



## Board of Directors July 13, 2007 Meeting Minutes

The PNUCC Board of Directors met on July 13, 2007 from 9:00 a.m. to noon at the Portland Airport Sheraton. The list of attendees is attached.

Next Board Meeting August 3, 2007  
at  
Embassy Suites Portland Airport !!!!

### Corporate Business

After acknowledging the PNUCC Antitrust Compliance statement the Board unanimously approved the June meeting minutes.

### PNUCC Member News

**Jerry Rust, Northwest Power Pool Director**, reported on the recent heat wave and the affect on Northwest power demand. Jerry indicated that on July 11<sup>th</sup> and 12<sup>th</sup> the Power Pool experienced a 10-minute peak load of 54,182 MW. Last year on July 24<sup>th</sup> (a day of concern for NW power managers) the load was 54,602 MW. A key difference was that this year the heat wave did not extend in to the SW as it did last year, and the pool-wide temperatures were not as extreme (4 degrees above normal). Jerry indicated that this recent experience also reminded us that there continues to be a noticeable increase in load within the Power Pool. He estimated that to be about 1,400 MW of growth in demand since last July. Several utilities also set records for peak load on their systems during the past week.

**Kelly Norwood, Avista**, reported that Avista Corp had recently completed the sale of its subsidiary, Avista Energy, to Coral Energy Holdings, a subsidiary of Shell. He indicated that this sale was part of Avista's goal of reducing its risk. The power output of Lancaster combustion turbine, which was owned by Avista Energy will be purchased by Avista Utilities to meet the needs of its customers.

**Jim Lobdell, PGE**, mentioned that last month, the remaining shares of PGE stock held by Enron creditors were sold into the market. With the completion of this sale, Enron has substantially divested itself of all its PGE stock.

**Jim Sanders, Benton PUD**, announced that his utility's bond rating had recently been raised to "A" rating by all three major agencies.

**Mark Stauffer, NorthWestern Energy**, indicated that plans by Babcock and Brown Infrastructure (BBI) to purchase NorthWestern Energy are proceeding. A recent revised proposal by BBI was submitted to the Montana Public Service Commission for their consideration. The recent proposal addresses concerns raised by the commission about debt and local control.

**Ruth Bennett, BPA**, shared that her agency is negotiating with one of its trade unions and it likely to go to arbitration. One issue being discussed is "bare-handing" technique used by line workers for maintenance on high voltage lines.

It was also noted that Energy Northwest recently announced that it is requesting the Washington Energy Facility Site Evaluation Council to begin hearings on its proposed 680 MW integrated gasification combined cycle power plant. At issue is the recent law passed in Washington that limits CO<sub>2</sub> emissions. Reportedly, Energy Northwest will be pursuing the sequestration of carbon in its proposed facility.

## Climate Change Activities

Scott Brattebo indicated that there had been little activity in the past month with PNUCC's Climate Change Work Group because other pressing issues have competed for staff time. Scott expects that a letter to Congressman Inslee will be drafted in the next week. This letter is a follow-up to a meeting with the congressman last spring.

Several members noted that national legislation on climate change continues to be discussed, with potential action this fall. Earlier in the week, Senators Bingaman and Specter introduced the Low Carbon Economy Act of 2007, which reflects a cap and trade system for CO<sub>2</sub> emissions. This recent proposal was a reminder that national legislation affecting the power industry is likely in the near future.

Tom Karier, chairman of the NW Power and Conservation Council, shared that their staff has recently completed an analysis of the CO<sub>2</sub> footprint for the Pacific Northwest. Their analysis compared historical emission levels with forecasts, assuming several different resource development scenarios. These scenarios included the Council's 5<sup>th</sup> Power Plan, utility integrated resource plans, low levels of conservation, and high levels of renewable energy. He noted that they assessed the impact on CO<sub>2</sub> emissions associated with removal of the four Lower Snake River dams, with varying assumptions about replacing the lost power from the projects. Their study also compared the Northwest's CO<sub>2</sub> production with various levels of summer spill for salmon passage.

When asked, Tom indicated that the study had been done by the Council staff and has little review and discussion by others. It was noted that a comprehensive study to assess the impact of removing the four Lower Snake River dams would require more than a simple replacement of the power from the projects. Board members expressed their concern that results of their study are easily misinterpreted. The Council expects to have a white paper published in August and will be looking for review of their work. Board members suggested that PNUCC Climate Change Work Group work with the Council staff and provide the Board with a critique of the analysis to date.

## Update of Residential Exchange Discussions

BPA and customer representatives have been meeting regularly to address how the region can move forward to provide Residential Exchange benefits in light of the May U.S. Court of Appeals ruling on the current agreements. Paul Norman noted that it is very important to his agency to identify an approach for resolving this issue that has significant regional support. Paul hopes that the current discussions among customers will provide some guidance on moving forward. He indicated that BPA has scheduled a public meeting for August 1<sup>st</sup> to provide an update on the issue and to provide an opportunity for parties to learn more about the issues facing the Residential Exchange Program. They will also be looking for ideas on factors to be considered in addressing the issue. In response to a question from the Board, Paul indicated that they will develop an approach that can be used as part of their long-term contracts (aka Regional Dialogue), and that long-term contracts with all customers will be offered at the same time.

## Regional Resource Adequacy Assessment

Council members Tom Karier (Washington) and Jim Kempton (Idaho) joined the Board to discuss the Council's recent assessment of the region's resource adequacy. Tom began by reminding the Board that he and Paul Norman have co-chaired an effort during the past two years to develop a resource adequacy standard. This Regional Resource Adequacy Forum has included BPA and Council staff as well as representatives from state energy agencies, utilities and an energy/environmental advocacy group. In addition to developing both a capacity and energy metric and standard, the Council plans to annually assess the health of the region's power system using the metric. Tom Karier shared the results of their first assessment with the Board.

By all of the Council's adequacy measures, the region has adequate resources to meet its expected loads for the next five years. The projected annual energy balance as well as the summer and winter capacity reserves are above the adequacy targets. Tom compared their results with PNUCC's Northwest Regional Forecast and pointed out some obvious differences. By the Council's assessment, the region is projected to have an annual energy surplus of over 4,000 MWa during the next

five years. The April 2007 edition of PNUCC's Northwest Regional Forecast, which reflects utility plans, indicates a need to acquire about 2,000 MWa. Tom explained that their assessment includes power from non-utility owned generation located within the NW, whereas the NRF includes only firm resources. He further noted that their assessment includes a planning adjustment of 1,500 MWa to reflect the idea that power is available to purchase from California and that non-firm energy from the NW hydropower system is also available in most years. Tom underscored the fact that most of the projected surplus is non-firm. He believes that while the power system may be physically adequate to meet projected loads, it may not be inexpensive, due to the volatility of market prices.

Tom pointed out that although their assessment indicates a regional surplus of generation, individual utilities may need to take action as a result of their individual integrated resource plans. He noted that the Forum will next explore developing an "economic" standard that would address factors such as risk and price volatility. He characterized the Council's current adequacy standard as "bare bones to keep the lights on". Paul Norman added that one of his goals was to provide transparency and regional awareness of the adequacy standards. As BPA prepares to sign their new long-term power supply contracts, he expects some customers will rely less on BPA to meet their future increase in demand. This regional standard provides valuable information to them as they develop their own plans to meet future needs.

One person observed that it appeared as if the Council is moving the region off the traditional "critical water planning standard", with reliance on the non-firm power markets. Another person suggested that while the Council's analytic models do a very good job, they do not capture other factors such as utility transmission constraints and the conservative tendency that system operators have to ensure the lights stay on.

## Council Fish and Wildlife Program

Shauna McReynolds told the Board that the Northwest Power & Conservation Council's Fish & Wildlife Program will soon take on new importance with the completion of the Biological Opinion for river operations. She also told the Board that the Council will soon be asking the region to propose amendments to their Program. As part of the amendment process, Shauna reminded the Board, PNUCC staff has been participating in an ad hoc workgroup looking at adding biological objectives to the Council's Program. Also participating in the group are Columbia Basin Fish & Wildlife staff, Council staff, as well as representatives from BPA and NOAA Fisheries.

Shauna introduced Tony Grover, the new Director of Fish and Wildlife Division for the Council. Tony began by thanking the Board for their contribution the recent biological objective discussions through the April BioAnalysts' report commissioned by PNUCC. He said that the report is extremely useful because it is

clear, concise and fairly represents the tension between the Northwest Power and Endangered Species acts. Tony continued by telling the Board about his views on salmon recovery and the Council's Program, including his belief that a healthy economy is needed for a healthy environment. He said that the region has a great infrastructure in place to work on salmon recovery with well defined roles and responsibilities. Tony also cited some of the advancements the Council has made toward salmon recovery including their mainstem amendments, subbasin plans, and scientific review from independent experts.

Tony went on to tell the Board that he is interested in working on the imperative relationships between tribes, fish managers, utilities, local groups and the Council. There is a lot of opportunity to do positive things for salmon, he said, but we can't do it alone. Tony ended by highlighting upcoming issues that he feels will play an increasing role in fish and wildlife policy including climate change, population growth and invasive species.

## Future River Operations for Salmon

Lorri Bodi, BPA, Witt Anderson, Corps of Engineers, and Bruce Suzumoto from NOAA Fisheries visited the Board to update them on the federal agencies' plans for future river operations for salmon

Lorri began by showing the Board a "report card" for salmon stocks in the region and told them that the actions proposed by the federal agencies would put the Endangered Species Act-listed fish on a trend to recovery. Witt Anderson told the Board that one of the strategies to achieve that goal is by making improvements to the dams. Witt highlighted some of the dam improvements that have been made in the last 10 years and discussed the resulting benefits to fish passage survival. He said that the federal agencies will continue work toward performance standards, install surface bypass routes at the dams and transport juvenile fish when the science says it is beneficial.

The program aimed at habitat improvements will grow in the coming years, Lorri told the Board. It is expected that \$36 million will be invested each year through 2009 and around \$45 million each year between 2010 and 2017. The panel said that the future will also see reforms to better coordinate hatchery operations with ESA goals and more aggressive predator management – especially management of northern pikeminnow.

Bruce Suzumoto said that his agency, NOAA Fisheries, has been providing technical support for the collaborative effort which has taken a science-based approach to formulate the proposed action. Bruce expects NOAA to receive the biological assessments and analyses by August 14<sup>th</sup>. Then NOAA will produce a draft biological opinion by October 31<sup>st</sup>. He said he expects the final biological opinion on river operations to be completed in January of 2008.



## Attendance List

July 13, 2007 Board of Director's Meeting

---

Jack Speer	Alcoa
Kelly Norwood	Avista Corp.
Jim Sanders	Benton PUD
Dick Adams	PNUCC
Jim Lobdell	Portland General Electric
Dana Toulson	Snohomish PUD
Phil Obenchain	Idaho Power
Bill Gaines	Tacoma Power
Scott Corwin	Public Power Council
Wayman Robinett	Seattle City Light
Paul Norman	Bonneville Power Admin.
John Prescott	PNGC Power
Scott Brattebo	PacifiCorp
Jean Ryckman	Franklin PUD
Steve Eldrige	Umatilla Electric Cooperative
Dick Helgeson	EWEB
Ruth Bennett	Bonneville Power Admin.
Mark Stauffer	NorthWestern Energy
Joe Lukas	Grant PUD
Tom Karier	NWPCC – Washington
Jim Kempton	NWPCC – Idaho
Tony Grover	NWPCC Staff
Lorri Bodi	Bonneville Power Admin.
Witt Anderson	Corps of Engineers
Bruce Suzumoto	NOAA Fisheries
Karen Hunt	Bonneville Power Admin.
Luanna Grow	Consultant for Grant PUD
Jack Mayson	Seattle City Light
Terry Morlan	NWPCC Staff
John Fazio	NWPCC Staff
Barbara Miller	Corps of Engineers
Dave Fitzsimmons	BPA Transmission
Margie Gardner	NEEA
Dan James	PNGC Power
John Saven	NRU
Ken Phillips	Tillamook PUD
Edwin Jenkins	Tillamook PUD
Mark Ohrenschall	Newsdata
Jim Litchfield	Litchfield Consulting Group

Doug Grob  
Larry La Bolle  
Frank Brawner  
Jack Janda  
Richard M. Jackson-Gistelli  
John Goroski  
Jay Fintz  
Ken Canon  
Shane Scott  
Jerry Rust  
Rob Sirvaitis  
Lee Corum  
Shauna McReynolds

Flathead Electric Cooperative  
Avista  
Tillamook PUD  
Mason PUD #1  
Emerald PUD  
Flathead Electric Cooperative  
Chelan PUD  
ICNU  
S. Scott and Associates  
Northwest Power Pool  
The Energy Authority  
PNUCC  
PNUCC