



STATE OF WASHINGTON

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

May 13, 2008 Monthly Meeting Minutes

1. CALL TO ORDER

Chair Jim Luce called the May 13, 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
Jeff Tayer	Department of Fish and Wildlife
Judy Wilson	Department of Natural Resources
Dick Byers	Utilities and Transportation Commission

Hedia Adelsman (excused)	Department of Ecology
Patti Johnson (excused)	Kittitas County

Staff in attendance were:

Allen Fiksdal - EFSEC Manager, Stephen Posner - Compliance Manager, and Jim LaSpina - EFS Specialist

Guests in attendance were:

Darrel Peeples - Attorney, Mark Hunter - WDFW, Tom Donovan - Grays Harbor Energy, Joseph Long - Grays Harbor Energy, Mark Anderson - Community, Trade & Economic Development, Energy Policy, Karen McGaffey - Perkins Coie, Jeff Erb - PacifiCorp and Rob Smith - Chehalis Power.

Guests attending via phone:

Robert Nielson - Energy Northwest and Jennifer Diaz - Puget Sound Energy Wild Horse.

3. ADOPTION OF PROPOSED AGENDA

The agenda was presented to the Council for amendments or additions. The agenda was adopted with the staff recommendation to the change of project order.

4. MINUTES

The April 8, 2008 monthly meeting and April 16, 2008 special meeting minutes were presented for approval.

Motion: Council member Judy Wilson moved the Council approve of the April 8, 2008 monthly meeting and April 16, 2008 special meeting minutes as presented. The motion was seconded by Council member Dick Fryhling. The motion was approved.

5. PROJECT UPDATES

Wild Horse Wind Power Project

<i>Project Update</i>	<i>Jennifer Diaz, PSE</i>
------------------------------	----------------------------------

Ms. Jennifer Diaz (via phone) from Puget Sound Energy (PSE) reported that the April 2008 generation totaled 69,554 MWH for a total capacity factor of 42.3%. The daily average wind speed in April was 8.9 m/s (~20 mph). The Solar Demonstration Project generated approximately 76 MWH (76,000 kwh) in April. The next Technical Advisory Committee meeting has been scheduled for May 28th. The site remains in compliance with the NPDES permit and Operations Storm Water Pollution Prevention Plan.

Scott Williams from PSE reported that PSE had a press release that the Wild Horse Site has purchased an additional 1400 acres north of the existing site and would be presenting the Council with a request for a Site Certification Agreement (SCA) Amendment to place additional turbines on the newly acquired parcel. The additional turbines still remain under the limit of turbines approved in the existing SCA. The request amends the boundary of two sections, increasing the turbine count from 20 to 25 turbines. The desired result is to acquire permits in the next few months and have construction completed to operate late in 2009. PSE will also be requesting an amendment to the contract with Kittitas County development plan to reflect the changes in the boundaries.

Kittitas Valley Wind Power Project

<i>Plan Review</i>	<i>Stephen Posner, Staff</i>
---------------------------	-------------------------------------

Mr. Stephen Posner, Compliance Manager, reported that Horizon Energy has submitted a schedule for preconstruction plans and procedures. EFSEC staff will be meeting with Horizon staff later this month to discuss the plan schedule. The draft environmental monitoring contract is currently being reviewed by the consultant KBA Construction Management.

Columbia Generating Station

<i>Project Update</i>	<i>Robert Nielson, Energy Northwest</i>
------------------------------	--

Mr. Robert Nielson, Energy Northwest (ENW) reported that Columbia Generating Station is operating at 100% Power (1163 MW gross) on the 284th day on line.

In April, a 400,000 gallon Fire Protection bladder tank, holding reserve volume of fire protection water, was removed and replaced. 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. What this means is the fuel bundles are moved from the spent fuel pool inside the plant to the outside cask storage area adjacent to the plant. The campaign is due to be completed by May 24, 2008. 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. Work to stabilize the remaining siding and to provide additional structural support was completed, and permanent repairs are underway with design, equipment mobilization and scaffold erection.

Completed 10/31/07 and 11/30/07 submittals required by the Administrative Orders. After completing the submittals, Energy Northwest worked with Ecology to close the orders via letter. This will involve Ecology close-out inspections of the Industrial Development Complex and the Columbia Generating Station in May and June, respectively.

In a letter dated April 28, 2008, Ecology denied Energy Northwest’s Application for Relief from Penalty and associated Supplement, citing that Energy Northwest did not demonstrate extraordinary circumstances or provide additional information sufficient to reduce or withdraw the penalty as issued. Energy Northwest is appealing the penalty, with a due date of May 28, 2008 as a due date for filing the appeal paperwork.

Ecology approved the revised Dangerous Waste Training Plan (SWP-ENV-03, Att. 8.7) on April 8, 2008, which is in the process of being implemented.

A Sampling and Analysis Plan for the Sanitary Waste Treatment Facility was submitted to EFSEC on May 9, 2008 for review and approval.

Satsop Combustion Turbine Project

<i>Project Update</i>	<i>Tom Donovan, Grays Harbor Energy</i>
------------------------------	--

Mr. Tom Donovan reported that construction is 99% complete. Construction activities required for the operating the power plant are completed. Final punch-list work is underway and should be completed this month with exception of final painting. The facility achieved Substantial Completion April 24 upon successful completion of performance tests and source testing. The source test reports are being processed. The plant performance met our expectations. The permanent plant security system is now in service. This consists of perimeter cameras and key card access for both vehicles and personnel. The construction grass alley was removed and the sound wall hole sealed. Final grading and paving was completed in April. The permanent storm water system is in service. Mr. Joseph Long Plant Operations Manager reported that there have been no reportable accidents or injuries to date. There have been no stormwater discharges to the C-1 pond. Plant has completed commissioning activities. Emission testing is complete. Continuous emissions monitoring system (CEMS) certification is complete with the exception of the 7 day drift test for which the plant must be operating. To date the plant has generated approximately 82,800 Mw hrs.

<i>Certificate of Appreciation</i>	<i>Allen Fiksdal, EFSEC Manager</i>
---	--

Mr. Allen Fiksdal presented Mr. Tom Donovan with a certificate of appreciation for time, energy, and candor.

<i>NPDES Permit</i>	<i>Jim LaSpina, Staff</i>
----------------------------	----------------------------------

Mr. Jim LaSpina requested that the Council issue the National Pollutant Discharge Elimination System (NPDES) permit. Staff developed the permit along with Ecology. A public comment period was conducted from March 27, 2008 through April 28, 2008 as required by the statute. EFSEC received 3 agency comments and verbal testimony from one member of the public. The one substantive agency comment was to include the 16 degree temperature effluent limit which was inadvertently omitted from the draft permit, and is now included in the permit. The citizen comments basically revolved around the schedule of compliance that was put into the permit. The compliance schedule requires that the facility verify the compliance with various water quality standards. This permit is in effect for 5 years.

Motion: Council member Dick Fryhling moved the Council approve of the issuance of the National Pollutant Discharge Elimination System permit effective May 13, 2008. The motion was seconded by Council member Judy Wilson. The motion was approved.

Chehalis Power Generating

<i>Project Status</i>	<i>Rob Smith, Chehalis Power</i>
------------------------------	---

Mr. Rob Smith reported that the plant has been operational without a lost time accident for more than 2025 days. Chehalis Power maintains an effective safety program through a behavior-based approach. The program has been strengthened through individual safety declarations and specific safety targets tied to bonuses. Chehalis Power reports that there have been no stormwater discharges this past year. The site remains in excellent shape. Current staff is planned for 17, with two operator vacancies at this time. The plant dispatch in April was moderate at approximately 66.7%. The last 10 days of April the plant was in a 10 day planned outage. Dispatch in May has been 16%. Public concern regarding plant noise has greatly diminished in the past two year and is now limited to one neighbor and Chehalis Power has received no noise complaints for more than a year. The facility continues to conduct routine daily noise monitoring on-site and weekly off-site per our agreement with EFSEC.

<i>Site Certification Agreement Transfer Request</i>	<i>Jeff Erb, PacifiCorp & Karen McGaffey, Attorney</i>
---	---

Ms. Karen McGaffey reported that Pacific Corp has entered into a Sale/Purchase to acquire the Chehalis power plant. PacifiCorp is requesting today that the Council approve the transfer of the Site Certification Agreement (SCA). The closing transaction between PacifiCorp and the current owners of Chehalis Operating Station is the transfer of the SCA. Included in the Council packets is

an April 30, 2008 submittal consisting of several different pieces, a cover letter that provides more detail of the transaction.

Ms. McGaffey said the cover letter also addresses point by point the Council's regulations and why this transfer satisfies those regulations. Attached to the letter is a SEPA Checklist, a letter from the current owner of the plant, confirming and consenting to the transfer. There is also a copy of PacifiCorp's most recent United States Securities and Exchange Commissions' Form 10-K which gives the Council PacifiCorp's financial information. Ms. McGaffey noted that WAC 463-66-100 governs transfers for the SCA; and subsection 4 of that regulation outlines three requirements that the Council needs to find in order to approve the transfer as requested. The first requirement is that it satisfies two other regulations in the WAC 463-60-015 and 463-60-075 which generally concern describing the corporate makeup and affiliates of the transferee. The transferee needs to demonstrate to the Council that it has the financial and managerial wherewithal to operate the facility and comply with the existing SCA. After addressing the regulations Ms. McGaffey will have Mr. Erb who will give the Council more information on PacifiCorp. The second regulation is that the Council is to determine that the applicant is entitled to possession of the energy facility. The document before the Council details the transaction and upon closing of the transaction, PacifiCorp would be entitled to possession of the facility. The final requirement is that PacifiCorp would comply with the existing SCA, which they are representing that they would do. Ms. McGaffey called to the Council's attention the issue of site restoration and financial security.

The Chehalis facility is subject to an initial site restoration plan, submitted and approved by the Council in 2001. In addition to describing how site restoration would occur, there is a financial security component of that plan that was approved. The financial security provisions provided that initially a \$5 Million corporate guarantee be provided by Chehalis Powers parent. After the sixth year of commercial operations, a fund, either a cash fund or a letter of credit, would be provided on a \$500,000 a year basis until the letter of credit or cash fund reach the \$5 Million in 2001 dollars amount. That was the security provided initially. PacifiCorp is requesting that the Council treat PacifiCorp just as it has treated other regulating facilities in the past. That is to not require a guarantee or a letter of credit, but instead have the site restoration obligation become a general obligation of the utility. Ms. McGaffey asked Mr. Jeff Erb, PacifiCorp to provide background about PacifiCorp and why they feel they provide sufficient financial security for those site restoration requirements.

Mr. Erb representing PacifiCorp noted that PacifiCorp is a regulated utility that provides retail electric service in six western states, including Washington, Oregon, California, Utah, Idaho and Wyoming. PacifiCorp is a well established company. The latest 10-K form reflects more than \$15 Billion in assets; in addition the unsecured credit rating is triple B+. A company with a very strong investment rating, PacifiCorp has a large amount of experience owning and operating generation facilities like Chehalis. PacifiCorp owns and operates several plants very similar to the Chehalis plant and is familiar with the operation of natural gas plants. A sale/purchase agreement was entered into by PacifiCorp and Chehalis Power on April 11, 2008. Both companies are working to obtain all necessary federal and state regulatory approvals to allow closing to proceed which is when title to the assets is transferred. The federal regulatory approvals include a Hart Scott Redino Anti-Trust filing, and early termination has been granted. There is also a substantive filing before the Federal Energy Regulatory Commission under Section 203 of the Federal Power Act. In addition, the Federal Communications Commission must approve the transfer of the radio licenses. On the state level there are applications before the Public Utility Commissions in Oregon and Utah. There will be a related filing in Washington with the Utilities and Transportation Commission (UTC). PacifiCorp looks forward to completing the purchase of the Chehalis plant, as it fills a need in PacifiCorp's portfolio to better meet the growing load needs of its customers.

Mr. Erb informed the Council that it was also applying to the UTC. Chair Luce set the matter to the June 10, 2008 Council meeting pending any further action. Council member Dick Byers has recused himself from any action on this item because of his role at the UTC. EFSEC rules require a public meeting on any SCA transfer request and the Council asked that the public comment meeting be set for the first week of June, in the Chehalis area.

Rule Making

<i>CO₂</i>	<i>Allen Fiksdal, EFSEC Manager</i>
-----------------------	-------------------------------------

Mr. Fiksdal reported that EFSEC and the Department of Ecology are working together on developing rules based on RCW 80.70 & 80.80. Ecology is currently working on the response to comments and a Concise Explanatory Statement. EFSEC will be issuing its own response to comments and Concise Explanatory Statement due to the two chapters of rules it has proposed. Mr. Fiksdal suggested that Nancy Pritchett of Ecology come before the Council at the June 10th meeting, to explain the rule making process and the comments received. The Council will need to have a special meeting later in June to issue the CR-103 for these rules relating to carbon dioxide mitigation and emission performance standards.

<i>Transmission Line Siting</i>	<i>Allen Fiksdal, EFSEC Manager</i>
---------------------------------	-------------------------------------

Mr. Fiksdal reported that staff has been working to incorporate the stakeholder comments into the rules. The second draft has been issued to the work group for further comments, anticipating that the CR-102 be issued at a special meeting in June.

<i>Other</i>	<i>Jim Luce, Chair</i>
--------------	------------------------

Chair Luce drew the Council's attention to a letter from Avista, PacifiCorp and Puget Sound Energy letter that was included in the meeting packet. The letter encourages the Council to work with other state and federal agencies to establish consistency in energy policies, reasonable standards and innovative solutions to address energy mandates while ensuring the reliability of the regional electricity system.

6. ADJOURN

The meeting was adjourned at 2:20 pm.