

PNWCC REPORT Council



NORTHWEST POWER AND CONSERVATION COUNCIL January 12-13, 2010

The Council elected Bruce Measure of Montana as chair and Dick Wallace of Washington as vice-chair at its first meeting of the year in Portland. Staff said flotillas of edits and revisions plying the airwaves in the coming weeks will lead to adoption of the Sixth Power Plan in February. Council members approved an Independent Economic Analysis Board study of what a mussel invasion could cost the Northwest, as well as millions of dollars of Columbia Basin Fish Accord projects. Next Meeting: February 9-11 in Portland, Oregon.

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FOR OPENERS

Nominating Bruce Measure to serve as 2010 chair of the Council, current chair Bill Booth said Measure is an experienced Council member with a strong knowledge of both fish and power issues. Tom Karier seconded the motion and spoke in favor of it, noting Measure's leadership in working with small public utilities.

Measure said he would be proud to serve as chair and that he is seeing a new spirit of collaboration on fish and wildlife (F&W) issues that bodes well for the

region. He also mentioned the upcoming passage of the new power plan, with its strong conservation goals.

Jim Yost nominated Dick Wallace to serve as vice-chair. He's proven to be an energetic and attentive Council member and will make an excellent vice-chair, Yost said. Wallace said he is looking forward to "working with our Canadian partners" on Columbia Basin Trust issues. I hope I can help that interaction continue to grow, Wallace stated.

Booth said he had enjoyed his two years as chair and is proud of what was accomplished. He said he was especially proud of developing a strategic plan for the organization, with goals, metrics, and timelines both years. We met the goals for every division, and it's been quite gratifying, Booth stated. "We ran this place in a businesslike fashion," he added.

THE AGENDA

Power Plan Inches Closer



We are pretty far down the road of completing the Sixth Power Plan, Power Committee chair Melinda Eden told her colleagues. "We are pretty darn close," agreed Booth. We definitely want to get the plan approved next month, he said.

Staffer Terry Morlan said one of the main items up for review at this point is Chapter 10, the resource strategy. It's entirely new compared to what was in the draft, he said. The plan's strategy has five elements: efficiency, renewables, natural gas, infrastructure, and preparing for a low-carbon future, Morlan stated.

Efficiency costs less than half of generating resources and mitigates risk from volatile fuel prices and unknown carbon costs, he said. The plan's efficiency goal is 5,900 average megawatts (MWa) by 2030, with a near-term target of 1,200 MWa in the period between 2010 and 2014, according to Morlan.

The plan says meeting state renewable portfolio standards (RPS) will require an

additional 1,450 MWa of wind or other renewable electricity generation, and it encourages the development of small-scale local renewable generation, he noted. After efficiency, natural gas is considered by the plan as the most cost-effective resource to provide additional energy and capacity, Morlan said.

The plan notes that individual utilities may need new gas generation sooner than the region as a whole due to limited access to markets or transmission, he explained. Natural gas can play a key role in displacing coal and reducing carbon emissions in the near term, Morlan added.

With respect to infrastructure, the plan calls for improved operation of the existing power system, especially with the integration of wind, he noted. Other key recommendations involve making transmission system investments and preserving the capability of the hydroelectric system "to the extent we can," Morlan said. Looking out to the future, the plan calls for encouraging new technologies, including smart grid, demand response, renewables, storage, advanced nuclear, and carbon sequestration, he summed up.

Gold Watches for Half the Coal Plants?

Chapter 10 also discusses meeting a specific carbon target, Morlan pointed out. The plan considers what it would take for the region to reduce its carbon emissions to 40 million tons per year by 2030, he said. Morlan described three carbon-reduction scenarios the staff analyzed. The first, "carbon risk," is what was in the draft plan, he noted. It looks at carbon prices ranging from \$0 to \$100 per ton, with an average of \$47 by 2030, Morlan said.

The second scenario assumes a fixed carbon price of \$45 per ton starting in 2010, although the chances of passing a \$45 carbon tax this year are not too high, he stated. The third scenario, "coal retirement," assumes a phase-out of 54 percent, or 2,708 MWa, of the region's coal generation, Morlan explained. Our analysis showed that conservation is vital to reducing carbon emissions in the region; that's a point that was lost in the draft so we tried to make it clearer in this version, he said.

The coal-retirement scenario results in a higher probability of meeting the carbon target, and it implies that while there would be fewer coal plants in the region, the remaining ones would operate at a higher capacity factor than they do now, according to Morlan.

Here's what needs to be done to meet a target of 40 million tons of emissions per year, he said: carbon prices have to be at \$45 per ton or higher to reduce coal dispatch enough to meet the target, or the region needs to retire 58 percent of the existing coal plants; and achieve a 5,900 MWa conservation target and meet state RPS requirements. To put it another way, the region has to do conservation, build enough renewables to meet the RPS, and retire some coal plants, Morlan summed up.

What is the time period for the scenario to reduce coal capacity by about half? Karier asked. From 2012 to 2019, meaning it would be done by 2020, Morlan replied. There are questions about how plants could be phased out, and the plan doesn't say which plants should be retired, he said.

The Power Committee discussed the question of reliability if over 50 percent of coal plants were retired, Eden noted. Staffer John Fazio said he would do an analysis to help us deal with that issue, she said.

When you retire coal, the model replaces it with some more conservation and quite a bit of natural gas, both new plants and higher use of existing plants, Morlan pointed out. It also changes the way energy is imported and exported from the region, and on net, we would export less energy, he said.

If a coal plant is forced to run less, there is a question about when the plant becomes uneconomical, and I can look into that, Fazio said. Coal plants operate best at high capacity, and whether a plant can operate at lower levels is a very plant-specific question, added Morlan. The model saw that some plants would be retired because it would become uneconomical to operate them at lower levels, he said.

Flotillas Sighted, Carrying Appendix M

Morlan said several "flotillas" of paperwork relating to the plan have been going back and forth from staff to Council members. We plan to send out a new flotilla next week, he said. Chapter 10 is the chapter to focus on if you are interested in the basic message of the plan, Morlan noted.

The Council took up Appendix M, which deals with integrating F&W and power planning. We got a lot of comment on Appendix M, staffer John Shurts stated. In response to comments, the section in Appendix M on calculating the cost of

F&W operations to the power system was modified substantially, and now the only costs shown are those calculated by BPA, Morlan pointed out.

Shurts said Karier had drafted a page of text titled "Assessing F&W Costs," which describes how BPA understands its costs. It would be inserted into Chapter 13 of the plan, which deals with BPA's obligations, and staff recommends the text be added, Shurts noted. Karier said his intent was to put a discussion of the policy issues related to assessing F&W costs into the plan itself, "rather than burying it in an appendix."

Joan Dukes said she is comfortable with what Karier drafted. This is clear and succinct in saying what the obligations are, she added. Eden said while she is also comfortable with what Karier drafted and Appendix M in principle, she wants to review the details "after the flotilla arrives." She noted that the Power Committee is planning to hold one or two conference calls before the February Council meeting and that Appendix M could be a topic for one of the calls.

I think we should periodically do our own independent evaluation of BPA's numbers for calculating the cost of F&W operations, Yost said. The Council needs to provide that check-and-balance, and I'd like the plan to say that somewhere, he stated.

I agree, said Karier. How BPA calculates these costs is a complex process, and we do need to understand it, he added.

Should Fish Pay for Mussels?



Morlan asked for a Council decision on a proposed task order to allow the Independent Economic Analysis Board (IEAB) to conduct an analysis of the potential economic effects of a quagga or zebra mussel infestation in the Columbia River Basin, with a focus on the Federal Columbia River Power System. He said the estimated cost of the task order is \$19,500 and that the IEAB would inform the Council and the region about the potential damage and related costs of a mussel infestation compared to the potential cost of programs to avoid or delay such an infestation.

This looks like it would provide useful information, Karier said. Stating that the task order "sounds like a big picture to go after," Dukes asked for more detail on what the IEAB would be looking at. The scope is big, agreed Morlan, noting the panel would identify areas that might be affected, how they would be affected, and what costs might be involved. An example would be an infestation at a fish passage facility, he said.

So the task would be focused on F&W and not on damage to the dams? Dukes asked. It would be both, Morlan replied. Does it pose a problem that no one on the IEAB has a power background? Dukes asked. I don't think it's a big problem with this analysis, Morlan said.

Will the money come out of the Council's F&W budget? Dukes asked, and Morlan said yes. I don't have a problem with this project, but I do have a problem with the bigger issue of the IEAB, Dukes stated. Its charter has expired so we don't really have

an IEAB, and the charter we did have for the IEAB doesn't fit this work, she said.

If the Council decides it wants an IEAB, staff should rewrite the charter because it isn't relevant to the issues we are wrestling with, according to Dukes. I wish we could wait a month and get the broader issues with the IEAB sorted out, she said.

The emphasis for this is power, and the dollars are coming out of the F&W budget, Dukes stated. If the money isn't spent on this task order, it would be available for other F&W projects, she noted. I have a problem with taking F&W dollars and spending them on a power issue, Dukes added

There are a lot of issues the Council deals with that fall in the middle between F&W and power, Karier stated. I'm not going to support giving this task order to the IEAB because of procedural concerns – "what we've got here is the cart before the horse," Eden said. Having economists look at this issue is important, but we need to re-evaluate this board's role vis-à-vis the Council, she stated. I don't see a problem with a month or two delay, Eden added.

The IEAB has value for both F&W and power, said Wallace. We do have a lot of work to do, he stated. We should look back at what value the IEAB has added in past assignments and use that information in putting together a new charter, Wallace said. We also want to have the IEAB's expertise match the charter, he noted.

We owe the IEAB a decision on this task order, Booth said. Measure moved that the Council approve the IEAB task order to "analyze the potential economic effects of a quagga or zebra mussel infestation."

Dukes moved to amend the motion to split the cost equally between the power and F&W budgets, and Eden seconded. Dukes' motion passed unanimously on a roll-call vote.

Measure restated the original motion to reflect the funding split, Karier seconded, and the motion passed on a 7-1 roll-call vote. Eden voted no.



Greenlighting a Slew of Accord Projects

Staffer Mark Fritsch presented funding requests for eight Columbia Basin Fish Accord projects, all of which extend through FY 2017. The first, he said, is from the Confederated Tribes of the Warm Springs Reservation for \$2,540,388 to determine the status and limiting factors of Pacific lamprey in the Fifteenmile Creek and Hood River subbasins. Fritsch pointed out that the Independent Scientific Review Panel (ISRP) suggested the project incorporate a study of toxic contaminants as a limiting factor in lamprey production.

Eden asked about statements indicating some future decisions involving the project would be "taken care of in contracting" at BPA. I think water contamination is an issue that should be addressed, she said.

Staffer Tony Grover described other efforts in the region focusing on limiting factors and lamprey restoration that are coming up in the future, including work by the Columbia River Inter-Tribal Fish Commission (CRITFC). We all recognize that contaminants are a major issue, and this project is part of a much larger set of projects, he said.

Rhonda Whiting explained what BPA has said about how it will deal with issues to be addressed in contracting for the projects. The question is how to ensure follow-through, she stated. The Accord projects are part of "a new era," and the clearer we can be, the more it will help prevent things from being lost in the bureaucracy, Whiting added. The Council approved the project.

The Council also approved an Accord project for \$2,650,845 requested by the Shoshone-Bannock Tribes to assess the effectiveness of nutrient enrichment treatments in upper Salmon River subbasin streams, and a project for \$2,000,816 requested by the Confederated Tribes of the Colville Reservation to improve summer habitat for native redband trout in the Twin Lakes by enhancing dissolved oxygen levels in bottom waters.

The fourth Accord project getting Council endorsement was for \$7,922,849, requested by CRITFC, to support recommendations from the Ad Hoc Supplementation Workgroup for a basinwide evaluation of the long-term effects of hatchery supplementation on the productivity of naturally spawning anadromous salmonid populations. The fifth project approved was for \$2,631,356 requested by the Yakama Nation to support mitigation described in the 2008 Biological Opinion (BiOp) and the Council's F&W program by annually reporting progress toward salmon recovery efforts related to the Columbia Cascade province.

Fritsch said the sixth project is for \$4,845,345 requested by the Yakama Nation to develop an expanded acclimation program for existing spring chinook and steelhead hatchery mitigation programs in

the Wenatchee and Methow basins. The idea is to explore the use of multi-species acclimation, he noted.

Eden said this is another project where some questions from the ISRP are being "bumped into the 'we'll handle it with contracting bin.'" Grover noted that the Council will look at the multi-species projects when it does geographic project reviews. The PUDs and others in this geographic area have paid for tracking salmonids through the system, and "we'll have more data than we know what to do with," he stated.

What the Council is saying is that we want to see accountability with these projects, said Booth. We are putting a lot of faith in BPA's Taurus system, he added. The project was approved.

Bringing Fish Back from the Dead

Fritsch said the seventh project is for \$5,661,448 requested by the Yakama Nation to enhance the abundance and life-history diversity of naturally produced steelhead in the Upper Columbia River by taking advantage of their unique ability to repeat spawn. He explained the project proposes to recondition post-spawned steelhead (kelts) in captivity under a long-term treatment program, monitor them, release them to spawn naturally, and track their post-release contribution to natural spawner abundance.

The ISRP did not provide a favorable review of the project and said the benefits of such a project are not established and that it is uncertain whether this fish culture technique can rehabilitate steelhead kelts that reproduce successfully in the natural environment, Fritsch noted. Staff

recommends the proposal proceed with a check-in in 2014, he said.

Fritsch described five reasons Council staff think the project should be funded. One is that, by collaborating with other PUD-funded studies, it is a chance to address some of the remaining uncertainties regarding the reproductive success of long-term reconditioned kelts. Another, he noted, is that the project proposes to recondition natural-origin, Endangered Species Act-listed broodstock at Wells hatchery that otherwise would be killed at the time of spawning. This project "beats burying these fish," according to Fritsch.

After discussing this project extensively, the F&W Committee voted to approve it, Booth noted. The Yakama Nation has the premier experts on reconditioning, and these experts want to give it a shot, Grover added. This project needs to happen, Karier said.

I have major concerns, Eden stated, noting that a similar project done by the Yakamas downstream had raised ISRP concerns. If it hasn't worked lower down, why would it work upstream? she asked. In this project, we don't propose short-term reconditioning – we are proposing long-term reconditioning which has shown to be successful, Steve Parker, on behalf of the Yakama Nation, replied.

By statute, we have an ISRP to make recommendations to us, Eden said. "It pains me" to see a memo indicating the ISRP says one thing and that our staff believes differently, she added. It's good that we are struggling with this, said Wallace. The question is what is an acceptable level of risk, and that's a policy call, he noted. It's important to recognize

this is risky and also to look at the risk of not doing it, Wallace said. I favor doing it, he added.

Fritsch said the eighth project is for \$3,087,532 requested by the Confederated Tribes of the Warm Springs Reservation to improve habitat for all aquatic species, along with holistic watershed restoration aimed at factors limiting salmonid production, in the Deschutes River subbasin. The ISRP found the project did not meet scientific review criteria and suggested that a new proposal with additional information be submitted, he noted.

Staff recommends BPA and the project sponsor work to develop and resubmit for further ISRP review a revised proposal during FY 2010, Fritsch said. Are we giving them another chance to write a proposal? Eden asked, and the answer was yes. A motion with that recommendation passed.



Spring Will Bring Flowers and Fish Project Reviews

Staffer Lynn Palensky gave an update on the research, monitoring, and evaluation (RM&E)/artificial production categorical review of F&W projects, as well as a review of fast-track BiOp projects, which will take place this year. The Council has begun a process to review F&W projects for funding in FY 2010 and beyond, which will start with a categorical review of projects that are similar in nature and intent, according to a Council handout. That will be followed by a review of projects in specific geographic areas, and depending on the outcome of those

reviews, the Council may conduct targeted solicitations for new projects.

Palensky said work groups involving BPA, the Council, and action agencies are developing a framework for the categorical review. Work is also going on to make sure BPA's Taurus system is ready to support this review, which may include up to 200 projects, she noted. While we wait for all of the pieces of this effort to come together, managers have been asking us for dates so they can plan their work, and we intend to schedule some interim workshops, Palensky said.

Regarding the fast-track BiOp project reviews, she explained that the call for proposals to meet high-priority Reasonable and Prudent Alternative (RPA) gaps went out to select project proponents in December. The BPA/Council/action agency work groups have now identified 27 projects, Palensky said.

These projects are intended to be implemented this spring so obtaining permits is essential for them, she noted. If there are permitting delays, some of these

projects may fall off and go into the RM&E categorical review, Palensky said. She circulated a schedule calling for Council approval of a final set of fast-track projects in April.

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Council 2010 Calendar

February	9-11	Portland
March	9-11	Portland
April	13-15	Boise
May	11-13	Portland
June	8-10	Missoula
July	13-15	Portland
August	18-19	Spokane
September	21-23	Bend
October	13-14	Portland
November	17-18	Portland
December	14-16	Portland