



## STATE OF WASHINGTON

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

### January 13, 2009 Monthly Meeting Minutes

#### 1. CALL TO ORDER

Chair Jim Luce called the January 13, 2009 monthly meeting to order at 905 Plum Street S.E., Room 301, at 1:33 p.m.

#### 2. ROLL CALL

##### Council members present were:

Jim Luce	Chair
Dick Fryhling	Community, Trade & Economic Development
Judy Wilson	Department of Natural Resources
Jeff Tayer	Department of Fish and Wildlife
Dick Byers	Utilities and Transportation Commission
Hedia Adelsman (via phone)	Department of Ecology

##### Staff in attendance were:

Allen Fiksdal – EFSEC Manager, Stephen Posner – Compliance Manager, Jim La Spina – EFS Specialist, Mike Mills – EFS Specialist, Kyle Crews - AAG AGO, and Tammy Talburt - Administrative Assistant.

##### Guests in attendance were:

Mark A Miller – Chehalis Power, Todd Gatewood – Grays Harbor Energy, Victoria Stockes – KBA, K Wendell Adams – KVA, Travis Nelson WDFW, Ron Bockelman – David Evans & Associates, Gray Rand – David Evans & Associates, Sean Clark – Climate Trust, Kirk Deal – PNWRCC, Mark Anderson – Community Trade & Economic Development, Scott Williams – PSE and Tim McMahon – Stoel Rives.

##### Guests attending via phone:

Don Coody – Energy Northwest, Karen McGaffey – Perkins Coie, Joy Potter – Horizon Wind and Dan Rottler - PSE.

#### 3. ADOPTION OF PROPOSED AGENDA

The agenda was presented to the Council for amendments or additions; the agenda was approved as submitted.

#### 4. MINUTES

Staff presented the December 9, 2008 monthly meeting minutes for the Council's approval.

**Motion: Council member Wilson moved the Council approve the December 9, 2008 meeting minutes with edits from the Council. The motion was seconded by Council member Byers. The motion was approved.**

#### 5. PROJECT UPDATES

##### Kittitas Valley Wind Power Project

<i>Project Update</i>	<i>Joy Potter, Horizon Wind Energy</i>
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Ms. Joy Potter, Horizon Wind Energy, reported to the Council that Horizon is moving forward with design plans. Horizon is tracking the Micro-siting as was mandated by the Governor. The Bonneville Power Administration has submitted some draft language to Horizon to resolve the issues involving the Large Generator Interconnection Agreement (LGIA) between Horizon and BPA. Horizon hopes to have the LGIA executed in the near future. Horizon is continuing to work with Kittitas County to establish a franchise agreement that is required for the collection lines that will be crossing the county road right-of-way. The County is reviewing the road plans for reconstruction of Bettas Road and Hayward Hill Road. Because of the on-going work with BPA and the County, construction of the project may not begin as soon as Horizon had planned.

##### Columbia Generating Station

<i>Project Update</i>	<i>Don Coody, Energy Northwest</i>
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Mr. Don Coody, Energy Northwest, reported to the Council that Columbia Generating Station is operating at 100% power (~1,165 megawatts – gross) and has been on line for 54 days. Columbia Generating Station was back on line on November 20<sup>th</sup> after completing a five-day planned maintenance outage to repair steam and water leaks inside the Turbine Building.

Mr. Coody said that final closure actions for the Mixed Waste Storage Area (MWSA) at Columbia Generating Station were completed on December 8, 2008 and a certification of closure was submitted to Ecology on December 19, 2008. The MWSA has been operated under a Washington State Dangerous Waste Permit since 1988. The facility (inside the plant power block) was used to store containers of various radioactive and hazardous mixed wastes generated during maintenance and refueling activities. Operations in the MWSA were terminated in September 2008 and the facility is no longer used to store and handle mixed wastes. Ecology approved closure of the facility on December 29, 2008.

Mr. Coody reported that on January 3<sup>rd</sup> an organizational change was implemented at Energy Northwest. Cheryl Whitcomb, Vice President (VP), Organizational Performance & Staffing/Chief Knowledge Officer (CKO), will retire from Energy Northwest on January 30, 2009, after having served Energy Northwest for 33 years in a variety of management positions. Scott Oxenford, who was a Loaned Executive to the Institute of Nuclear Power Operations (INPO), returned to Energy Northwest in December, after completion of his 18-month assignment. Through his direct interaction with INPO and industry personnel, Mr. Oxenford has gained valuable insight and experience into business and leadership attributes necessary for sustained excellence in the industry. He will apply this experience to continue strengthening the overall performance and reputation of Energy Northwest.

According to Mr. Coody, the organizational changes were made to provide a diversity of leadership experiences for the executive team as a result of Ms. Whitcomb's departure, to maximize the benefits from Scott's INPO experience, and to more closely align functional responsibilities within the five respective VP groups. The changes were:

- Scott Oxenford will assume the position of VP, Nuclear Generation/Chief Nuclear Officer (CNO) and be responsible for Columbia Generating Station operations and maintenance.
- Dale Atkinson, who previously held Scott's position as VP Nuclear Generation/CNO will assume Cheryl's position, which has been renamed Operational Support.
- Sudesh Gambhir will continue as VP, Technical Services.
- Al Mouncer will continue as VP, Corporate Services/General Counsel/Chief Financial Officer (CFO).
- Jack Baker will continue as VP, Energy/Business Services

As previously reported to the Council, Energy Northwest notified EFSEC by telephone on December 4, 2008 of a noncompliance issue with the NPDES Permit. The permit prohibits the discharge of plant circulating water during halogenation which is a biofouling treatment with a sodium hypochlorite/sodium bromide mixture. During halogenation, it was discovered by alternate test indications that circulating water was leaking by the level control valve and isolation valves at a rate of approximately 650 GPM.

24-hour verbal notification was followed up by a 5-day written report to EFSEC on December 9, 2008. Energy Northwest committed to not halogenate circulating water until the issue was resolved. Based on calculations, Energy Northwest were confident that the discharged water had Total Residual Halogens below the permit limit of 0.1 mg/L by the time the water reached the river.

Subsequent to submittal of the written report, a new gate valve was installed in the circulating water system while the plant was on line. The valve was installed to ensure no discharge occurs during halogenation of the circulating water. Energy Northwest have resumed halogenation since installation of the valve.

On January 8, 2009, Jim La Spina of EFSEC and Jeff Ayres and Donna Smith of Ecology conducted an NPDES compliance inspection at CGS. The inspection was conducted to review documentation related to the NPDES non-compliance and tour relevant locations within CGS. No new issues were identified during the inspection. Jim LaSpina committed to send a letter to Energy Northwest providing EFSEC's expectations for resolving the noncompliance.

In December, Energy Northwest reported to the Council that Energy Northwest was working with Ecology to close the October 4, 2007 Administrative Order #5143 for the Columbia Generating Station. Ecology and EPA conducted a close-out inspection in September and November 2008 with no issues identified. Ecology has proposed a formal on-site close out meeting; but to date, a meeting has not been scheduled and the order has not been lifted.

Mr. Jim La Spina, EFS Specialist reported that EFSEC and Ecology staff conducted a compliance inspection of the Columbia Generating Station on January 8, 2009. The purpose of the inspection was to investigate the discharge of circulating cooling water during halogenation, which is prohibited by the permit. At this time EFSEC and Ecology staff are reviewing their findings and preparing a recommendation for the Council's consideration at its February meeting.

## Satsop Combustion Turbine Project

<i>Project Update</i>	<i>Todd Gatewood, Grays Harbor Energy</i>
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Mr. Todd Gatewood, Grays Harbor Energy (GHE) reported the plant has had no reportable accidents or injuries in the month of December. To date the plant has generated approximately 841,936 Mw hrs. The unit operated for 4 days in December for 45,425 Mw hrs, giving GHE a 10% capacity factor for the month of December.

Mr. Gatewood reported the facility had the following exceedances on Outfall 001-Process Wastewater in November:

Two - chloride exceedances

These parameters are monitored on a weekly basis. The process cycles the chlorides up. The raw water has a higher level than anticipated and the permit limit is lower than the predicted level. The facility will be performing an engineering study of the ground water and process water as a requirement of the recently revised permit.

Two – Iron exceedances

This as at the discharge of the oil water separator. This collects all floor drains and is due to corrosion in the underground collection piping.

Mr. Gatewood has had a discussion with EFSEC Staff to make changes to the current water permit. Mr. La Spina informed the Council that the current NPDES permit must be modified to address technical deficiencies that result in frequent effluent limit exceedances. The deficiencies stem from a typographical error and the lack of empirical discharge data because the permit was issued before the plant began operating.

Mr. Gatewood said the GHE is waiting for the final quote for equipment from the manufacturer of noise monitoring equipment. The manufacturer will be adding in the cost of the solar panels and represent the quote to GHE staff. The quote is expected in the next couple of days.

Mr. La Spina reported that EFSEC staff recently determined that the Olympic Region Clean Air Agency (ORCAA) has the personnel, expertise and authority to investigate odor complaints. ORCAA is already under contract to EFSEC and has agreed to investigate future odor complaints from the neighbors of the Satsop Project. EFSEC staff have informed the Satsop Project's neighbors that in the future they should call ORCAA with their odor complaints.

<i>CO2 Mitigation</i>	<i>Sean Clark, Climate Trust</i>
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Mr. Sean Clark from the Climate Trust reported that it has successfully identified and contracted with a Washington based carbon reduction project for the Satsop Project. He said the Climate Trust had executed an emission reduction purchase agreement (ERPA) for the acquisition of methane emission reductions from the Farm Power Rexville Project, a regional dairy digester in Mount Vernon, Washington. Farm Power, a small Washington business run by two brothers, will build a regional digester to collect manure from Harmony Dairy (1,025 cows) and Beaver Marsh Farms (475 cows). Both dairies currently scrape manure into uncovered lagoons which release methane to the atmosphere. Farm Power will pipe the manure from Harmony Dairy and Beaver Marsh Farms to a covered digester tank which will capture and combust methane in a generator to deliver electricity to the grid.

The project will reduce greenhouse gas emissions first by preventing the release of methane into the atmosphere and second by generating renewable electricity. The Satsop mitigation funds will purchase only the methane emission reductions, not the

electricity reductions. The Climate Trust anticipates that over the project's ten year lifetime Farm Power will avoid the release of methane emissions which have a global warming impact equivalent to emitting 60,000 tonnes of carbon dioxide.

The Climate Trust chose this project for a number of reasons: It is a high quality project; It is an additionality project, meaning the project would not have gone forward were it not for the availability of the mitigation funds from the Satsop project; It was cost effective project; The Climate Trust was able to negotiate a carbon price competitive with similar projects in the livestock methane sector; It was a Washington based project; The project is smaller in scale, due to the limited offset funding available from the Satsop Mitigation Plan. The Climate Trust prioritized small-scale projects. Farm Power was one of the only small-scale offset projects identified. In terms of funding Farm Power will be receiving about 40% of the funds at the time of commercial operation and the other 60% will flow on an annual basis, according to the delivery of reductions.

Council member Fryhling inquired if the project is in the flood plane, Mr. Clark stated that he would have to check that information and return it back to the Council. Council member Adelsman requested to know the percent of total project is from the offset funding. Mr. Clark explained that there is some sensitivity on talking about carbon price, the sale price of the carbon, the memo that was distributed is the volume of offsets the Climate Trust is receiving from the project.

Council member Adelsman asked for clarification of Mr. Clark's additionality criteria. Council member Adelsman stated that there were State monies, and other resources, that could move it forward because it is not business as usual, not because of the Satsop Mitigation funds driving it forward. Mr. Clark stated that there are three products from this project, electricity, soil remedial, and carbon. They are getting more money from the carbon than from the soil remedial. The major part of the financing is from Shore Bank Pacific on the precondition that the borrower find a carbon buyer for the offsets for the project. So finding the carbon buyer was a key component to funding the project. Chair Luce reiterated that the pricing of carbon is proprietary, people like to keep it confidential so that what ever price is paid doesn't drive the market. Mr. Clark stated that if there were funds left over from the Satsop Mitigation project and they go out again for offsets, and the price is public knowledge it could be tough to negotiate the next round. Council member Byers confirmed that the Bank required that a power sale was negotiated.

### **Chehalis Generating Station**

<b><i>Project Update</i></b>	<b><i>Mark Miller, Chehalis Power</i></b>
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Mr. Mark Miller, Chehalis Power, reported that there has not been a lost time accident at the facility in 2275 days. Chehalis Power maintains an effective safety program through a behavioral-based approach.

Mr. Miller reported that the first of four sets of Green House Gas testing was completed during the week of November 17, 2008. The test results have been sent to Southwest Clean Air Agency (SWCAA) and EFSEC. The scheduling of the annual Relative Accuracy Test Audit (RATA) and biennial Compliance tests are for the week February 2, 2009. Chehalis Power will be completing the 2<sup>nd</sup> set of Green House Gas Testing at this time. There have been no stormwater exceedances in the past year; the site remains in excellent shape. The plant has been authorized for 18 staff members and is currently fully staffed.

Mr. Miller said the Plant dispatch rate for December was at approximately 51%, for a total of 153,000 MW-hrs produced. In addition, public concern regarding plant

noise has greatly diminished in the past two years and Chehalis Power has received no complaints about the noise in over a year, while plant personnel continue to conduct routine daily noise tests on-site and weekly off-site, as required by the Site Certification Agreement.

**Wild Horse Wind Power Project**

<i><b>Project Update</b></i>	<i><b>Dan Rottler, Puget Sound Energy</b></i>
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Mr. Dan Rottler, Puget Sound Energy (PSE), reported via phone that December Wind Production totaled 54,700 MWh with a capacity factor of 32.2%, giving the Wild Horse Wind Power Project an annual capacity factor of 34%. The Solar Demonstration Project generated approximately 21,700 kWh over the past month. There were no lost-time accidents or safety incidents to report for December. The monthly Discharge Monitoring Report (DMR) for December was submitted to Ecology and EFSEC on 12/31/09. There were no qualifying stormwater events in December. The site has responded very well to recent unseasonably warm temperatures combined with heavy rain at times and melting snow. Other than a few maintenance needs all stormwater BMPs are in good condition and the site remains in compliance with the Operations SWPPP.

In accordance with Article 7, Section E of the SCA, the 4th quarter 2008 Traffic Monitoring Report was submitted to EFSEC staff and to the Kittitas County Public Works Department. Traffic levels at the wind farm during this quarter did not exceed the WSDOT warrants that require a right and/or left hand turn lane on the Vantage Highway, therefore, no traffic lane improvements are required at this time.

<i><b>Final Supplement Environmental Impact Statement</b></i>	<i><b>Allen Fiksdal, EFSEC Manager</b></i>
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Mr. Allen Fiksdal, Council Manager, reported that the public comment period ended December 15, 2008 and based on comments received and the responses prepared staff recommends that the Council approve the issuance of Final Supplemental Environmental Impact Statement (FSEIS) for the Wild Horse Wind Farm expansion. If the FSEIS is approved, it will be sent out to the parties on the distribution list. Mr. Scott Williams, PSE requested the Council issue the FSEIS and after the statutory 7 day waiting period the Council approve the Site Certification Agreement (SCA) Amendment for the expansion.

Mr. Fiksdal noted that the Council would need to schedule a special meeting to render their decision on the amendment request. Chair Luce asked if Council member Tayer has any comments on the WDFW bat concerns expressed in a comment letter. Mr. Tayer stated that the bat issues hasn't been front and center until recently and that he would recommend that PSE work with WDFW in the implementation phase, but not hold up the issuance of the FSEIS. Councilmember Wilson clarified that the expansion would become a part of the avian & bat study. Mr. Tayer confirmed that it would. Mr. Tayer also complimented Puget Sound Energy on the work and example they have set with their mitigation projects. 7500 acres is huge compared to standard mitigation.

**Motion: Council member Tayer moved the Council direct staff to issue the Final Supplemental Environmental Impact Statement for the Wild Horse Wind Power Project Expansion. The motion was seconded by Council member Adelsman. The motion was approved unanimously.**

Mr. Fiksdal said that staff would prepare a draft SCA and resolution for Council consideration. The Council set a special meeting to consider the SCA Amendment 5 request for January 22, 2009 at 3 pm.

## 6. Rule Making

<i>Possible Wind &amp; Alternative Energy Rule</i>	<i>Jim Luce, Chair</i>
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Chair Luce said a CR-101 had been prepared by staff. He noted that he wanted to take a hard look at the development of some standards around alternative resources. Chair Luce also noted that issuance of the CR-101 does not require that a rule be issued, but that a rule could be drafted and there would be time and opportunity for review and comment on drafts prior to issuance of any final for formal public comment. Council member Tayer inquired if it would be beneficial to develop programmatic Environmental Impact Statements (EIS) at this time while addressing the cumulative impacts of multiple projects. Chair Luce stated that it has been discussed before and it should be on the table. The impediment in the past has been the means of financing the process of a standardized EIS. Council member Byers had questions about the process. He was concerned that with the filing of the CR-101 and initiation of the rule making process, does that mean that staff will be drafting a potential rule or what process would be used for the rule development. Chair Luce said that there are at least two approaches to the process. One is to hold a huge meeting to talk about the rule and then talk about it some more. Chair Luce suggested that staff pull together interested parties and send a list of issues and how other states have addressed these issues. Then have staff issue a draft rule for discussion. Council member Fryhling stated that he believes that most of the areas of discussion are already addressed in the council's process. Chair Luce stated that it is worth a review to make sure that they are addressed.

**Motion: Council member Fryhling moved the Council direct staff to issue the CR-101. The motion was seconded by Council member Tayer. The motion was approved.**

### Additional questions and reports

Council member Fryhling asked if there is a definition of a "wind right". Tim McManah said there is no legal definition that he is aware of, like water rights, it could be along the lines of solar rights.

Mr. Fiksdal asked Mark Anderson, CTED Energy Policy, to provide the brief report concerning a "Small Wind Group" he is working with. Mr. Anderson said CTED has received a very small grant from the Department of Energy to put together a permitting and siting work group for small wind projects. The work group will look at issues related to siting and permitting small wind projects. He noted that there is a bill in the legislature, House Bill 1008 which would establish consistent standards for siting small wind energy systems in the state of Washington. The bill defines a small system in terms of tower height. Towers can't be taller than 80 feet on 5-acres and 65 feet on one acre. The bill states that local jurisdictions would have to adopt these standards or develop their own standards, but their standards may not be more restrictive than the standards outlined in the bill.

<b><i>Chapters 463-10, 43, 58, 60, &amp; 62</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal reported that EFSEC issued the CR-102 (Notice of Proposed Rulemaking) and reminded the Council there will be a public comment hearing at the February 10, 2009 Council meeting starting at 2:30 pm.

<b><i>PSD/Expedited Rule Making</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal reported that this rule became effective Saturday January 10, 2009.

## **7. OTHER**

<b><i>Request for Qualifications</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal, EFSEC Manager, reported to the Council that prior to issuing the Request for Qualifications he had added language concerning organizational or company viability that was requested by Council member Byers. Mr. Fiksdal noted responses to the RFQ are due on January 14, 2009.

<b><i>Cost Allocation</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal, EFSEC Manager, reported that the EFSEC non-direct charge percentages have changed and for the current fiscal quarter they will be as follows:

Kittitas Valley – 25%, Pacific Mountain Energy – 3%, Desert Claim – 0%, Columbia Generation Station – 25%, WNP-1 – 4%, Satsop CT – 16%, Chehalis Generation Project – 9%, Wild Horse Wind Power Project – 17% and BP Cogeneration Project – 1%.

<b><i>New Projects</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal, EFSEC Manager, reported to the Council that he had been in contact with proponents of a wind project for southern Washington which anticipated coming in with an application in March 2009. No further information was available at this time.

<b><i>CTED Director change</i></b>	<b><i>Allen Fiksdal, EFSEC Manager</i></b>
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Mr. Fiksdal, EFSEC Manager, reported that CTED Director Juli Wilkerson has retired from state service and been replaced by Assistant Director Larry Williams. He said there would be a national search for her replacement.

## **8. ADJOURN**

The meeting was adjourned at 2:53 pm.