



STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL

PO Box 43172 • Olympia, Washington 98504-3172

April 12, 2005 Meeting Minutes

1. CALL TO ORDER

Chair Luce called the April 12, 2005 monthly meeting to order at 925 Plum Street S.E., Building 4, Room 308, at 1:30 p.m.

2. ROLL CALL

Council members present were:

Richard Fryhling	Department of Community, Trade and Economic Development
Hedia Adelsman (via phone)	Department of Ecology
Chris Towne	Department of Fish and Wildlife
Tony Ifie (excused)	Department of Natural Resources
Tim Sweeney	Utilities and Transportation Commission
Alex Leventis (via phone)	Columbia County
Jim Luce	Chair

A quorum was present to conduct business.

Staff in attendance were:

Allen Fiksdal – EFSEC Manager, Mike Mills – Compliance Manager, Irina Makarow – Siting Manager, Mariah Laamb – Council Secretary, Ann Essko – Council Attorney

Guests in attendance were:

Cindy Custer – Bonneville Power Administration, Mark Anderson – Community, Trade and Economic Development, Lauri Vigue – Fish and Wildlife,

Guests attending via phone:

Karen McGaffey – Attorney for Satsop CT Project, Scott Williams – Puget Sound Energy, Mot Hedges – Energy Northwest,

3. ADOPTION OF PROPOSED AGENDA

The agenda was presented to the Council for amendments or additions. None were made so the agenda was accepted as proposed.

4. MINUTES

The minutes from the February 23, 2005 Special Council meeting were presented for adoption. **Motion: To accept the minutes as proposed. Dick Fryhling made the motion and Chris Towne seconded the motion. The minutes were approved unanimously.**

5. STARBUCK POWER PROJECT

<i>Termination of Application</i>	<i>Irina Makarow, EFSEC</i>
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Ms. Makarow reported on the history of the Starbuck Power Project from the time of submission of the Application for Site Certification to the present matter of termination of the application. An application was submitted to EFSEC in August 2001, and an adjudicative hearing scheduled March 2002. Starbuck Power Company (SPC) requested several suspensions of the review of the project, bringing us to the most recent suspension granted by Order No. 774 through March 11, 2005.

Representatives of SPC, Steve Strasser and Mike Elmer, were notified by certified mail and email on February 8, 2005 of the pending March 11, 2005 deadline to re-initiate the application review. Mr. Strasser replied by email that SPC had no intention of requesting in writing a continuation of the review of the Starbuck Power project application. Mr. Strasser reiterated this position at the March 15th, 2005 Council meeting.

A draft of Council Order No. 813, Order on Termination Dismissal and Directing Close-Out of Application No. 2001-02, was prepared by EFSEC staff and served (by mail) to the Applicant and tentative parties to the case. The Order would require:

1. The termination of all proceedings and review of Application No. 2001-02.
2. The dismissal of the adjudicative proceedings on this matter.
3. The Council shall retain jurisdiction over the application for administrative purposes as necessary to effectuate the purposes of this order.
4. The Council shall take appropriate action to close all aspects of application processing, including provisions for record management and termination of financial accounting procedures, and
5. The Council shall terminate processing of Application No. 2001-02 when it is satisfied that all closure functions have been completed.

The Council for the Environment and the Department of Fish and Wildlife responded to EFSEC staff with “no comment.”

The Councilmembers, including Mr. Leventis representing Columbia County, reviewed the draft of the Order; Mr. Leventis indicated that he agreed with the proposed language of the draft order.

Motion: To approve draft Council Order No. 813 as prepared by staff, to close out the Site Certification Agreement for the Starbuck Power Project. Chris Towne made the motion and Hedia Adelsman seconded the motion. The motion passed unanimously.

6. PROJECT UPDATES

COLUMBIA GENERATING STATION

<i>Operations</i>	<i>Mot Hedges, Energy Northwest</i>
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Mr. Hedges reported that the plant had been operating at 91 % power due to a feedwater heater having tripped out of service, but the plant is now operating at 100 % power. The refueling outage is scheduled for May 7, 2005, and will last approximately 35 days. The outage is scheduled every 2 years and maintenance work is completed while the plant is shut down for refueling. The condenser rescaling cleaning has been completed with the water being pumped over to the WNP-4 spray pond.

WNP-1

<i>Offsite Environmental Mitigation</i>	<i>Mike Mills, EFSEC</i>
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Mr. Mills reported that he and Council Attorney Ann Essko completed work on the EFSEC Benton County that will transfer funds to the county for the acquisition of the Badger Mountain property. They expect that the contract will be signed in the next 30-45 days. Mr. Mills and Councilmember Dick Fryhling met earlier with Kittitas County Commissioners and are scheduling visits to view some of their proposed project recommendations. The subcommittee is scheduled to meet before the next regular Council meeting to discuss the county recommendations.

CHEHALIS GENERATION FACILITY

<i>Operations</i>	<i>Mike Mills, EFSEC</i>
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Mr. Mills reported that according to plant manger, Duncan McCaig, the plant is operating during daytime hours, not during the night, due to low electricity demands at this time and current high costs of natural gas. The plant is continuing to monitor noise levels during startup and operations while working on additional noise reduction efforts. The Council will tour the plant at a scheduled site visit on May 10. The tour will take place in the morning at a special Council meeting with the monthly Council meeting to follow after returning to Olympia in the afternoon.

SATSOP COMBUSTION TURBINE PROJECT

<i>Site Certification Agreement Transfer</i>	<i>Mike Mills, EFSEC</i>
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Mr. Mills reported receiving a letter from Karen McGaffey, attorney representing Invenegy Grays Harbor LLC, that the sale of Duke Energy Grays Harbor, LLC from Duke Energy North America, LLC to Invenegy Grays Harbor LLC closed on March 24, 2005. Enclosed with the letter was the Irrevocable Letter of Credit No. SLCWMIL0139 issued by U.S. Bank National Association on March 22, 2005. Pursuant to Council Order No. 812, the Limited Guaranty Agreement (DENA Guaranty) from Duke Energy North America, LLC, dated April 24, 2003, automatically terminates upon the Council's receipt of the enclosed Letter of Credit. Ms. McGaffey requested the return of the original DENA Guaranty to her.

Order No. 812 stipulates that upon receipt of the fully executed Letter of Credit in the approved form, EFSEC shall: 1) release Duke Energy from all obligations related to the Satsop Combustion Turbine Project SCA; 2) issue Council Resolution No. 312 amending the Project SCA to reflect the change in corporate ownership to Invenegy and release Energy Northwest as a certificate holder; and establish a Standby Trust to receive any proceeds from the Letter of

Credit; and 3) approve revisions to the Project Site Restoration Plan to recognize the approved financial assurances.

Mr. Mills reported that Resolution No. 312 has been signed and all matters prescribed in Council Order No. 812 have been completed.

Ms. McGaffey indicated that Invenergy was pleased with how quickly the process was completed.

WALLULA POWER PROJECT

<i>Site Certification Agreement Termination Request</i>	<i>Mike Mills, EFSEC</i>
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Mr. Mills summarized the February 8, 2005 letter from Competitive Power Ventures (CPV) requesting the Council terminate the Wallula Power Project Site Certification Agreement (SCA) and absolve the company of any perceived monies owed to EFSEC. Mr. Darrel Peebles, Counsel for CPV, will be available to discuss the termination request at the May 10 meeting, so action was deferred to that meeting. Council members and staff discussed the financial obligation owed to EFSEC of approximately \$45,000. Chair Luce stated he supports keeping the SCA intact until resolution of funds owed to the Council is completed. If CPV does not pay the amount owed, other projects would be charged to pay for their portion of non-direct cost allocations.

Chair Luce reported that Senator Mike Hewitt of the 16th District, representing Walla Walla, Columbia and parts of Benton and Franklin counties, would like to see the license remain in effect with the hope that another entity could acquire the rights to the project. Discussion on this matter will continue at the May 10, 2005 Council meeting.

7. EFSEC RULES

Chair Luce recommended waiting until the Council had completed its adjudicatory and decision making process with Wild Horse Wind Power project to start on new rule making.

8. EFSEC LEGISLATION

Mr. Fiksdal reported that the proposed budget did not include the State General Fund monies of \$150,000 Council requested in order to fulfill its CO2 rulemaking obligation. He stated staff will research other funding possibilities in the near future and report back to the Council if the legislature does not approve the request. Substitute House Bill 1020 Transmission bill is awaiting disposition in the House. The legislative session is scheduled to end on Sunday, April 25, 2005.

9. CHAIR REPORT

No new issues for the Chair to report on at this time.

10. OTHER

Mr. Fiksdal provided the 4th Quarter FY 2005 Non-Direct Cost Allocation plan, effective April 1, 2005 – June 30, 2005. Billing for non-direct costs will use the percentages listed for the 3 month period.

11. ADJOURN

Chair Luce adjourned the meeting at 2:10 p.m.