



STATE OF WASHINGTON

ENERGY FACILITY SITE EVALUATION COUNCIL

PO Box 43172 • Olympia, Washington 98504-3172

July 11, 2006 Monthly Meeting Minutes

1. CALL TO ORDER

Chair Jim Luce called the July 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 (excused) | Department of Ecology |
| Chris Towne | Department of Fish and Wildlife |
| Judy Wilson (excused) | Department of Natural Resources |
| Tim Sweeney | Utilities and Transportation Commission |
| Patti Johnson (by phone) | Kittitas County |
| Jim Luce | Chair |

Staff in attendance were:

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

Guests in attendance were:

Karen McGaffey – Perkins Coie, Curt Leigh – Washington Department of Fish and Wildlife, Mark Moore and Trent Enzsol – BP Cherry Point, Cindy Custer – Bonneville Power Administration

Guests attending via phone:

James Hurson – Kittitas County, Scott Williams – Puget Sound Energy, Mot Hedges – Energy Northwest, Kaye Emmons – Chehalis Power

3. ADOPTION OF PROPOSED AGENDA

The agenda was presented to the Council for amendments or additions. The agenda was adopted as proposed.

4. MINUTES

Staff presented the following minutes for approval: June 13, 2006 monthly meeting.

MOTION – Approval of the minutes of the June 13, 2006 meeting. Council member Chris Towne made the motion and Council member Dick Fryhling seconded it. The Council voted on the motion and it passed unanimously.

5. CHEHALIS GENERATION FACILITY

| | |
|--|-----------------------------------|
| <i>Air Permits – Title V Permit & NOC/PSD Permit Amendment</i> | <i>Irina Makarow, EFSEC Staff</i> |
|--|-----------------------------------|

Ms. Irina Makarow provided some background on Chehalis Power’s request for a second amendment on the Notice of Construction/Prevention of Significant Deterioration (NOC/PSD) permit and the application for Title V Air Operating Permit submitted by Chehalis Power.

Chehalis Power submitted a second amendment to the NOC/PSD permit on April 7, 2006 and submitted an application for a Title V Air Operating Permit in May 2004. The public comment period for both permits ended on June 13, 2006. Chehalis Power provided the only comments during the comment period.

EFSEC staff recommended the following actions.

That the Council approves the final NOC/PSD permit No. EFSEC/95-02, Amendment 2, and authorize the Chair to sign the permit on the Council’s behalf.

That the Council approve the proposed Air Operating Permit # EFSEC/06-01 AOP, and upon positive review by U.S. EPA Region 10 authorize the Chair to sign the final permit on behalf of the Council.

MOTION: The Council approve the final NOC/PSD permit No. EFSEC/95-02, Amendment 2, and authorize the Chair to sign the permit on the Council’s behalf; and the Council approve the proposed Air Operating Permit # EFSEC/06-01 AOP, and upon positive review by U.S. EPA Region 10, authorize the Chair to sign the final permit on behalf of the Council.

Council member Tim Sweeney made a motion to approve the staff recommendation, and Council member Chris Towne seconded the motion. The Council voted on the motion and it passed unanimously.

Ms. Irina Makarow briefed the Council on the next steps in the process. For the NOC/PSD permit, it will be signed by Chair Jim Luce and the Department of Ecology’s permit writer. After that, it will be forwarded to U.S. EPA for their signature, then the final permit will be issued pursuant to state and federal regulations. For the Title V permit, staff will forward the permit to U.S. EPA Region 10 for a 45-day review, after which the final permit will be prepared for signature by Chair Jim Luce and the Southwest Clean Air Authority (SWCAA) permit writer. The final permit will then be issued in accordance with state and federal regulations.

6. BP CHERRY POINT COGENERATION PROJECT

| | |
|---|------------------------------------|
| <i>Site Certification Agreement Amendment Request</i> | <i>Mark Moore, BP Cherry Point</i> |
|---|------------------------------------|

Mr. Mark Moore, BP Cherry Point Cogeneration project manager introduced Mr. Trent Enzsol, new environmental manager for the project.

Mr. Moore reviewed for the Council the proposed amendment to the Project Site Certification Agreement (SCA) and their request to extend and amend the Notice of Construction/Prevention of Significant Deterioration (NOC/PSD) permit. The amendment changes cover:

- The use of International Building Code (IBC) 2003 vs. Uniform Building Code (UBC) 1997. This will bring the project up to current standards.
- Deletion of the reference to the gas compressor.
- Use of aqueous ammonia instead of anhydrous ammonia for NOx control.
- Changing the length of the construction period from 27 months to 33 months necessary to complete the various phases of the Project.
- Noise abatement commitments to meet levels set by Whatcom County. BP proposes that they determine if stack silencers are still necessary through detail design of the project. Regardless, the project would continue to meet the noise limit conditions agreed to with Whatcom County.
- Phasing of the Project construction. Phase I would include the installation of two (2) gas turbines and one (1) steam turbine; Phase II would include installation of a third being delayed.

Issues associated with amendment of the NOC/PSD permit issues are:

- Selection of specific generation equipment for Phase I; and
- Use of refinery fuel gas in the duct burners

The requested NOC/PSD changes will require some in depth review, which is expected to take longer to complete than the assessment of “non-air” portion changes to the SCA. Therefore, EFSEC staff recommended the Council consider and choose one of the following review processes:

- 1) Wait for the entire NOC/PSD review to be completed to approve the request to amend the SCA or,
- 2) Bifurcate review of the SCA amendment and the NOC/PSD review in one of 2 ways:
 - a. Approve SCA amendments that are simpler in nature once review is completed; delay approval of air related issues and NOC/PSD to a later date when review of the NOC/PSD permit is completed.
 - b. Approve SCA amendments that are simpler in nature in the short term; conditionally approve air related issues based on positive outcome of the NOC/PSD review. Approve the NOC/PSD permit when the review is finalized.

Staff recommended the Council take action to:

Adopt a review process with target action dates for Council action on air and not-air issues. Actual dates would be confirmed at monthly meetings as the review process progresses; and to decide whether the hearing required by WAC 463-66-020 is to be held in Olympia or in Whatcom County and tentatively schedule that hearing for a September date.

MOTION: Council approves SCA amendments that are simpler in nature in the short term; conditionally approve air-related issues based on positive outcome of the NOC/PSD

review, and approve the NOC/PSD permit when the review is finalized. The expected time for completion of the amendment of less complex issues is September 2006 with action scheduled for October 2006. Granting conditional approval on air-related SCA issues is expected to occur in late October or early November. Completion of the review of the NOC/PSD permit is planned for late 2006.

Council member Chris Towne made the motion and Council member Dick Fryhling seconded the motion. The Council voted on the motion and it passed unanimously.

Mr. Moore commented that this timeline will allow them to make decisions on final bids for their general contractors by the end of the 2006 and begin construction in the spring of 2007.

7. PROJECT UPDATES

Wild Horse Wind Power Project

| | |
|-------------------------------------|-----------------------------------|
| <i>Construction Progress Report</i> | <i>Irina Makarow, EFSEC Staff</i> |
|-------------------------------------|-----------------------------------|

Mr. Scott Williams, Puget Sound Energy, reported on construction progress at the Wild Horse site. He stated they were erecting the 5th turbine on site and the work was proceeding smoothly. He also mentioned the dedication ceremony on July 12, 2006 at Central Washington University. Governor Gregoire and other dignitaries will be attending the luncheon celebrating the dedication of the Wild Horse Wind Power project. A site visit will follow the dedication.

Kittitas Valley Wind Power Project

| | |
|---|-----------------------------------|
| <i>Pre-hearing conference – July 12, 2006</i> | <i>Irina Makarow, EFSEC Staff</i> |
|---|-----------------------------------|

Ms. Irina Makarow confirmed the pre-hearing conference being held at the Kittitas Valley Events Center (Fairgrounds), W. Youth Craft meeting room, starting at 4 pm, July 12th, as the Council and parties prepare for the Kittitas Valley Project adjudicative hearing. The special meeting was noticed and sent out to all groups requesting notice in early July.

Columbia Generating Station

| | |
|----------------------------------|-------------------------------------|
| <i>Operational Status Update</i> | <i>Mot Hedges, Energy Northwest</i> |
|----------------------------------|-------------------------------------|

Mr. Mot Hedges reported Columbia has been operating continuously for 374 days at 100 % power. This is the second longest continuous stretch of operations for this plant. He also reported that Energy Northwest paid to the state of Washington \$2.64 million in taxes, with about 50 % going to the General Fund – Education. The other dollars will be distributed to local counties, cities, fire districts and library districts.

WNP-1/4

| | |
|---------------------------|--------------------------|
| <i>Offsite Mitigation</i> | <i>Mike Mills, EFSEC</i> |
|---------------------------|--------------------------|

Mr. Mike Mills reminded members of the site visit to the Amon Creek Basin Project, which begins at the Richland Community Center Building, 9:45 am, Thursday, July 13, 2006. Joining the Council for the site visit will be representatives from the City of Richland, Trust for Public Lands, Tapteal Greenway Association and state agencies – Departments of Transportation, Ecology and Fish & Wildlife.

8. EFSEC RULES

Mr. Allen Fiksdal reported that the CR 101 for possible changes to the EFSEC's rules was filed with the Code Reviser's Office on July 5, 2006. He is enlisting the help of Council member Chris Towne representing the Department of Fish and Wildlife to help draft some changes that the Council has already identified as needing change, focusing on preemption and environmental review. To develop the rules to implement the CO2 mitigation law passed in 2004, he is working on questions to be sent to some of EFSEC's stakeholders. Chair Jim Luce, in meeting with various stakeholders, has received feedback from Mike Burnett of the Oregon Climate Trust regarding CO2 rulemaking and that information will be considered in drafting rule changes.

9. CHAIR'S REPORT

Chair Jim Luce has collected comments from over 50 stakeholders on EFSEC processes, governance and jurisdiction to update the Earl Report that was completed five (5) years ago to assess EFSEC's progress in helping to ensure long-term power at reasonable costs, while maintaining an acceptable level of environmental protection. He will soon have a report to the Council on his findings.

10. OTHER

Mr. Allen Fiksdal reminded members of the Special Council meeting activities scheduled for July 12, 2006 and July 13, 2006. There is the dedication of the Wild Horse Wind Power project on July 12 at 11:30 am at Central Washington University in Ellensburg. The Governor plans to attend the luncheon celebration and attend the site visit starting in the early afternoon. Next, Council members will attend a Kittitas Valley pre-hearing conference starting at 4 pm at the Kittitas Valley Events Center in Ellensburg. The following day, July 13, 2006, Council members will participate in a site visit to Amon Creek Basin Project in Richland, starting at 9:45 am.

Mr. Fiksdal reported to the Council that Energy Northwest intends to submit an application to EFSEC for their Pacific Mountain Energy Center, an Integrated Gas, Combined-Cycle (IGCC) project application at the Council's September 12, 2006 meeting. The proposed project will be located near Kalama, Washington. More details will be available in the future.

11. ADJOURN

With no further business to discuss, the meeting was adjourned by Chair Jim Luce at 1:58 p.m.