



STATE OF WASHINGTON

ENERGY FACILITY SITE EVALUATION COUNCIL
PO Box 43172 • Olympia, Washington 98504-3172

March 11, 2008 Monthly Meeting Minutes

1. CALL TO ORDER

Chair Jim Luce called the March 11, 2008 monthly meeting to order at 905 Plum Street S.E., Room 301, at 1:30 p.m.

2. ROLL CALL

Council members present were:

Jim Luce	Chair
Dick Fryhling	Community, Trade & Economic Development
Hedia Adelsman (via phone)	Department of Ecology
Jeff Tayer	Department of Fish and Wildlife
Judy Wilson	Department of Natural Resources
Dick Byers	Utilities and Transportation Commission
Vern Eaton	Cowlitz County
Justin Ericson (via phone)	City of Kalama
Patti Johnson (via phone)	Kittitas County

Bruce Rader (excused)

Port of Kalama

Staff in attendance were:

Allen Fiksdal - EFSEC Manager, Mike Mills - Compliance Manager, Stephen Posner - EFS Specialist, Jim LaSpina - EFS Specialist, Tammy Talburt - Administrative Assistant, Kyle Crews - AAG, AGO

Guests in attendance were:

Darrel Peeples - Attorney, Mark Hunter - WDFW, Mike Gwyther - Chehalis Power, Bruce Marvin - Counsel for the Environment, Mike Southard - Materials Testing & Consulting, William Bridges - BPA, Katy Chaney - URS, Tom Donovan - Grays Harbor Energy, Joseph Long - Grays Harbor Energy, Michael Goldstein - Grays Harbor Energy, Sean Clark - The Climate Trust, Bill Kidd - BP, Karen McGaffey - Perkins Coie, Dave Warren - WPUDA, and Mark Anderson - CTED Energy Policy.

Guests attending via phone:

Bernice Kasko - Energy Northwest, Don Coody - Energy Northwest.

3. ADOPTION OF PROPOSED AGENDA

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

4. MINUTES

The February 12, 2008 monthly meeting minutes were presented for approval.

Motion: Council member Dick Byers moved the Council approve of the February 12, 2008 meeting minutes as presented with a slight correction. The motion was seconded by Council member Dick Fryhling. The motion was approved.

RECOGNITIONS - Former Council Member Tim Sweeney of the Washington State Utilities and Transportation Commission was recognized for his many years of service. Mr. Sweeney was presented with a plaque and a Certificate of Appreciation for the years he served on the Council from 2002 to 2007. Each member thanked Mr. Sweeney for his pointed questions, tremendous perspective and thought provoking perspective. Mr. Fryhling presented Mr. Sweeney with a present from Walla Walla.

The Council recognized staff member Mike Mills. This meeting was the last official meeting for Mr. Mills who is retiring at the end of the month. Chair Luce presented Mr. Mills with a Council resolution honoring Mike's 36 years of state service. Resolution No. 324 noted Mr. Mill's 28 years of dedicated service with Council, highlighted some of his many achievements over the years, and declared March 31, 2008 Michael E. Mills day.

Motion: Council member Judy Wilson moved that the Council approve Resolution No. 324 honoring Mr. Mills. The motion was seconded by Council member Dick Fryhling. The vote was unanimous.

5. PROJECT UPDATES

Wild Horse Wind Power Project

<i>Project Update</i>	<i>Stephen Posner, Staff</i>
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Mr. Stephen Posner presented a report from Ms. Jennifer Diaz, PSE indicating that the 2008 YTD Capacity Factor is 36.6%, and the 2008 YTD Production in MWH is 130,640 MWH. The Solar Demonstration Project generated approximately 57,265 KWH over the past month.

The Wild Horse Technical Advisory Committee (TAC) met to discuss results of the 2007 Avian and Bat Monitoring Program. The study found that bird and bat mortality at Wild Horse is similar and slightly lower than other newer generation wind projects studied in the Pacific Northwest and the US in general. Fatality estimates were also generally within the range predicted in the permitting documents for Wild Horse. No Federal or State Threatened or Endangered species were found during the 2007 study period. Based on this review, TAC members unanimously voted to wait until either 2009 or later to conduct 2nd year monitoring which will allow for temporal variation between the two study years. The next TAC meeting will be scheduled in May or June 2008.

The site remains in compliance with the NPDES permit and Operations Storm Water Pollution Prevention Plan.

Kittitas Valley Wind Power Project

<i>Plan Review</i>	<i>Stephen Posner, Staff</i>
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Mr. Stephen Posner, EFSEC Specialist, reported that the RFP went out last week for consulting services for Environmental Monitoring at the KV Project site. Proposals are due March 28. A firm is being sought to report directly to EFSEC to perform the following activities:

- Conduct environmental monitoring for the pre-construction phase and during construction of the Project.
- Identify and develop environmental monitoring and "stop-work" criteria in consultation with the Certificate Holder and EFSEC, prior to beginning site preparation.
- Monitoring project construction to ensure that all construction permit requirements are adhered to and that any deficiencies are promptly reported and corrective measures are initiated.
- Provide EFSEC weekly reports on environmental problems reported or discovered as well as corrective actions taken by the Certificate Holder.
- Be present on site during excavation, filling or regrading work.

- Notify EFSEC promptly of any stop work orders that have been issued.

KV has indicated that a tentative schedule for site preparation to begin is August 2008 with construction to begin in March 2009.

Mr. Kyle Crews, Assistant Attorney General, EFSEC Counsel, reported that on Friday February 29, 2008, Superior Court Judge Richard Hicks signed the order certifying the record to the Washington State Supreme Court. The order calls for “all pleadings, files, and records herein be expeditiously certified and transferred to the Supreme Court for review.”

Pacific Mountain Energy Center

Extension Request	Ted Beatty,
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Mr. Ted Beatty, Energy Northwest, reported that the applicant has been working with its stake holders to determine what the correct path is to move forward on the PMEC project. The applicant is therefore asking the Council to extend the application review process for 18 months, to September 12, 2009.

Council member Judy Wilson asked the applicant why not let the application lapse and reapply at the time the project is ready. Mr. Beatty stated that a lot of the work that needs to be completed for the project, whether it is a Natural Gas Combustion Turbine or a Gasification plant, is done at this point. If the application were to lapse then that work would need to be repeated. Council member Hedia Adelman questioned Mr. Crews on this application’s ability to be grandfathered into new legislation. Mr. Crews stated that it depends on the language of the legislation. Chair Luce reminded the Council that SSB 6001 addressed this application specifically, and so could other legislation.

Motion: Council member Dick Fryhling moved the Council approve the extension of the application processing period 18 months to September 12, 2009. The motion was seconded by Council member Dick Byers. The vote was unanimous.

BP Cherry Point Cogeneration Project Public Hearing

SCA Amendment	Stephen Posner, Staff
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Chair Luce opened the public hearing at 2:00 pm.

Mr. Posner reported that the Council packets include copies of draft resolutions 322 and 323 with attachments (*Amendment request letters, summary of public comments*), which deal with two separate Site Certification Agreement (SCA) amendment requests received from BP. Also included is a copy of a letter received from BP following up on Council member questions last month regarding the new corporate entity Cherry Point Cogen LLC.

Resolution 322, if approved, would amend the SCA to allow for:

1. Transfer of the SCA and associated permits to Cherry Point Cogen LLC, a newly formed affiliate of BP plc. (public limited company)
2. Removal of laydown areas 1 and 3 and associated stormwater treatment facilities from the SCA as they will no longer be used for the cogen project.
3. Modify wetland mitigation provisions to reflect changes in the wetland mitigation plan, to compensate for some additional impacts anticipated at the cogen site.

Resolution 323, if approved, would amend the SCA to allow:

4. BP, Intalco (*Alcoa Intalco Aluminum Smelter*) and the Whatcom Co. PUD to implement a “no use” water project rather than the “reuse” project agreed to at the time the cogen project was first permitted.

Mr. Posner said the no-use water agreement is necessary so that the PUD can continue to provide backup potable water to the BP facility and remain in compliance with Department of Health requirements.

Mr. Posner continued stating that EFSEC's SCA amendment procedure is governed by Chapter 80.50 RCW and Chapter 463.66 WAC. He noted that BP and EFSEC have complied with procedural requirements of Chapter 463-66 WAC as follows:

Under WAC 463-66-030, the SCA amendment requests were submitted in writing on January 31 and February 19, 2008. A SEPA Determination of Non-significance (DNS) was issued by EFSEC on February 14, 2008.

At the monthly meeting of February 11, 2008, the Council determined a schedule for action on the requests as follows: March 11, 2008 - conduct a public informational meeting in Olympia, with public comments to be received through March 11, 2008; and consider and take action on the request at the March 11, 2008 Council meeting.

Notice of the public informational meeting was mailed to approximately 425 people. The notice was also published in the Bellingham Herald and the Vancouver Sun. The notice advised that BP had requested an amendment to the SCA and that an informational hearing to consider the matter would be conducted on March 11, 2008. The notice also said that comments could be made either orally at that time or in writing prior to the conclusion of the public comment period ending at 5:00 PM on March 11, 2008.

EFSEC staff recommended approval of Resolution Nos.322 and 323, contingent upon no further public comments being received by COB today.

Mr. Posner said that so far two public comments had been received. All public comments will be evaluated by EFSEC staff and included in summary form as attachments to the Resolutions.

Motion: Council member Judy Wilson moved that the Council close the public hearing. The motion was seconded by Council member Dick Byers. The vote was unanimous.

Motion: Council member Dick Fryhling moved the Council approve Resolution no. 322 pending the receipt of any substantive comments. The motion was amended to include also approving BP's request to expand the definition of "Begin Construction" under Article II, Section 5 of the SCA to include: "activities associated with implementing the Wetland Compensatory Mitigation Plan will not constitute the beginning of construction." The motion, as amended, was seconded by Council member Dick Byers. The vote was unanimous.

Motion: Council member Judy Wilson moved the Council approve Resolution No. 323. The motion was seconded by Council member Dick Fryhling. The vote was unanimous.

Columbia Generating Station

<i>Project Update</i>	<i>Don Coody, Energy Northwest</i>
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Mr. Don Coody (via phone) reported that Columbia Generating Station (CGS) is operating at 100% Power (1174 MW gross) on its 221st day on line.

Beginning the week of February 18, 2008, the plant launched the third Independent Spent Fuel Storage Installation (ISFSI) cask loading campaign. The 13 week campaign involves the loading and movement of 12 casks each containing 68 spent fuel bundles. Fuel bundles are moved from the spent fuel pool inside the plant to the outside cask storage area adjacent to the plant.

As previously reported, on February 7 and 8, 2008, high winds caused damage to the exterior of the Reactor and Turbine Buildings, tearing off sections of sheet metal siding from the south and west sides. Although the damage to the exterior of the Reactor Building was significant, there was no threat to nuclear safety. No injuries resulted from the falling sheet metal and flying debris. Work to stabilize the remaining siding and to provide additional structural support has been completed. Permanent repairs are being planned and are being executed as a project. The failure has been attributed to inadequate design (based on advances in the last 30 years) and poor installation work practices during installation. Wind speeds are being monitored and safety precautions are in place to limit personal access to the protected area during sustained high wind speeds.

Ecology Dangerous Waste Inspection - Completed 10/31/07 and 11/30/07 submittals required by the Administrative Orders. Energy Northwest (ENW) has been working with Ecology to close the orders via letter. ENW received Ecology's receipt letter of their Application for Relief from Penalty, and are still waiting for a response regarding disposition. Discussions with Ecology are on-going.

EFSEC Notice of Incident and Request for Assurance of Compliance (NOI) - Air permitting review of past Paint Shop operations was completed and submitted to EFSEC on 12/31/07. The Data Quality Objectives (DQO) Summary Report for the sanitary sewer system was submitted to EFSEC on February 29, 2008. EFSEC and Ecology were involved as stakeholders throughout the development of the DQO. Energy Northwest is consulting with Ecology and EFSEC staff regarding sampling required by the summary report.

EPA Toxics Substance Control Act (TSCA) Inspection - A Notice of Non-Compliance for the Environmental Protection Agency (EPA) TSCA Inspection initiated on July 20, 2007, was received February 26, 2008. Three violations of TSCA regulations are cited, along with four corrective actions. A response is due to EPA by March 14, 2008, to address the corrective actions. EPA has indicated a potential recommendation of a \$12,246 penalty. However, discussions with EPA indicate that the decision to assess a penalty, including the amount, will be made once the March 14, 2008 submittal information is received.

International Standards Organization (ISO) 14001 Re-Certification Audit - During the week of February 25, 2008, Energy Northwest was subjected to an independent, rigorous external audit to re-certify its Environmental Management System (EMS) to the ISO-14001 standard. The Re-Registration Audit Team completed their audit with a recommendation that Energy Northwest's EMS be re-certified for another three years.

Satsop Combustion Turbine Project

<i>Project Update</i>	<i>Tom Donovan, Grays Harbor Energy</i>
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Mr. Tom Donovan reported that February was a very productive month. The steam blows were completed on February 14, 2008. The plant produced 5000 MW/hrs. A three week outage is underway for equipment restoration. The plant will fire up again on March 17, 2008, and the plant expects to be in commercial operation by the end of April. Four of the site buildings have received certificates of occupancy, from Grays Harbor County, and the fire systems are schedule to be tested with the Fire Marshal the week of March 24.

Mr. Jim LaSpina reported that he is working with Ecology on revisions to the National Pollutant Discharge Elimination System (NPDES) permit. He also suggested the public meeting for the proposed revised permit be held in Montesano the week of April 15-17. Mr. LaSpina said he would inform the Council members when a specific location and date had been set.

<i>Carbon Dioxide (CO₂) Mitigation Plan</i>	<i>Karen McGaffey, Perkins Coie</i>
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Ms. Karen McGaffey, Perkins Coie, discussed the Carbon mitigation plan with the Council. With Ms. McGaffey was Mr. Michael Goldstein, of Grays Harbor Energy and Mr. Sean Clark of the Climate Trust. Council members discussed decisions that will be required from the Council regarding the mitigation plan. Chair Luce had the following questions for the applicant and requested the Climate Trust to return to the next Council meeting:

1. Is the Climate Trust the right entity for this project?
2. Will the funds be spent in Washington State?
3. Are there any other choices?
4. Who, what, where and when on the funds from project mitigation?

The Council postponed any further discussion or action to the April council meeting.

Chehalis Power Generating

<i>Project Status</i>	<i>Mike Gwyther, Chehalis Power</i>
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Mr. Mike Gwyther, Plant Engineer, reported that plant safety has achieved 1950 days without a lost time accident. He noted that Chehalis Power maintains an effective safety program through a behavioral-based approach. The program has been strengthened through individual safety declarations and specific safety targets tied to bonuses.

Mr. Gwyther reported there were no storm water exceedances in the past year and the site remains in excellent shape. He said there was one Nitrogen Oxide (NOx) exceedance on March 9, when the combustion turbine exhaust thermal couple failed and tried to shut the unit down.

Mr. Gwyther said plant staffing is currently at 17 authorized personnel. There are still two vacancies for operators and the hiring and training of new personnel is on-going. He reported the plant dispatch this year has been moderate at approximately 77%, but thus far in February it was 100%.

Mr. Gwyther reported that public concern regarding plant noise has greatly diminished in the past two years and is now limited to one neighbor and they have had no complaints with noise in over a year. He said the plant continues to conduct routine daily noise tests on-site and weekly off-site per our agreement with EFSEC.

Wallula IGCC

<i>Potential Site Study</i>	<i>Jim LaSpina, Staff</i>
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Mr. Jim LaSpina reported that the site visit scheduled for later in the week has been postponed. Mr. Darrel Peeples, Attorney for the Wallula Energy Resource Center (WERC), stated Battelle was unable to make the meeting this week, and needed to reschedule for a later date. Council member Dick Fryhling stated that he had read that there were questions about the Port of Walla Walla's liability of injecting Carbon Dioxide (CO₂) into the ground and who would be responsible for the containment of the CO₂. Mr. Peeples noted there is a very good article by Jude Noland in the Clearing up Newsletter that provides reliable facts. Battelle has \$ 2 Million insurance policy covering the potential escape of the CO₂. Battelle reports that their analyses have shown that the injections won't reach the mineral beds at 10-17,000 feet. Mr. Peeples said Battelle will continue the scientific research, noting that if the testing doesn't occur on the Port property, it will take place at another location where there is Columbia River Basalt.

Rule Making

<i>CO₂</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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Mr. Fiksdal noted that the CR-102 has been submitted to the Code Reviser in concert with the Department of Ecology. He said joint public comment hearings with Ecology have been scheduled for the Ecology building in Lacey on April 8th, and in Spokane on April 10th.

<i>Transmission Line Siting</i>	<i>Allen Fiksdal, EFSEC Manager</i>
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Mr. Fiksdal reported that staff has been working on a rule to implement the authority the legislature gave EFSEC to site transmission lines. Draft language has been sent out to the stakeholder group, and staff is working to incorporate the stakeholder comments into the rules. Once the comments have been incorporated into the draft, staff will forward them to the Council and stakeholders, hopefully by the end of March.

Mr. Fiksdal reported that there were three bills of interest to EFSEC during this session. Second Substitute House Bill (SSHB) 2815 which is the part of the Governor's request for a Greenhouse Gas Program, is due to be signed by the Governor into law on Thursday, March 13 at 2:30 P.M. This new law requires that operating facilities report their CO₂ emission to EFSEC via a contract with Ecology. Council member Hedia Adelsman stated that this is a good first step towards climate control.

Another bill of interest is ESSB 6111 which requires the CTED Policy Division and EFSEC to develop a recommendation on a Washington Center for Excellence in Hydrokinetic Energy - Wave and Tidal resources. The bill requires that EFSEC Council members participate for their respective departments.

The third bill is HB 2567 which provides that the civil penalty for violation of the open public meetings act be increased from \$100 per incident to \$250-\$1,000 per incident.

6. ADJOURN

The meeting was adjourned at 3:27 pm.