

MINUTES
**ENERGY FACILITY SITE EVALUATION
COUNCIL OF WASHINGTON**

August 2, 2004 Meeting
925 Plum Street S.E., Building 4, Room 308
Olympia, Washington 1:30 p.m.

ITEM 1: CALL TO ORDER

CHAIR LUCE: Good Afternoon. My name is Jim Luce. This is the August 2 meeting for the Washington State Energy Facility Site Evaluation Council. I would like to open this meeting by welcoming Television Washington to our proceedings, and we are the group that generally sites large power plants in the State of Washington, power plants over 350 megawatts. The first order of business today we'll ask the clerk to call the roll. Clerk, would you please call the roll.

ITEM 2: ROLL CALL

EFSEC Council Members

Community, Trade & Economic Development
Department of Ecology
Department of Fish & Wildlife
Department of Natural Resources
Utilities and Transportation
Kittitas County

Richard Fryhling
Hedia Adelsman
Chris Towne
Tony Ifie
Tim Sweeney
(via phone) Patti Johnson

MR. MILLS: Chair?

MR. LUCE: Chair is here.

MR. MILLS: I note that there is a quorum.

OTHERS IN ATTENDANCE

EFSEC STAFF AND COUNSEL

Allen Fiksdal
Mike Mills
Ann Essko, AAG
Shaun Linse, Court Reporter

Irina Makarow
Mariah Laamb
Adam Torem, ALJ

EFSEC GUESTS

Darrel Peebles, Attorney for KV and WH wind projects
Cindy Custer – Bonneville Power Administration

Andy McNeil, Project Manager for Satsop CT Project
James Carmody, Attorney for ROKT (via phone)

Karen McGaffey, Perkins Coie (via phone) John Lane, Counsel for the Environment
Scott Williams, Puget Sound Energy (via phone) Jim Hurson, Kittitas County DPA
Mike Robertson, Intervenor with ROKT (via phone) Sonja Ling, Representative from RNP (via phone)
Alan Harger, WDOT Ed Garrett, Intervenor with ROKT (via phone)
Mark Anderson – CTED Energy Policy Clay White, Kittitas County (via phone)
Jeff Slothower, Attorney for Steven Lathrop (via phone) Susan Drummond, Attorney for RNP (via phone)

ITEM NO. 3: ADOPTION OF THE PROPOSED AGENDA

CHAIR LUCE: The adoption of the proposed agenda is the next item on the agenda. Members had a chance to review the agenda? Are there any proposed additions or corrections or deletions to the agenda? Hearing none, the agenda is approved as proposed.

MR. MILLS: Chair Luce.

CHAIR LUCE: Yes.

MR. MILLS: There will be one item that we won't be considering. That's the action item on the Fish and Wildlife contract amendment. We don't feel that item has to be brought before the Council today and will bring it up at a later date.

CHAIR LUCE: Thank you, Mr. Secretary.

MR. FIKSDAL: And, Mr. Chair, for the audience we might want to ask all the people on the bridge line to identify themselves.

CHAIR LUCE: Would all the people on the bridge line in addition to Patty, our representative from the Kittitas Valley Project from Kittitas County, would you please identify yourself.

MR. ROBERTSON: Mike Robertson.

CHAIR LUCE: Mike, would you please identify yourself and who you are representing.

MR. ROBERTSON: I'm Mike Robertson, and I'm representing myself as an intervenor for ROKT.

CHAIR LUCE: Others?

MS. DRUMMOND: Susan Drummond on behalf of RNP, intervenor.

CHAIR LUCE: Not everybody speak at once, please. RNP?

MS. DRUMMOND: Susan Drummond on behalf of RNP, yes.

MS. LING: And Sonja Ling on behalf of RNP.

MR. WILLIAMS: Scott Williams, Puget Sound Energy.

CHAIR LUCE: Next?

MR. CARMODY: This is Jamie Carmody for Residents Opposed to Kittitas Turbines.

MR. GARRETT: Ed Garrett for ROKT.

CHAIR LUCE: Thank you.

MR. SLOTHOWER: Jeff Slothower on behalf of Intervenor Lathrop.

CHAIR LUCE: Others? That's it.

ITEM NO. 4: MINUTES

CHAIR LUCE: The next item on the agenda is the adoption of the minutes for July 6, 2004. Have Councilmembers had a chance to review the minutes for July 6, 2004?

MS. TOWNE: Mr. Chairman, I have submitted my editorial comments to Mariah Laamb.

CHAIR LUCE: Thank you. Other Councilmembers have additions, corrections, or deletions to those minutes? Hearing no additions, corrections or deletions, and recognizing that Councilmember Towne has submitted her editorial comments do I have a motion to adopt the minutes?

MR. IFIE: I so move.

CHAIR LUCE: Do I have a second?

MS. TOWNE: Second.

CHAIR LUCE: All in favor say aye.

COUNCILMEMBERS: Aye.

CHAIR LUCE: The minutes are approved for July 6, 2004.

ITEM NO. 5: SATSOP COMBUSTION TURBINE PROJECT

PUBLIC COMMENT HEARING

<i>Air Permit Amendment</i>	<i>Jim Luce, EFSEC Chair</i>
-----------------------------	------------------------------

CHAIR LUCE: The first item of a substantive nature on our agenda today is the Satsop Combustion Turbine Project. We have a public comment hearing, and so at this point in time we'll go into our public comment proceeding.

(Public comment hearing held from 1:38 to 1:41 p.m.).

CHAIR LUCE: We have the request made by the Applicant in this matter. Council have any comments that they wish to make at this time? Is there a motion to approve the proposed amendment?

MS. TOWNE: So moved.

CHAIR LUCE: Is there a second?

MS. ADELSMAN: I second.

CHAIR LUCE: Call for the question.

MR. IFIE: Question.

CHAIR LUCE: All in favor say Aye.

COUNCILMEMBER: Aye.

CHAIR LUCE: Opposed? The matter is approved.

ITEM NO. 6: KITTITAS VALLEY WIND POWER PROJECT

PREHEARING CONFERENCE

<i>Response to DEIS Comments</i>	<i>Adam Torem, ALJ</i>
----------------------------------	------------------------

CHAIR LUCE: The next item on the agenda pertains to the Kittitas Valley Wind Power Project prehearing conference. It is the Kittitas Valley Wind Power Project prehearing conference. At this time I yield the chair to our Administrative Law Judge, Adam Torem, and I will turn the gavel over to Administrative Law Judge Adam Torem at this point in time. Judge Torem.

(Prehearing Conference held from 1:42 p.m. to 3:15 p.m.)
(Recess taken from 3:15 p.m. to 3:25 p.m.)

ITEM NO. 7: PROJECT UPDATES

<i>Kittitas Valley Wind Power Project</i>	<i>Irina Makarow, EFSEC</i>
--	------------------------------------

CHAIR LUCE: The Energy Siting Council will be back on the record. The next item on the agenda is project updates. Wild Horse Wind Power Project is the next item for an information update. Irina.

MS. MAKAROW: There's actually a very short update with regards to Kittitas Valley Wind Power Project, and I was just going to tell you we did issue our notices for the upcoming adjudicative hearings in Ellensburg, so they would be mailed and published in the local papers.

CHAIR LUCE: The date for that is?

MS. MAKAROW: The adjudicative hearing starts in August.

CHAIR LUCE: All right.

MS. MAKAROW: And the public testimony session is the 19th.

CHAIR LUCE: I'm sorry. I was thinking about the Wild Horse. Okay. That's it?

MS. MAKAROW: Yes.

<i>Wild Horse Wind Power Project</i>	<i>Irina Makarow, EFSEC</i>
---	------------------------------------

CHAIR LUCE: Wild Horse Wind Power Project.

MS. MAKAROW: The Draft EIS is getting in the mail today and tomorrow, and the notices are getting into the mail tomorrow, and everything will be posted up on the web by tomorrow. So we are noticing the August 24 public comment meeting on the Wild Horse Draft EIS, and we're also noticing the opportunity for persons to submit petitions for intervention. The deadline for comments on the Draft EIS is postmarked September 10 and petitions for intervention must be in our office on September 10.

CHAIR LUCE: Thank you.

MS. MAKAROW: And we have an update from the Applicant with regards to their work with the County on the land use consistency issues.

CHAIR LUCE: I'd appreciate hearing from the Applicant.

MR. PEEPLES: As required by the order I'm basically doing an update. The application was accepted for the local land use changes. There has been a staffing agreement developed that will be going to the County Commissioners tomorrow. Clay White informed me that probably he will have his decision out as to whether or not they can MDNS the project by the middle of September.

CHAIR LUCE: Thank you.

MR. PEEPLES: So if those dates are there, we will probably ask for an extension at least to October 1.

CHAIR LUCE: Thank you. Representatives from the County are present. Would Mr. White like to come to the microphone and make a presentation?

MR. WHITE: Thank you, Mr. Chairman. For the record, Clay White. We did receive a complete application last week, and two days later I think on Wednesday we sent out a notice of the application which carries a 30-day comment period. While reviewing when this was turned in, we went by WAC 197-11-938 which gave EFSEC lead agency status for the project, but specifically what that says is for all governmental actions relating to energy facilities for which

certification is required under Chapter 80.50 the lead agency shall be the Energy Facility Site Evaluation Council. As this project is not required to go to EFSEC, it's an applicant opt-in situation, Kittitas County would be the SEPA lead agency. So at the end of the 30-day comment period we will be making a SEPA determination. Obviously I have to get together with Irina and discuss this issue, but I think if you look at 197-11-932 it clearly states that the County is the lead agency on this project.

CHAIR LUCE: I think we may be having some discussions regarding that particular issue.

MR. WHITE: That would be wonderful.

CHAIR LUCE: Anything else to report?

MR. WHITE: Just that we have a complete application as of last week, so we can begin our review now. So I think under their original order it was June 7, so it took about six and a half weeks to get the application from that time.

CHAIR LUCE: Thank you. Anything else, Mr. Peeples?

MR. PEEPLES: No.

<i>Columbia Generating Station</i>	<i>Mike Mills, EFSEC</i>
---	---------------------------------

CHAIR LUCE: Columbia Generating Station.

MR. MILLS: Some of you may have heard or seen last Friday the Columbia Generating Station shut down safely ending its record at over 390 days of continuous operation. The shutdown was caused by a high pressure condition in the reacting vessel. As the plant was automatically shutting down due to that condition, plant equipment indicated that two control rods were not fully inserted into the reacting core to completely stop the reaction. That condition triggered the plant to enter into an alert stage under its emergency plan. That's the second lowest of four emergency classifications, four being the highest. It's a point where the state and local emergency centers activate. The state emergency operation center at Camp Murray and the Benton and Franklin emergency centers, along with the emergency operations facility at the facility, were activated about 10:00 a.m. on Friday morning. I did report to Camp Murray representing the Council along with representatives from the Departments of Health, Agriculture, Transportation, and State Patrol. We also had representatives from the Emergency Management Division and Department of Health that were at the emergency operation facility at the facility. The Governor's office was briefed on the event, and I was also in contact with Chair Luce and EFSEC Manager Allen Fiksdal while I was there. The plant was able to verify that all the rods had in fact been inserted and the reactor was stable, and the alert classification was terminated at 11:57 a.m. So the event lasted approximately two hours. The bottom line, the plant was safely shut down, the emergency plan worked, and there was no health or safety risk. I think that's good news. I will speak about some bad news in a minute. Energy Northwest is not sure when the plant will start up. They're currently doing a root cause analysis to investigate the shutdown, and it appears it may be related to a valve problem. They've also identified another potential issue with the main steam isolation valve, and they're currently investigating that. Typically from a shutdown to a start-up if there aren't any major problems, it would take seven to ten days. But at this time we have no indication when the plant would start up. That kind of leads to the expectation to have certain impacts upon the ratepayers of the Northwest in power production. This is a base load plant that produces over 1,100 megawatts. It's certainly anticipated there will be an effect. That is my report.

CHAIR LUCE: Thank you. We have a representative from Bonneville here today. Ms. Custer, do you have anything to report on that particular issue?

MS. CUSTER: Hello, I'm Cindy Custer from Bonneville, and we talked a little bit before this. There will be an impact, but at this point I don't know how large, and part of it will depend on when the plant is restarted. So maybe at the next meeting I can provide you some additional information.

CHAIR LUCE: Thank you. WNP-1.

<i>WNP -1</i>	<i>Mike Mills, EFSEC</i>
----------------------	---------------------------------

MR. MILLS: I briefly report that the staff has continued work with the Department of Fish and Wildlife on the Rattlesnake Slope acquisition of the large piece of property in Benton County. Ann and Allen and I had a chance to meet with the Department's Real Estate staff and review the draft agreement that is being negotiated with the property owner. I think we're very optimistic that that's going to be concluded within the next 30 to 45 days.

CHAIR LUCE: Thank you. I would just add that the agreement will be thoroughly reviewed by legal counsel as well as our staff, and if it's necessary given our meeting schedule at the appropriate time, I may, after forwarding copies of this agreement to all Councilmembers, request a special meeting to go ahead and approve my signature of that agreement. It's a real estate purchase, and when the time is right you want to execute those agreements in an expeditious manner. So if the time is right, and I hope it will be, then we want to move as soon as the agreement is ready for signing. The other thing I would report to you on the other piece of property we're looking at over there, I believe Mariah has sent a copy of the website to all of you.

MS. LAAMB: I will get that done today.

CHAIR LUCE: All right. She will send you a website that gives you a good overview of the other piece of property in Benton County that community stakeholders, as well as Benton and the City of Richland, are looking at. So I'll just leave it at that time.

CHAIR LUCE: Chehalis.

MR. IFIE: Quick question on that.

CHAIR LUCE: Yes.

MR. IFIE: I believe there was a committee that was set up to help the Council to look at these issues.

CHAIR LUCE: Yes.

MR. IFIE: Is that committee still going?

MR. MILLS: We wanted to meet with the committee after the meeting today because your earlier schedule wasn't able to do that.

MR. IFIE: Thank you.

<i>Chehalis Generation Facility</i>	<i>Mike Mills, EFSEC</i>
--	---------------------------------

CHAIR LUCE: Chehalis Generation Facility.

MR. MILLS: Again, a brief report. I spoke with Kaye Emmons at the plant this morning. The plant has been running most of the month of July, and the demand is high, the prices are up. So they've indicated that they have been running steady the whole month. Again, this is an over 500 megawatt plant.

CHAIR LUCE: I thought that was maybe part of the good news, bad news; that WNP-1 is down but Chehalis is up. So in any case we hope that WNP will come back on line very quickly.

EFSEC Rules, Allen.

<i>BP Cherry Point – Final EIS Issuance</i>	<i>Irina Makarow, EFSEC</i>
--	------------------------------------

MS. MAKAROW: Excuse me. You skipped over the BP Cherry Point Project.

CHAIR LUCE: Oh my gosh, I sure did. That's a very important project. Excuse me representatives from BP. We have an action item, final issuance of the EIS.

MS. MAKAROW: Councilmembers, in your packets you will find one double-sided page which is a reminder to yourselves which is actually more of a speaking list for me, so that I get everything in. What staff is requesting is that you approve issuance of the Final EIS by EFSEC SEPA official Allen Fiksdal in accordance with Chapter 173-11-460 of the Washington Administrative Code which is the SEPA WAC. As you know a joint SEPA/NEPA EIS is being prepared by EFSEC and Bonneville Power for this project with the U.S. Army Corps of Engineers as a cooperating agency. A Draft EIS was issued for public comment in September 2003 with the public comment hearing held in October of 2003 and the comment period ending in November. Since that time Shapiro has been working on responding to comments and also taking into account the information that was coming out of the adjudicative hearing with prefiled testimony, settlement agreements that have come through the whole process, and they have prepared an administrative review version of that Final EIS which is circulated to all of the agencies involved in issuing that to receive comment. A few weeks ago Bonneville had requested EFSEC staff that we look at ways that we could issue the Final EIS as quickly as possible. Bonneville needs to make a decision on the request for transmission for the BP Cherry Point project. They're at the top of their queue, and if they don't make that decision all of the other decisions cannot be made. EFSEC staff and Bonneville staff, we've explored alternatives to how Bonneville could get a Final EIS out in a timely manner for their process, and all of them hinge on the Final EIS being issued by Bonneville. Now obviously Shapiro who is contracted to EFSEC had already by the time we started these discussions done 95 percent of the work, and it was quickly determined that issuance of a separate Final EIS by Bonneville would cost Bonneville time and money because they would have to hire somebody else to do all the work. So it was concluded among staff that issuance of the joint FEIS that is being prepared by Shapiro is the most time-effective alternative if we can get that out as quickly as possible. EFSEC staff feels that EFSEC can accommodate that request, and we could issue the Final EIS August 20. EFSEC Councilmembers had a chance to look at the administrative version as have the other agencies cooperating in this document, and therefore staff recommends that the Council proceed with issuance of the Final EIS in accordance with SEPA WAC 473-11-460.

CHAIR LUCE: Thank you. Councilmember discussion? You've had a chance to review the document.

MS. TOWNE: What was the cite?

MS. ADELSMAN: Yes.

MS. TOWNE: 173 isn't that an Ecology WAC?

MS. MAKAROW: Yes, which we've adopted by reference. It's on the back actually. Oh, I'm sorry. It's 197-11-460.

MS. TOWNE: That's better.

MS. MAKAROW: It's on the back of your page. I apologize for that.

CHAIR LUCE: Councilmember discussion? Do I have a motion?

MS. TOWNE: So move.

CHAIR LUCE: Second?

MR. IFIE: Second.

CHAIR LUCE: Discussion? Hearing no discussion, do I have a call for the question?

MR. SWEENEY: Question.

CHAIR LUCE: The question has been called for. All in favor say aye.

COUNCILMEMBERS: Aye.

CHAIR LUCE: Any opposed? The motion has been passed. Please issue the Final EIS.

MS. MAKAROW: For the project updates as we're targeting August 20 to issue the Final EIS, and with respect to the adjudicative proceeding you've all received copies of the Applicant's final brief which contains a proposed order and proposed site certification agreement. Our Administrative Law Judge, Julian Dewell, will begin working on drafting an order for the Council to consider, so that when you get back from Ellensburg in September, we will get you all together in deliberations, so that you can prepare your decision for the Governor. And Julian Dewell is also currently working on the other orders with respect to the settlement agreement with the County and the land use consistency. So those will go out earlier.

CHAIR LUCE: Great.

MS. TOWNE: Just as an addendum, in your packet is a letter dated July 29 from Karen McGaffey representing BP responding to my questions asked at the stipulation hearing defining dBA, dBC, and L90, and I thank you for that.

CHAIR LUCE: Do we have any other project updates?

MS. ADELSMAN: Can I ask a question about this one? Did we select the dates? I was in and out last week. Do we have dates selected for the deliberation?

MS. MAKAROW: The dates are not selected yet. Mariah just sent out an email.

MS. ADELSMAN: So you still want us to email. You wanted a day and a half of our time?

MS. LAAMB: Yes. If you could stop by and maybe give me your schedule, that would be really helpful.

MS. ADELSMAN: I brought my calendar for that.

MS. LAAMB: Thanks.

MS. MAKAROW: That is all.

ITEM NO. 8: EFSEC RULES

<i>Update</i>	<i>Allen Fiksdal, EFSEC Manager</i>
---------------	-------------------------------------

CHAIR LUCE: The next item on the agenda is the discussion of EFSEC rules update, Allen.

MR. FIKSDAL: I just want to remind you that on August 10 at 2:00 p.m. we will be having a hearing here in this room on the rules package, and I hope to see you all here.

MS. ADELSMAN: Have we received any comments, written comments?

MR. FIKSDAL: Not that I'm aware of.

MS. MAKAROW: No, the only comments that we've received were those of Renewable Northwest Project that were submitted just before we actually noticed it.

CHAIR LUCE: I have discussed orally with Northwest Energy Coalition that they might have comments. It is a comment that is very similar to one we previously considered.

MS. ADELSMAN: Okay.

CHAIR LUCE: And that's the extent of it. Air rules, Irina.

<i>Air Rules (WAC 463-39)</i>	<i>Irina Makarow, EFSEC</i>
-------------------------------	-----------------------------

MS. MAKAROW: As you know the comment period on our CR 102 for the revision of air rules ended. We received one letter that I brought to the Council's attention at the last meeting. In your packets you will find a draft rule making order and a draft concise explanatory statement that would be filed with the Code Reviser's Office, and we expect to bring this action item before the Council for the 10th also.

CHAIR LUCE: Thank you.

ITEM NO. 9: EFSEC OPERATIONS

<i>Allocation Plan</i>	<i>Allen Fiksdal, EFSEC Manager</i>
------------------------	-------------------------------------

CHAIR LUCE: The next item is EFSEC Operations - Allocation Plan that deals with the issue of how EFSEC treats its cost and expenses and allocates them among applicants and existing licensees.

MR. FIKSDAL: That's correct.

CHAIR LUCE: Allen.

MR. FIKSDAL: I handed out to you, and I don't know what color. Maybe it's in the back of your packet. There are several different pieces of paper. There's a brown piece and white pieces. I will direct your attention to the white pieces which are stapled together. It's about four sheets or four pages of EFSEC FY 04 nondirect cost estimate. At your last meeting I presented you with an allocation plan and suggested and offered a way to allocate the nondirect costs. The Councilmembers suggested that I look into some possible options on ways to do that, and so I have developed basically four different options.

CHAIR LUCE: Do you want to summarize the meeting we had in Seattle with Energy Northwest and Independent Power Producers?

MR. FIKSDAL: Oh, yes, I do. Prior to this meeting we did meet with Energy Northwest, NIPPC, the Northwest Independent Power Producers; and Ms. McGaffey representing herself and other interests I guess. In that meeting basically I think the gist of the meeting was that what industry and others would like to see from EFSEC in our direct and nondirect costs is predictability. Currently our costs change over time and could change over time due to addition or withdrawal of applications or projects, and that has happened. We have had an additional cost due to our rule making, and so the predictability is important to many people, and they would like to see and know what their costs are ahead of time. They need to budget just like everybody else does, so it is better for them to know what the EFSEC costs are going to be. They would also like to see simplicity. We know that the state accounting process is not the easiest thing to master, but if we can present our costs in a way that we charge in a simplistic manner that would be appreciated.

Transparency. They want to know what costs are included, why those costs are included, and how they are, and, again, what they are. Fairness and equity is a concern. They want to feel that they are being charged for their fair cost, and they have a sense that currently the costs aren't exactly fair or equitable. We asked for examples, and they didn't offer one, but I think we all are looking for fairness and equity. Energy Northwest added a couple of comments during the meeting that they would like to see a tracking system developed, so that the direct and nondirect and contract costs can at least be tracked and presented to the applicants and certificate holders. And they would like to see that new activities are not charged to the current applicant or certificate holders. I guess the new activities would be something in addition to the application or site certification. If it's outside of their purview, they don't think that they should be paying. I think we all generally agreed that these are good goals in trying to develop and understand EFSEC's costs, and I think that is part of the reason we are going through this process is to show how we get to a charge, why we get to a charge, and hopefully that it will be fair and equitable. Predictability is an issue that sometimes we have a hard time dealing with too. It would be nice if we could predict and have things predictable in the future, but sometimes they're not. Simplicity. It would be great to have a simple process. I try to simplify it as much as possible,

but sometimes we're constrained by the state system that doesn't make things exactly as simple as you wished to be.

Transparency. We always thought that we were transparent or at least if people wanted to ask what the costs were we would be more than willing to go through our costing procedures and what the costs were. I think maybe that we didn't suggest that they ask and they didn't ask. But we are more than willing to go through all of our costs. So I think the meeting was good. We have set another meeting for I believe it's next Friday.

CHAIR LUCE: Next Friday the 13th.

MR. FIKSDAL: Up in Seattle for that group to meet again. I think if there is some reaction or comments from today's meeting and the information you received, then we can go on to have more discussion. Did that cover the meeting fairly?

CHAIR LUCE: I think so. The challenge on predictability is that some people come into the queue and some drop out, and the allocations tend to change as that happens. The fair and equitable is sometimes in the eye of the beholder. So what's fair and equitable to someone who holds a license to construct a project that is not being constructed and may not be constructed for some period of time and on which there's little activity occurring, they view fair and equitable somewhat differently than someone who has a project that is up and running. So we have to work through that issue. I guess the other thing that I would say people talked about is hopefully we can find an administrative solution to this issue, but there may be other ways to approach it as well. So other people who were at the meeting, Councilmembers and/or Karen.

MR. IFIE: I was going to ask that the issue of cost reduction was brought up also, and the idea was that we should try to look for a way for general funds to contribute significantly to EFSEC's funding. Also the issue was brought up that we should try to look for a significant solution as opposed to nickel and diming the issue. That it's not looking for something that is substantial, and the idea was that maybe an administrative solution may not work. But we're talking about substantial solution by general funds, state funds that might require legislative solution.

MS. ADELSMAN: The only thing that I was going to add which I thought was actually good is there was an agreement that even if any projects are not active that maybe a flat or a fixed cost can be assigned to some of these projects based on some kind of reasonableness in the overhead, and I thought that was something good to consider. So it wasn't like, no, they shouldn't be paying anything, but there should be some kind of reasonable fixed cost associated with inactive projects.

CHAIR LUCE: I agree that was discussed, and then some of those, since the cost of our operation needs to be spread among all those customers with whom we do business, the opposite point of view or a differing point of view was that that could increase the costs for those who are doing business. So while those who only hold a license might view that as fair and equitable, those who actually have projects up and running might recognize that their costs are going to increase and might take a different view of that. So you have different ways of looking at that issue and different impacts on different customers of EFSEC.

MS. ADELSMAN: I thought the meeting was very positive.

CHAIR LUCE: It was very positive and very cordial. Karen.

MS. MCGAFFEY: And I would agree that I thought the meeting was positive and cordial. Just a couple of additional comments for those of you who were not present at the meeting to try and put some of the things that others have said in context. I think one thing we did at the meeting as a group was distinguish between the near-term issues and the longer-term issues. I think everyone in the room understood that the reality of the Council's situation currently is that you

do not have general funding. The only source of revenue is from the applicants and certificate holders, and whether or not we disagree about the legality of that situation, I think we all recognize that that's a reality. That issue really goes to the allocation policy that I think Allen is going to discuss next. That was an issue that we did not discuss in great detail in the meeting. What the meeting really focused on was the longer-term issue and the notion of whether there is a solution, either legislative or administrative, that would provide a long-term solution. Again, the discussion did not focus on the respective legal positions but rather focused on whether there was a policy compromise that would satisfy all the goals that Allen has articulated. I guess one goal that I would add to that list is the notion that applicants and certificate holders believe that if they're going to be paying some of these nonproject related costs that that expense be a reasonable amount, and I think the current feeling is bearing the entire expense for those overhead costs and nonproject expense is not reasonable. Again, I think the focus was on trying to come up with what the goal should be and whether there's a way to where we can all work together to reach those goals. At least I think from our perspective the meeting went well, and we're optimistic that during that August 13 meeting we can try and work out some real solutions that will work for everyone involved.

CHAIR LUCE: Then we will go to Senator Morton on either September 20 or 21 and present to him what progress has been made to date and what options exist, and in the interim we will also discuss this issue with CTED and with the Governor's office. So I think that's sort of the summary of what happened at the meeting. Allen, you have some options that you want to discuss with us today.

MR. FIKSDAL: Yes. I think, again, we are putting in a request for general fund money for another \$50,000 for the next biennium to cover the CO2 rule making and some other nondirect costs that were identified as working with either prospective applicants or learning and talking with people about new and different technologies. LNG is an up-and-coming issue, and we need to get up to speed on that, and that would be some of the nondirect money that we will get. Yes, I guess that Karen is correct. This is more of a near-term solution and not the long-term solution for the rest of this fiscal year which we are in month one, and you have approved a means of charging at a certain rate these nondirect costs. I might add also that we are implementing procedures in the office to try to identify better those costs, those up-front nondirect costs and our administrative costs, so that we can track those through the year and find out more what those are. I think I've mentioned to you the difficulty in looking backwards and trying to identify all those costs. So we are working on keeping track of those costs, whether they are the rent and who we charge or Councilmembers' time or staff's time or Jim's time or my time. So hopefully in a while we will have a better handle on exactly what those costs are. Back to this white sheet, I would like to go to the first page. Basically what I have tried to determine and what it kind of shows us is some real money, and I tried to estimate about how much for the next biennium our nondirect costs would be. In developing this amount of money I took the three full support positions and actually EFSEC manager, my position, and Jim's position at 50 percent, and with salaries and benefits that comes out to about \$185,000. You can look through the list of goods and services, and I have estimated some costs. The AG, this is my guess at what Ann's possible costs would be for the year, so you come up with for business services, travel, equipment about \$169,000. The indirect and the types of indirect that we are charged currently by CTED and we get another amount of money, \$156,000, which is a total of around \$510,000 as an estimated yearly cost for nondirect charges. Just to kind of show what the comparison is on the next column where it says FY 04 Actual EFSEC cost that amount of money of \$395,500 was the total

salaries and benefits for the whole year. So you can see that my estimate is about 47 percent of what the real costs were and on down the list there. So what I did is I look just for comparison because I didn't use a lot of percentages and whatnot. I took this \$510,700 roughly and tried to figure out if depending how you calculate things, how much it would cost for each of the projects.

If you turn to the last page, Option No. 1. The first option basically is an option of, gee, let's not look at how much time or effort we spend on any one project. These are EFSEC's nondirect costs. We should split them down the board. We have nine projects that we charge against, and so each would all be equally charged the same amount, and you can see that for each project it would be roughly \$57,000 per year for those nondirect costs, so that's one way to calculate that. Some people may say it's fair and equitable. We have these projects and everybody gets charged their fair share, and thank you very much. That's one way to do it.

If you go back to the previous page and look for Option No. 2. Option No. 2 is based on using all of our staff time for calculating EFSEC's work load. In other words, we use the FTEs that we put into our time sheets, and I use the FTEs. As you can see down at the bottom it says all staff FTEs FY 04, that longer box, and you can see it listed by quarter and a yearly average, and so there are basically two ways to calculate this type of charge rate. You could take the yearly average, and I have done that in the box above, and it shows what the charge would be by project. But yearly average doesn't really represent what we're doing currently. A more current representation is the past quarter, and for this year it's the fourth quarter. And so what I did is I showed what the fourth quarter rate would be, and you can see what the charges would be per charge index as we might want to call them. So that's one way to do it. That's using all the staff time as a gauge or a marker.

In Option No. 3 we changed the marker or the gauge, and one way that we thought might be or could be a better representation of the time basis for work load calculation is to take the siting manager's and the compliance manager's times and look at those times because they are working primarily directly on the projects. We don't have much administrative time, and to look at the Council's workload - it might be better to look at what they are spending their time on. So that's what I have done on this Option No. 3. You can see the compliance manager in the first long box and the siting manager in the second long box. This is Mike and Irina's time. Again, I looked at the yearly average and just the fourth quarter average. Do you see the difference in the different types of charges it would be if you looked at the previous quarter? Again, if you look at their time, you see it changes. It could change dramatically over time, and for I think just look at this. Look at Mike's time in the Columbia Generating column, the compliance manager FY 04, you see his last quarter has been very high in just Columbia. This has to do with preparing all of the contracts that we do at the end of the year and especially for the next biennium. So he's spent a large amount of time on Columbia. So if you did the fourth quarter only that would show that Columbia would be charged a large amount of money. Is that fair? Is that equitable? That is something that you have to determine. Also look at I think Irina's time, the siting manager time. When you look down at the Wild Horse Project, WH, she started out at 18 percent in the first quarter and ended up with 32 percent in the last quarter. Again, taking a yearly average may not be the best way to do it. Looking at the fourth quarter may not always be the best also. So anyway that's Option No. 3.

Turn the page, Option No. 4. This is similar to what I proposed at our last meeting; that is, looking at all -- in fact, it's the same thing that I proposed at the last meeting. Looking at all the staff time and trying to project the future work as a basis, so I looked at the fourth quarter

average and then -- or I can't identify the fourth quarter -- the yearly average and then tried to project what's going to happen during the next quarter. The problem is, is it one percent more, two percent more? What is the basis for my projection? And I don't have a basis for the projection. It's my estimation on using my almost 20 years of experience in EFSEC and how much more it may cost. Sometimes I'm right and sometimes I'm wrong. Things happen. If I were doing this last December right after the BP hearings or right before the BP hearings, I would have said that the next quarter would have been very high in the BP column; that we all saw that they asked to work on a settlement, and the time may be reduced or other things that may happen. So this isn't a perfect solution either, particularly because it's based on my projection of what may happen, and I'm very fallible. So it may or may not work. So what I have is four different options. All of them have I think some credibility, some usefulness, and I guess I am looking to the Council to have some sense of is this what they expected? Is this useful? Do we need more? I will leave it at that.

MS. TOWNE: Allen, nowhere do I see a column for Councilmember nondirect time.

MR. FIKSDAL: That's right.

MS. TOWNE: And I realize that with the rule making it's substantially over. But we are going to have a hearing coming up. Though other things will come up in the course of the next two years, next biennium, where is that accounted for?

MR. FIKSDAL: Actually in the state's system you come under purchased services.

MS. TOWNE: Ah-hah. Thank you.

MS. ADELSMAN: They're buying our service.

MR. FIKSDAL: Essentially that's part of that purchased services. The number of the \$10,000 that is on the first page, part of that is your time for administrative. Then we're assuming your administrative costs are Council meetings like today. You have two of them a month. You have a couple days to prepare for those. Any of your hearings that are for a project are a direct cost that was going to be included.

MS. TOWNE: For instance, where is the CO2 rule making? I know we're looking for cash, and we won't do it unless we get it from the legislature.

MR. FIKSDAL: That is not in here.

MS. TOWNE: Wouldn't it have to be accounted for here as an added appropriation?

MR. FIKSDAL: Yes and no. We cannot do it until we get funding.

MS. TOWNE: Right.

MR. FIKSDAL: And the funding we are assuming either by the legislature or the first applicant that walks in will do it, so that will probably be a direct charge to that applicant.

MS. TOWNE: If it were the legislature, then the appropriations amount would be adjusted to reflect the amount appropriate.

MR. FIKSDAL: That's what we have in the request. That isn't anywhere in any of this.

MS. TOWNE: Okay.

MS. ADELSMAN: Based on the question we should not do it unless we get state general funds.

MS. TOWNE: We can't do it unless we get money.

MS. ADELSMAN: Well, we must not do it.

MR. FIKSDAL: What the law says basically is that you can't charge existing applicants and certificate holders.

MS. ADELSMAN: Yes. Well, the question is whether we should charge even the new ones.

MR. FIKSDAL: Well, it does. Actually it does. The new law says, yes, we may charge the new applicants.

MS. ADELSMAN: It does say that? Oh, interesting. Okay.

MR. FIKSDAL: So it says basically you charge those that are impacted or affected by that law. I can't remember the exact words.

MS. ADELSMAN: In looking at the numbers three projects really do benefit from Option 1 to either Option 4. You know, one of them is not really maybe \$600, but it's three projects that definitely benefit. Wallula is the one that will benefit the most from the changes.

MR. FIKSDAL: And Sumas I believe.

MS. ADELSMAN: We talked about every quarter reevaluating.

MR. FIKSDAL: That was in my plan, yes. The plan was to choose or identify a rate and then every quarter reevaluating whether that should be carried or changed based on looking at some gauge, and again, it's to determine which gauge do you look at? Do you look at Irina's and Mike's FTEs? Do you look at the full staff's FTEs? Do we take those FTEs and project to the future? Exactly how do we do that?

CHAIR LUCE: Having measured that against simplicity, transparency, predictability, and fair and equitable and reasonable nonproject costs, if required. Okay? So I mean doing it every quarter might not be simple, and necessarily predictable.

MR. IFIE: It would be more accurate.

MR. FIKSDAL: It may be more fair and equitable, but predictability may change.

MR. IFIE: Right.

MR. FIKSDAL: Or predictability may not be accomplished. Let's look at it that way.

MS. ADELSMAN: The only reason it would change is if the applicant and an active certificate is coming for some action, and they really know and hopefully they anticipate that if they're going to come to us with some action it's going to have some cost. So that's a predictable.

MR. FIKSDAL: You have to realize the direct costs are not reflected in here. These are just the nondirect costs.

MS. ADELSMAN: No, I understand.

MR. FIKSDAL: So an applicant is going to come. Yes, it may reduce the nondirect costs if we're using FTEs. It may reduce it somewhat. Depends on whose FTEs you're looking at. The most striking change would probably be if one of the certificate holders withdrew their certificate or asked to have that certificate canceled. Say Wallula or Sumas decided that they didn't want their certificate anymore, didn't want to pay whatever the cost is and withdrew it. That would raise all the others. If we got a new application, which we're not expecting, that would reduce all the others. Those are the only two, you know, really unpredictable things. I think the applicants or certificate holders, if they're going to do something, then that's the direct cost. That will go up because of direct costs. It will be probably more of a minor hit on the nondirect costs.

MS. ADELSMAN: So if you use Irina's and Mike's time and a new application comes in it really will change the percentages even more.

MR. FIKSDAL: Very much so.

MS. ADELSMAN: Than if you use one of the other options.

MR. FIKSDAL: That's correct.

MS. TOWNE: So less predictability.

MR. FIKSDAL: Less predictability.

MS. TOWNE: More fairness.

MR. FIKSDAL: In my mind it's more fair, fairer, or whatever the correct terminology is.

MS. ADELSMAN: Well, I don't think somebody is going to complain if they're going to pay less.

MR. FIKSDAL: No, they're not.

MS. ADELSMAN: So predictability in the sense of not tomorrow being 50,000 and today is 10,000.

CHAIR LUCE: Here's a suggestion. We're going to meet on Friday the 13th.

MS. ADELSMAN: Oh, no. The 13th is a Friday.

CHAIR LUCE: The 13th at noon with our customers, with our representatives of our applicants and licensees. The issues on this particular matter are pretty clear. I would suggest that the Councilmembers take these options away, look at them, give the subcommittee some feedback on what their views are, and Karen is here today. We'll appoint her representing everybody, and, Allen, you can get feedback too. What I guess I'm saying is I would like to be hearing from Energy Northwest and from NIPPC as to what these options are.

MR. FIKSDAL: This is the near term.

CHAIR LUCE: But you can also look at them as longer-term options.

MS. McGAFFEY: If I might make a suggestion.

CHAIR LUCE: Sure.

MS. McGAFFEY: I think it might be useful for Allen having the Council send this to each of the applicants or certificate holders and request them to make comments to you generally. The subcommittee that has been meeting does not represent all of the applicants and certificate holders, and those of us who represent some of them obviously have potential conflict in talking about allocation issues. It seems to me that if you want to get the input, you might either send them these options or send them these options with an indication that the Council's leaning towards one particular or as I understand it staff's recommending Option 4.

MR. FIKSDAL: No, that was the one that I had recommended in the past but not necessarily now.

MS. McGAFFEY: So you might or might not give folks an indication of where your head is, so they know whether they need to comment.

CHAIR LUCE: That's a good idea.

MS. McGAFFEY: But I think sending it to those folks directly and asking them to send or email you comments or whatever might be appropriate.

MR. FIKSDAL: I'm sorry. Did you say all the certificate holders and applicants or just the ones at the meeting?

MS. McGAFFEY: I don't really care about the ones that aren't my clients, but it seems to me that everyone that you're planning to bill.

MR. IFIE: I have a comment. I want to thank Allen for a very good group of options. I think they define the pertinent options that we need to consider as a Council and also the fact that policy issues are becoming more obvious. From looking at the options to go with staff time, for instance, whether staff time is used as up-front staff or just all staff or to go with the issue of time frames. Do you go with quarterly or do you go with the annual time frame? And then also the cost of doing business. Do we charge everyone the same amount or do you charge the project sponsor depending on the amount of work that's done on their project? So I think these issues will help us to deliberate this issue and try to come to some closure. So I appreciate the effort that Allen put into this. I will say that I think I agree with Chair Luce that we need to, the subcommittee needs to address some of these issues with input from the project sponsors. And I do agree with what Karen suggested is a good way to go and put it in a formal fashion. So I think I am in agreement.

MR. FIKSDAL: You have a brown piece of paper also. This is just history basically. These are EFSEC costs, actual costs for FY 03 and FY 04; however, the FY 04, all the contract amounts - we don't have yet. Some of the contracts from the various state agencies aren't in yet. Columbia will be high, and that's probably the only one. Columbia Generating isn't quite real yet in FY 04. Just to give you some sense and for me, for myself it's all different projects broken out by salaries, the codes that we have to break out for the state and the percentage of whatever our expenditures were if you're interested. I don't know if anybody is but me.

MS. ADELSMAN: Allen, a quick question. With the \$250,000 that we are putting in, the \$150,000 I understand is specifically for the rules, and then it's \$140,000.

MR. FIKSDAL: Actually, it's \$140,000 and \$110,000, something like that.

MS. ADELSMAN: So divided by two you minus the \$510,000 which is assuming to cover from some of the \$510,000 or is it in addition?

MR. FIKSDAL: It would be some of it, but I think more in addition. One thing the rules are going to be the difference.

MS. ADELSMAN: No, I say it's through the rules.

MR. FIKSDAL: The \$510,000 is more of a contingency than it is to supplement it I think. I mean if we get it, we could supplement. But to begin with it was to look at given my time to go to meetings and whatnot, travel time, goods and services, that type of thing. That's over two years.

MS. ADELSMAN: Okay. They are not covered now.

MR. FIKSDAL: Not really covered. We do that but not to a high degree. We have cut our costs quite a bit, and I think that's what I tried to show in the first sheet.

MS. TOWNE: The little gray box.

MR. FIKSDAL: The little gray box you can hardly read. Over the past couple years we have reduced staff by one person. Your Council time has been reduced now. Our rule making work load is almost complete and done, and the Chair's time has been reduced. Not only that, we are looking very closely at what meetings and what costs and what charges we have, and we're tightening our belt in reducing costs as much as we can.

MS. TOWNE: Explain to me, Allen, because I don't have the past history. You show in the little gray box on Page 1 a reduction of one FTE, but for 06 you show three support positions. There's two plus a vacancy; is that correct?

MR. FIKSDAL: Actually the FTE was a siting specialist, Michelle Elling. I don't know if you were here when she was here.

MS. TOWNE: No, before my time.

MR. FIKSDAL: She was a siting person.

MS. TOWNE: So you did have four support positions.

MR. FIKSDAL: She wasn't really support. She was a technical person.

MS. TOWNE: Oh, she was technical. Well, what are the three support positions today? Is that one vacant?

MR. FIKSDAL: It should be two and a half is what that is. That's Mariah would be 100 percent and Tammy is 100 percent and half of Diane is what this represents.

MS. TOWNE: I don't even know who Diane is.

MR. FIKSDAL: Diane supports Mike.

MS. TOWNE: I haven't run across her.

MR. FIKSDAL: She's in back. We hide her.

MS. TOWNE: Is she ever allowed out?

MR. FIKSDAL: She likes it back there. So, that should say two and a half positions out of a hundred percent of those two and a half.

MS. TOWNE: Thank you.

CHAIR LUCE: Any other questions?

MS. ADELSMAN: The only question, the last question is you're going to need action before the end of August; is that correct?

MR. FIKSDAL: Yes.

MS. ADELSMAN: So it would work with codes.

MR. FIKSDAL: It would be nice now because we're going to start getting charges in August, but not having anything, I am going to go with what you gave us in July until you tell us differently, but the sooner the better for me.

CHAIR LUCE: I think we need feedback from our customers, and we need to have this meeting with the subcommittee, and then we will be in a position to give some additional direction.

ITEM NO. 10: OTHER

CHAIR LUCE: What else do we have before the Council today?

MR. FIKSDAL: You are scheduled to have a meeting the third Monday of each month, and that is the beginning of your meetings in Ellensburg, your hearings in Ellensburg. So I would like to ask if you want to officially cancel that meeting. We will send out a notice of that to the Council.

CHAIR LUCE: Yes.

MS. TOWNE: Is there any reason we couldn't notice it for Ellensburg and spend an hour if we have business to transact, actions to take, if needed? Have a working lunch? It's just a thought.

MR. FIKSDAL: Yes, we can do that. It would be easier not to.

MS. TOWNE: I understand.

MR. FIKSDAL: I recommend that you cancel personally, but if you want to keep it open, that's fine.

MS. TOWNE: I don't know what's hot, that's not going to be convenient to wait until the first of September to take action. I don't know.

CHAIR LUCE: How long does it take to convene a special meeting, if necessary?

MS. TOWNE: Twenty-four hours.

MR. FIKSDAL: The requirement is that all the Councilmembers be informed at least 24 hours in advance and any of the press that is on our special meeting list is informed at least 24 hours in advance. But we would have to know at least by Friday.

MS. ADELSMAN: So the next EFSEC meeting is on the 7th of September.

MS. TOWNE: That's five weeks from now, and I'm just thinking that's maybe a long stretch.

MR. FIKSDAL: We have a special meeting -- I mean you're getting together for hearing on the 10th. You're going to take some action on the air rules and then hear the hearing, the CR 102, and actually issue that or get ready for it. I don't know.

CHAIR LUCE: It just seems to me that if there's important information for actions that's required between now and September, we can call a special meeting on 24 hours notice.

MS. TOWNE: That's fine.

MR. SWEENEY: I move we cancel the meeting.

MR. FRYHLING: Second.

CHAIR LUCE: Call for the question.

MR. SWEENEY: Question.

CHAIR LUCE: The question has been called for. All in favor say aye.

COUNCILMEMBERS: Aye.

CHAIR LUCE: Anything else to come before the Council today? Yes, Mariah.

MS. LAAMB: I have provided for you what I hope is fairly complete travel arrangements, food preparation, and transportation. Patti, I will email this to you today. I apologize for not doing that prior to the meeting, and you're not forgotten, but most of these plans since you are there did not require transportation and hotel arrangements, but you definitely are remembered as far as the food. There are three pages. I hope I answered a lot of questions for you on these three pages. If not, please contact me. I have the listing of foods, and for many of you the last page is about Ellensburg and their famous burgers which they had advertised in about a four-page spread in their local paper a couple months ago, so I provided as much information on that as I had. I'm sure Patti can help you with other local establishments while you're there, but we try to provide variety and good food during the day. But please let me know if anything on here is changing because we really do need to finalize any other arrangements if these are not accurate.

CHAIR LUCE: I think the hearing will provide all the spice we need.

MS. ADELSMAN: I just have a curious question. In all these assortments is bread for the afternoon snack. Can we have fruit? What's with the special bread?

MS. LAAMB: Basically in the afternoons there's a baker at the particular location that we have chosen, so all of these are produced fresh everyday. These are party trays that are coming out for the afternoon snacks, so there will be a variety of things. So it's breads and veggies one day and another day it's muffins. This is what we chose from what was there.

CHAIR LUCE: Is this an Adkins friendly environment?

MS. LAAMB: It depends on your opinion, Jim.

MR. FIKSDAL: There's only one rule. No complaining.

CHAIR LUCE: I won't. We don't have to eat it. Nobody sues the motel or the restaurant for allegations that they were forced to eat this, so bring out the bread, and if we don't want to eat it, we won't.

MS. LAAMB: There's still opportunity if you want veggie trays everyday. You have one last opportunity to do that.

CHAIR LUCE: Or you can go to Safeway and buy an orange.

MS. LAAMB: That's true too. So you can talk to us prior to and if something really kind of doesn't work for you for reasons unknown to me, please let me know now, so I can finalize it as they need to buy food.

CHAIR LUCE: We're doing it. Anymore on the culinary delights of Ellensburg?

ITEM NO. 11: ADJOURN

CHAIR LUCE: Seeing nothing more, adjourned.

(Council meeting adjourned at 4:24 p.m.)