independent consultant to review their draft application similar to what Jones & Stokes did for the Wallula and Starbuck projects. We met with them last week because as of last week according to the original schedule we thought that the full draft application would be in for the independent consultant to review, and its going to take a little longer than they thought, but Mike Torpey is still convinced that this is a good process, and it's something that's valuable to him. The bottom line is he had originally projected February 15th as the date that they would submit their application, and I believe that's going to slip a little bit now. So that's the update on BP.

<i>Mercer Ranch Power Project</i>	<i>Michelle Elling, EFSEC Staff</i>
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MS. ELLING: For Mercer Ranch we heard on January 2nd that Mercer Ranch, who has a complete application ready to submit to the Council that was suppose to happen today, was told by their corporate headquarters in North Carolina to put that on hold for 30 days, and so we anticipate hearing from them by the time of our first executive committee meeting in February as to how they want to proceed.

CHAIR LUCE: Thank you. Questions from the Council for Michelle? All right. Thank you very much, Michelle.

ITEM 7:EFSEC AIR RULES REVIEW

<i>CR 102 Adoption</i>	<i>Irina Makarow, EFSEC Staff</i>
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CHAIR LUCE: The next item is denominated as action item, EFSEC Air Rules Review. Irina.

MS. MAKAROW: Staff is not ready to proceed with this item today. We're going to work diligently to try to release a special Council meeting within the next two weeks.

CHAIR LUCE: Thank you.

MR. FIKSDAL: Just to let people here know what's it about?

MS. MAKAROW: Over the last several years Ecology went through a very long process in updating its PSD and new source review rules and they have to submit this updated rules package to EPA for approval within the state implementation plan. Because EFSEC and the local air pollution air authorities have to work under these rules, and we adopt those rules by reference we too have to review our rules to make sure that we're adopting the new version, Ecology's revised rules. That way once our rules and all the other local air authority rules have been revised, Ecology can then proceed to EPA to get their rule revision updated and authorized.

CHAIR LUCE: Great.

MR. FIKSDAL: So this is strictly just an adoption of Ecology rules.

MS. MAKAROW: At this point it's strictly an adoption of Ecology rules.

CHAIR LUCE: In essence it's a ministerial action. We are going to receive the rules and adopt them.

MS. MAKAROW: Yes.

CHAIR LUCE: Speaking of rules the Chair's report is the next item on the agenda unless there's anything else. Allen?

ITEM 8 CHAIR'S REPORT

<i>Standard's Committee</i>	<i>Jim Luce, EFSEC Chair</i>
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CHAIR LUCE: The first item on the Chair's report is the Standards Committee. I think everyone is aware of the fact that Governor Locke asked that the Energy Siting Council put in place some clear rules and regulations regarding what it takes to site a power plant in the State of Washington, and he asked that we do so with a stakeholder process. We have been diligently working on that stakeholder process.

We had our second meeting last Friday. We met at the IBEW hall in Tacoma, thanks to the cooperation of organized labor and Rebound. We had a good discussion about what's the process to proceed from here, and our next meeting is the 31st from I believe 11:00 to 5:00. And it will be an important meeting in the sense that as we discuss matters it was concluded that the

best way to proceed would be to have basically a committee of the whole which would look at all of the different areas, air, water, seismicity. If there's a regulation that exists in federal or state law, we'll look at that. If there's a regulation that some people think ought to exist that doesn't currently exist, then we'll look at that.

Individual members of the working group are going to give if my memory serves me right brief presentations on existing regulations, and on regulations that they would propose EFSEC to consider which will be followed by a discussion among all of the different stakeholders and then some decision as to how we proceed from there which I anticipate would be in the direction of those stakeholders proposing should they wish to do so some draft rules to the Energy Siting Council for consideration in a formal rule making process.

The stakeholders involved to date are the environmental groups. Dave Bricklin was there. Northwest Energy Coalition was there. Independent Power producers were there. Labor's involved. City and counties are involved. Public utilities and private utilities, legal women voters.

I think we've got most of the key stakeholders that are interested and anyone else that you think might be interested tell them about it. This is an inclusionary process. I think that it will be very helpful to have the agencies represented next time because the stakeholders will be discussing what their vision of existing regulations or what new regulations should exist, so that would be something that you might want to consider, and we will talk maybe after this about the framework for how the agencies might be involved. To date we have not been the lead. We have been the listeners, and I would hope that that would continue throughout this next session.

On the other hand, to the extent that Fish and Wildlife's regulations are going to be discussed, you might want to have somebody from Fish and Wildlife or from DNR present at the table to listen to the discussion and to the extent that it reflects what is correct, that's great. If it's not, then you should feel free to jump in.

MS. FENTON: Well, I was a little bit concerned when you announced the stakeholders group participating on the committee and it became obvious that agencies were not included. I looked at the minutes of the first meeting and looked at the attendance list and noticed that agencies had not participated to any great extent that I could tell.

CHAIR LUCE: No, they didn't.

MS. FENTON: And I am very concerned that you're leaving it up to EFSEC members to make sure that their agencies participate. Because of our role as Council members and the kind of a separation that has occurred in those agencies, it seems a little odd to me and I'd be more than happy to, but I think if we're establishing standards then it really should be an invitation from you to agencies to participate, speak now and get involved, rather than just leaving it up to individual Council Members to solicit them.

CHAIR LUCE: Thank you. I appreciate that. I will be contacting individual agency heads, but also I guess I draw a distinction between agency Council Members acting in an adjudicatory capacity where the ex-parte rule is involved and here in a policy perspective or from a policy context where I think you would be free to participate to the extent that you desire to do so and to do so as an EFSEC Council Member because this will be coming to us as a policy matter not as an adjudicative matter, so I don't think that quite the same rules apply.

MS. FENTON: That was my second part of the question in that there wasn't a whole lot of notice to Council Members for participation. As long as we know far enough in advance what the schedule is going to be we can certainly make sure that we participate, and I would encourage you to have agencies involved who have regulations for establishing standards.

CHAIR LUCE: I think it's a good idea, and that's one of the reasons I am raising it now is the 31st will really be the first meeting where agency involvement, and I don't mean lead the group, but agencies actively being there and listening, participating to the extent they feel it's appropriate would be helpful. Up until now it's been substantially a process exercise in terms of deciding how the group was going to organize itself. Of course, the agencies will be thoroughly involved when we get to the rules adoption phases, but I would rather have them there on the front end than later on and I think that that's a great point that you're making.

MS. FENTON: So January 31st where?

CHAIR LUCE: January 31st. Allen is going to give us some information here.

MR. FIKSDAL: In Olympia somewhere.

CHAIR LUCE: Maybe here, who knows, 10:00 to 5:00.

MS. FENTON: If you could send out a little e-mail, I would be happy to forward it to agency staff, and I think the other Council Members would probably do the same.

CHAIR LUCE: Right. And Mr. Ifie was present and Chuck was at the last meeting as well. Dick.

MR. BYERS. Just one other point along the lines of Jenene's. There are agencies in the state of that are not represented on EFSEC who have standards and regulations that might also be involved here, so that's another reason why it's probably not enough just to expect that the members would arrange for the appropriate level of regulatory agencies participation.

CHAIR LUCE: Give us the list and we will make sure they're invited, and, again, they will be actively participating in the rule making when we go forward from there.

MR. BYERS:I don't know who they all are, but I can say, for example, Department of Transportation is not a member of the Council any more but there are things that the Department of Transportation would probably believe ought to be considered in any kind of standard setting process or other stakeholders might think ought to be considered.

CHAIR LUCE: Allen, perhaps you could help us pull together a list of those agencies you think might be most interested in attending the 31st meeting.

MR. FIKSDAL: Yes.

CHAIR LUCE: We will also be getting you, all of you, a list of how the work load is being divided among the different stakeholders so you can review that and then you can decide among yourselves as to whether and what degree of representation you think is appropriate from the agency.

MS. FENTON: Okay.

<i>Council and Staff Retreat</i>	<i>Jim Luce, EFSEC Chair</i>
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CHAIR LUCE: We are looking at holding an EFSEC retreat. We haven't had one for a while. Allen and I are going to meet on this at the end of the week, and then I want to send out a draft agenda to all of you, but the thought would be that we have so many new members, including the Chair, that it would probably be a good idea to sit down and talk through the lay of the land as it currently exists.

We did this two years ago I guess, and my recollection is that from reading the documents I have seen, that led to some legislative changes with respect to how EFSEC business was handled or is handled. So now we've got the new legislation in place, with a new, somewhat new power world in front of us along with a changing environmental world. How are we going to go forward from here? So the basic theme will be dynamic change. How are we going to work together as a Council? We're basically now a full time Council to the extent that we spend time on EFSEC

matters, so that will be something we'll hopefully forward to you by the end of this week. It will be an outline, and it's a brainstorm, so please give us your ideas.

<i>New UTC member</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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MR. FIKSDAL: Dick, do you want to introduce your successor.

MR. BYERS: Well, there are a couple of things I want to say before I did that. One was to make sure that all of the Council Members knew which you probably all already know that I am sorry to say that I will be leaving the Council, and this is my last Council meeting. To my colleagues on the Council and to the staff I want to say that it's nothing personal.

MR. FIKSDAL: What you're going to say or leaving?

MR. BYERS: What I am going to say may be personal but the fact that I'm leaving is not personal, and that I truly am sorry on leaving the Council because I believe the Council is doing some very important work I think at this point in time, and I think the energy future of the State of Washington is going to depend to a great deal on the kind of decisions that are made with respect to the siting of the plants that will come before you.

The reason I'm leaving is because of the science of cloning has not actually advanced to the degree that I can be made dual in my personalities and in my corporate existence. Thank goodness.

We have over at the commission currently four major rate cases that we are currently processing through which have interim requests for accelerated processing. This is unprecedented just as it is the work of the Council unprecedented over the coming year and to try to address each of those were going to require some kind of cloning procedure, so what we have done is to collect someone who is as close to a clone as I can get, and so my point today is to introduce Jeffrey Showman who will be taking my place on the Council.

I've worked with Jeffrey for close to eight years both at the commission and in our earlier lives, and I think he will serve both the Council and the Commission's interests on the Council extremely well, and I am proud to introduce him today as my successor as Mr. Fiksdal says.

CHAIR LUCE: Thank you. I hope we will be able to call on you from time to time.

MR. BYERS: I am changing my phone number too.

CHAIR LUCE: How about the e-mail? I am serious. I mean alumni of this Council advice is deeply appreciated on the issues that we are going to be addressing and we will be calling on you. You're not going to get away as easy as you might think.

<i>Court Reporter</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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MR. FIKSDAL: I have a couple more items.

CHAIR LUCE: Yes.

MR. FIKSDAL: One is I want to introduce Shaun Linse, who is the court reporter that has been with us on adjudicative proceedings and the staff because of our work load decided that doing minutes was too burdensome, so we have asked a court reporter to come in and do the minutes for us. So each of the minutes will be probably longer and more accurate from now on, but it relieves staff of a tremendous work-load, so Shaun will be here at each Council meeting to take the minutes for us.

<i>Budget/Staffing</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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The last item that I have is I was told today that EFSEC's request for unanticipated receipts was approved by OFM and that part of that was the Council Members' salaries and benefits, so we

will be working with each of your agencies. What I intend to do is draft up a memorandum and agreement and I think Mr. Ifie has already started work on something like that. But I will work with him and that sets out how we will interact with your agencies on your salaries and benefits.

CHAIR LUCE: And the other important thing as I recall in that we will be having some additional staff assistance at EFSEC.

MR. FIKSDAL: Three FTE's were approved with that and we will probably be using those.

CHAIR LUCE: If we're going to get through five of these projects in the next year we will be using these.

CHAIR LUCE: Any comments from the members of the audience for the good of the order or otherwise?

<i>Legislation</i>	<i>Jeffrey Showman, UTC Council member</i>
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CHAIR LUCE: Mr. Showman.

MR. SHOWMAN: I wanted to say what an honor it was to replace Dick Byers on the Council. I just wanted to point out that I got circulated across my desk today House Bill 2327 which amends the EFSEC statute to give the Council explicit authority to consider greenhouse gas mitigation, so I just wanted to point out that that was out there.

CHAIR LUCE: All right. Meeting adjourned.

(Meeting was adjourned at 2:39 p.m.)