



STATE OF WASHINGTON

ENERGY FACILITY SITE EVALUATION COUNCIL

PO Box 43172 • Olympia, Washington 98504-3172

April 11, 2006 Monthly Meeting Minutes

1. CALL TO ORDER

Chair Jim Luce called the April 11, 2006 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:

Dick Fryhling	Community, Trade & Economic Development
Hedia Adelsman	Department of Ecology
Chris Towne (via phone)	Department of Fish and Wildlife
Tony Ifie (alternate member)	Department of Natural Resources
Tim Sweeney	Utilities and Transportation Commission
Jim Luce	Chair

Staff in attendance were:

Allen Fiksdal – EFSEC Manager, Mike Mills – Compliance Manager, Irina Makarow – Siting Manager, Mariah Laamb – Council Secretary, Tammy Talburt – Office Assistant

Guests in attendance were:

Darrel Peoples – Attorney for Horizon Wind Energy, Joe Long – Grays Harbor Energy, Mark Anderson – Community, Trade and Economic Development Energy Policy, Cindy Custer – Bonneville Power Administration, Kaye Emmons – Chehalis Generation Facility

Guests attending via phone:

Mot Hedges – Energy Northwest, James Hurson – Kittitas County, Karen McGaffey – Perkins Coie, Ed Garrett – Residents Opposed to Kittitas Turbines, Dave Bricklin – Bricklin, Newman, Dold, LLP, Scott Williams – Puget Sound Energy

3. ADOPTION OF PROPOSED AGENDA

The agenda was presented to the Council for amendments or additions. The Wild Horse and Kittitas Valley Wind Power project items were moved to follow the minutes. The agenda was adopted with the proposed changes in the order as listed.

4. MINUTES

Staff presented the following minutes for approval: March 14, 2006 monthly meeting.

MOTION: Council member Chris Towne made a motion to approve the minutes of the March 14, 2006 meeting as presented with minor technical amendments. Council member Dick Fryhling seconded the motion. The Council voted on the motion and it passed unanimously.

5. PROJECT UPDATES

KITTITAS VALLEY WIND POWER PROJECT

<i>Prehearing Conference</i>	<i>Irina Makarow, EFSEC Staff</i>
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Ms. Makarow reminded the Council that a prehearing conference had been scheduled for April 24, 2006, at EFSEC's offices in Olympia. The meeting starts at 1:00 p.m. and a bridge line will be available for persons to phone in. The Applicant and Kittitas County are expected to update the Council on the status of the County review proceedings. The Council would then consider the scheduling of the adjudicative hearings currently planned for the month of August 2006.

<i>Update on Land use-Consistency Process</i>	<i>Darrel Peeples, Horizon Wind Energy; James Hurson, Kittitas County</i>
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Mr. Peeples reported that the Kittitas County Board of County Commissioners (BOCC) has scheduled a deliberative session on the evening of April 12, 2006. A BOCC decision regarding the Kittitas Valley project is not expected to be made during that meeting. The Applicant was hoping that the BOCC might make a decision early in May. However, he also anticipated that the Applicant would continue working with the county through May to work out issues if the project was not outright denied by the BOCC.

Mr. Hurson, Kittitas County Prosecutor's Office, concurred with Mr. Peeples' understanding on the timing of the BOCC's process. In response to a question from Council member Towne, Mr. Hurson clarified that the BOCC's public record closed on April 3rd. However, it could be re-opened if clarifying information needed to be introduced.

Council member Adelsman questioned if the adjudicative hearings are expected to happen in August as scheduled. Ms. Makarow confirmed that the next pre-hearing conference scheduled for April 24, 2006, will provide more clarity regarding the hearing schedule.

WILD HORSE WIND POWER PROJECT

<i>Construction Update</i>	<i>Irina Makarow, EFSEC Staff</i>
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Ms. Makarow updated the Council on construction activities at the Wild Horse project site. Photographs were provided to the Council showing trenching operations for burial of the electrical collection system. Snow cover on the site is continuing to melt, and PSE and its subcontractors continue to implement best management practices to control silty runoff.

With the drier weather, PSE has moved work into the northern half of the project site. The main road to the northern turbine strings, called the “jeep trail” has been cleared out to the location of the O string. With respect to the southern portion, turbine foundations are complete on the southern A, B, and Q strings, and approximately one third of the C string. Clearing and access road construction continues on the SE portion of the C string

PSE staff going beyond the requirements of the SCA, have also begun a hedgehog cactus re-location program. In this first ever attempt coordinated with Edd Bracken of Washington Department of Fish & Wildlife, staff are collecting cacti from areas to be disturbed by construction, and replanting them elsewhere on the site. Finally, Ms. Makarow reported that wildlife have been spotted using the project site, in particular a large badger, with a photograph being provided to the Council.

SUMAS ENERGY 2

<i>Schedule Determination</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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Mr. Fiksdal reported that Karen McGaffey, attorney representing Sumas Energy 2, Inc. (SE2), informed the Council by letter dated March 28, 2006, that SE2 has decided to terminate the Sumas 2 Generation Facility. Their letter cites the continuing high cost of natural gas, the slowness of utilities to commit to future power sources, and the recent denial of its appeal to the Federal Court of Appeals in Canada, as the reasons why SE2 has decided to focus its efforts on other projects.

Mr. Fiksdal stated that WAC 463-66-020 provides that a request for termination of a Site Certification Agreement (SCA) is to be treated as an amendment to the SCA. WAC 463-66-030 further requires the Council to “consider the request and determine a schedule for action at the next feasible council meeting” and “hold one or more public hearing sessions upon the request for amendment at times and places to be determined by the council.”

Chair Luce asked if this request needs to go to the Governor for approval. Mr. Fiksdal responded that this request appears to have no significant environmental impacts and could be processed as a technical amendment; therefore it could be handled through a Council resolution rather than needing the Governor’s approval.

Staff recommends that in conjunction with its scheduled May 9, 2006 monthly meeting in Olympia, the Council hold a hearing to consider SE2’s request to terminate the Sumas Energy 2 Generation Facility SCA. The Council would take final action on the termination request immediately following the hearing, provided there is a finding of no significant detrimental effects on the environment and any other issues are satisfactorily resolved.

MOTION: Council member Dick Fryhling made a motion to hold a public meeting in conjunction with the May 9, 2006 Council meeting to take public comment and final action on SE2’s amendment request through a resolution. Council member Chris Towne seconded the motion. The council voted on the motion and it passed unanimously. Staff will issue a notice on the May 9th hearing date.

COLUMBIA GENERATING STATION

<i>Operations</i>	<i>Mot Hedges, Energy Northwest</i>
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Mr. Hedges from Energy Northwest reported that the plant is online and operating at 100 % power. In response to a question on Columbia's operating cycle, Mr. Hedges noted that every two years there is a scheduled outage for maintenance activities in the spring; but this is a non-outage year. Even though the regional hydropower system is benefiting from good snow pack and runoff conditions, Energy Northwest does not expect hydropower to displace production at Columbia.

<i>Emergency Preparedness Contracts</i>	<i>Mike Mills, EFSEC Staff</i>
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Mr. Mills presented for renewal, three contracts that the Council has with state agencies to perform emergency preparedness (EP) services in support of the Columbia Generating Station Emergency Response Plan. Those contracts, with the Department of Health, Office of Radiation Protection (DOH-EP); the Department of Agriculture (WSDA-EP); and the Washington State Patrol, (WSP-EP), would continue activities that support the Columbia Offsite EP Program through FY 2007. He also presented a proposed amendment to the FY 2006 Military Department/Emergency Management Division (EMD) subcontract with Walla Walla County that would provide additional funding to make improvements to the county's Emergency Operations Center (EOC). Council members indicated they had reviewed the proposed renewals and amendment and had no questions on the terms or conditions being requested. It was noted the FY 2007 budgets were consistent with the base-line funding estimates that the Council set out in Resolution No. 311 for the next four-year budget cycle – fiscal years 2006-2009, with staff being held at current FTE levels, with mandated salary and cost-of-living allowance (COLA) increases being recognized.

Staff recommends that the Council approve renewal of the following three (3) contracts that support Columbia-related offsite EP activities for FY 2007 in the amounts specified: DOH-EP \$559,067; WSDA-EP - \$111,417; and WSP-EP - \$11,300. Staff also recommends that the Council approve an amendment to its FY 2006 with EMD, to increase the Walla Walla County subcontract by \$4,850 with the total subcontract not the exceed \$20,850, for improvements to their EOC.

MOTION: Council member Chris Towne made a motion to approve FY 2007 contracts, related to providing Columbia Offsite EP services for the Department of Health, Department of Agriculture, and Washington State Patrol; and the amendment to the FY 2006 Military Department Walla Walla County subcontract, in the amounts presented by staff. Council member Dick Fryhling seconded the motion. The motion was voted on and passed unanimously.

<i>Environmental Monitoring Contract</i>	<i>Mike Mills, EFSEC Staff</i>
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Mr. Mills presented for renewal, a contract with the Department of Health, Office of Radiation Protection (DOH-Audit), for environmental monitoring at Columbia for FY 2007. Through this contract, the department serves as the lead for environmental auditing and sampling at Columbia.

Staff recommends that the Council approve renewal of its contract with the Department of Health, Office of Radiation Protection, for environmental monitoring services in FY 2007, in the amount of \$299,467.

MOTION: Council member Dick Fryhling made a motion to approve an FY 2007 contract with the Department of Health for Columbia-related environmental monitoring

services, for an amount not to exceed \$299,467. Council member Chris Towne seconded the motion. The motion was voted on and passed unanimously.

<i>NPDES Permit Renewal</i>	<i>Mike Mills, EFSEC Staff</i>
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Mr. Mills informed the Council that written comments on the Columbia Generating Station National Pollutant Discharge Elimination System (NPDES) wastewater discharge permit are due April 28, 2006. A notice was sent out the week of March 20 and a public hearing is scheduled for May 9, 2006, in conjunction with the regularly scheduled council meeting, where the Council may take final action on the permit renewal.

WNP-1

<i>Amon Creek Basin Project</i>	<i>Mike Mills, EFSEC Staff</i>
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Mr. Mills reported that talks are continuing with all concerned parties on the proposed Amon Creek Basin project in Benton County. Council member Hedia Adelsman stated that state Department of Ecology and the Department of Transportation have met and are on the same page on defining the maximum area of land that needs to be set aside for wetlands mitigation and she doesn't anticipate any problems with them coming to agreement. She indicated she wasn't sure on the status of landowner discussions.

Allen Fiksdal stated that during a recent conference call, Peter Dykstra with The Trust for Public Land (TPL), reported that negotiations were continuing with the landowners and other parties. Mr. Fiksdal described the status as "hovering" and he felt that resolution of any outstanding issues should come to light relatively soon. Staff confirmed that TPL was focusing on the Michel property, while the City of Richland was still interested in the Department of Natural Resources property that would allow for the possible expansion of Claybell Park. Council members and staff will continue to participate in the discussions and provide further updates.

In response to a question on the status of the Hofer Dam Fish Passage Project, Mr. Mills reported that he expects to finalize a contract with the Walla Walla Conservation District in the June-July time frame. That contract will provide \$400,000 to the district for fish passage improvements at the Hofer Dam located in the Touchet River in Walla Walla County.

CHEHALIS GENERATION FACILITY

<i>Transformer Fire Update</i>	<i>Kaye Emmons, Chehalis Power</i>
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Ms. Kaye Emmons, Chehalis Power staff, presented a report on the transformer fire which took place on March 17, 2006. A steam turbine Generator Step-Up transformer (GSU3) exploded and caught fire at just before 8:00 a.m. on the 17th. The fire was extinguished within ½ hour of discovery, no one was injured, and there was no other property damage.

Immediately after the fire was extinguished, clean-up and investigation of the cause started. Cowlitz Clean Sweep did the clean-up work, and sampling of the storm water pond found that all values except turbidity met acceptable parameters. Cowlitz Clean Sweep consulted with the Department of Ecology and the City of Chehalis regarding spill cleanup and the requirements for treatment of the spill materials, specifically the oil and foam materials used to fight the fire. Manufacturer's information was provided on those materials. Following Ecology's recommendation, the excess wastewater was disposed of through the City of Chehalis wastewater treatment system and no contaminated water was released offsite. Ecology and the City of Chehalis were satisfied with the work done and documentation of the clean-up effort is on file at the Chehalis Generation Facility (CGF) office.

Evaluation of the cause and potential repairs started immediately after the fire was extinguished and is on-going. A contract to repair the transformer is being reviewed and CGF hopes to expedite repairs of the transformer. It is estimated that repairs will take up to three (3) months.

<i>Draft Air Permits</i>	<i>Irina Makarow, EFSEC Staff</i>
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Ms. Makarow reported EFSEC will hold a public comment meeting on the Title V Air Operating Permit and Amendment 2 to the Notice of Construction/Prevention of Significant Deterioration air permits for the Chehalis Generation Facility, June 13, during the monthly Council meeting. A notice was sent out in early April and the public can respond in writing by June 13, 2006, and can provide oral comments at the meeting.

SATSOP CT PROJECT

<i>Quarterly Update</i>	<i>Irina Makarow, EFSEC Staff</i>
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Ms. Makarow introduced Joe Long, Grays Harbor Energy, who provided an update on the Satsop Combustion Turbine project. The project continues to be under deferred construction status. The on-site activities focus on preservation of equipment and facilities. No construction work is underway and none is contemplated at the earliest until the second quarter of 2006. Mr. Long noted that the Council's approval of the extension to the project's air quality permit in March will help the project move forward.

Mr. Mills inspected the project site with Tom Donovan and Joe Long on February 14, 2006 and found the site conditions and preservation activities acceptable.

6. CHAIR'S REPORT

Chair Luce reported to the Council that he received concurrence from the Governor's Office to review and update the Charlie Earl Report. At Governor Locke's request, a report was prepared in 2001 by consultant Charlie Earl and focused on steps that should be taken to improve EFSEC without impairing environmental protection. The current direction from the Governor's Office is to see what has been accomplished in the past five years and what might make EFSEC more efficient. Chair Luce indicated that he will consult with members and schedule a work session to discuss this project and working with Mr. Fiksdal, he expects to have a new report ready by the end of summer.

In response to a question from Council member Adelsman asking if the \$25,000 in state general funds for Carbon Dioxide rule-making could be spent now, Chair Luce stated that those funds couldn't be spent until July 1, at which time the Council will initiate that effort. He continued that the Council also received \$186,000 in spending authority for Private/Local funds to implement SHB 2402 – Expedited Processing. He noted that this will provide the Council with an opportunity to consider creative ways to process applications using the expedited processing rules.

7. OTHER

<i>Quarterly Allotment Determination</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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Mr. Fiksdal presented the Council with the 4th Quarter FY 2006 Non-Direct Cost Allocation. These percentages became effective on April 1, 2006. A summary of costs per quarter and annual average for the last two years by project was included with the report.

<i>BP Cherry Point</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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In response to a Council member question, Ms. Makarow reported that EFSEC staff had been approached by BP representatives regarding a possible request to amend the Cherry Point project SCA (this was reported to Council at their March 2006 meeting). BP's plan would be to construct the project in phases, and may involve changes to the generation turbines ultimately selected. According to information reported by the press, the refinery has submitted requests for funding of the project to their headquarters in London, England. Council member Adelsman inquired whether BP would also phase any of the environmental mitigation required by the SCA. Ms. Makarow stated that the footprint is not expected to change, and has not heard there will be anything other than full mitigation.

8. ADJOURN

The meeting was adjourned by Chair Jim Luce at 2:23 p.m.