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BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: :  
CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :  
CONSENT MARKETS, TARIFFS AND RATES - GAS :  
CONSENT ENERGY PROJECTS - MISCELLANEOUS :  
CONSENT ENERGY PROJECTS - CERTIFICATES :  
DISCUSSION ITEMS :  
STRUCK ITEMS :  
- - - - -x

944TH COMMISSION MEETING  
OPEN SESSION

Commission Meeting Room  
Federal Energy Regulatory  
Commission  
888 First Street, N.E.  
Washington, D.C.

Thursday, February 19, 2009  
10:03 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 ACTING CHAIRMAN JON WELLINGHOFF (Presiding)

4 COMMISSIONER SUEDEEN G. KELLY

5 COMMISSIONER MARC SPITZER

6 COMMISSIONER PHILIP MOELLER

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## P R O C E E D I N G S

(10:03 a.m.)

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3           ACTING CHAIRMAN WELLINGHOFF: Good morning,  
4 everyone. This is the open meeting of the Federal Energy  
5 Regulatory Commission. If we could all come to order and  
6 consider the matters that have been duly posted in  
7 accordance with the Government in the Sunshine Act for this  
8 time and place.

9           Please join us in the Pledge of Allegiance.

10           (Pledge of Allegiance recited.)

11           ACTING CHAIRMAN WELLINGHOFF: First, I'd like to  
12 recognize a couple of our fellow State Commissioners. We  
13 have, I believe, Ray Baum, from Oregon here. There you are,  
14 right on the front row. Ray.

15           (Applause.)

16           ACTING CHAIRMAN WELLINGHOFF: And, Suedeen, I  
17 think you want to introduce one of the Commissioners that  
18 you have an affinity for, from New Mexico.

19           COMMISSIONER KELLY: I do. I'd like to introduce  
20 Jason Marx, if he wouldn't mind standing up. Jason?

21           (Applause.)

22           COMMISSIONER KELLY: Jason is from New Mexico.  
23 He's been serving on the Public Service Commission, for,  
24 what, four years now? And he's just recently won his second  
25 election.

1           He's also served as Chairman, and, most  
2 importantly, Jason, was my energy law student.

3           (Laughter.)

4           COMMISSIONER KELLY: Definitely most important,  
5 and the best energy law student I ever had.

6           (Laughter.)

7           COMMISSIONER KELLY: New Mexico is very lucky to  
8 have you, and thank you for your willingness to serve on the  
9 Commission.

10          ACTING CHAIRMAN WELLINGHOFF: Very nice. Do any  
11 of my other fellow Commissioners have any other  
12 announcements?

13          (No response.)

14          ACTING CHAIRMAN WELLINGHOFF: I have a couple  
15 very short ones. First, I'd like to start off the meeting  
16 by announcing the Technical Conference that the Commission  
17 will hold on March 2nd, on Integrating Renewable Resources  
18 into the Wholesale Electric Grid.

19          The purpose of this conference is to seek  
20 information on the challenges posed by the integration of  
21 large amounts of variable renewable generation into the  
22 wholesale markets in the electric grid, as well as on  
23 innovative solutions to those challenges.

24          The Commission previously addressed the  
25 technical differences of wind power, from other forms of

1 generation, in 2005 when the Commission issued Order 661.

2 The Commission anticipates significant additions  
3 of wind generation, as well as generation from other  
4 variable renewable resources. This growth in variable  
5 renewable generation, could create new challenges for grid  
6 and market operators and new opportunities for providers of  
7 distributive resources, to help maintain reliability and  
8 minimize the cost of delivering clean energy to consumers.

9 The conference will be web-cast, and we invite  
10 all interested individuals to participate. I think this is  
11 going to be a great conference, and anybody who is  
12 interested, please attend.

13 We have a great agenda. I think we're going to  
14 get that agenda out pretty soon, maybe even today. We're  
15 trying to get the agenda out today. We've got a great list  
16 of presenters for that agenda.

17 We've got the premier transmission planners in  
18 the country, coming to that conference. I would also like  
19 to take a minute to introduce a new addition to my staff,  
20 Policy and Legal Advisor, Christy Walsh. Christy has been  
21 with the Commission since 2003, as an attorney in the Office  
22 of General Counsel.

23 She's spent most of her time working to  
24 implement the Commission's new reliability authority under  
25 Section 215 of the Federal Power Act, and she also worked on

1 issues involving the ISOs and RTOs, and she will be great  
2 addition to my team. I'm happy to have you, Christy, thank  
3 you.

4 I'd like to note that since the January 15th open  
5 meeting, we issued 77 Notational Orders.

6 I'm going to add a bit of additional information  
7 to what the Commission's done in the last month, and, for  
8 that, I'd like to thank Mark Robinson and his team, that  
9 since the January open meeting, we've issued several Orders  
10 approving new infrastructure.

11 Specifically, the Commission has approved 25.2  
12 miles of new gas pipeline; 326 million cubic feet per day of  
13 pipeline capacity which includes 12,776 horsepower of  
14 compression and 5 Bcf of storage working gas capacity, so we  
15 have had a responsibility for significant infrastructure  
16 over that period of time, and I'd like to keep updating  
17 everybody on how much infrastructure the Commission is  
18 responsible for.

19 So, with that, Madam -- yes?

20 COMMISSIONER MOELLER: Mr. Chairman, you  
21 reminded me of something. Many of you are aware that in the  
22 West, there is an effort to create renewable energy zones  
23 for transmission corridors, and I want to thank you. We  
24 have put a link on the website now, or will shortly.

25 That process is in the effort of gathering

1        comments. I know that Commissioner Kelly has been involved  
2        some, too, but it's something I'd like to bring to the  
3        public's attention, that it's a very positive effort, and,  
4        if people are interested, they should become involved.  
5        We're, hopefully, facilitating that through a link on our  
6        FERC site.

7                    ACTING CHAIRMAN WELLINGHOFF: Thank you for  
8        reminding us of that, Phil, I appreciate it.

9                    With that, Madam Secretary, if we could turn to  
10       the Consent Agenda, please?

11                   SECRETARY BOSE: Thank you, Mr. Chairman. Good  
12       morning, good morning, Commissioners.

13                   Since the issuance of the Sunshine Act Notice on  
14       February 12, no items have been struck from this morning's  
15       agenda.

16                   Your Consent Agenda Items for this morning, are  
17       as follows:

18                   Electric Items - E-1, E-2, E-3, E-4, E-5, E-6, E-  
19       7, E-8, E-9, E-10, E-11, E-12, E-13, E-14, E-16, E-17, E-18,  
20       E-19, and E-20.

21                   Your Gas Items are: G-1 and G-2.

22                   Hydro Items: H-1, H-3, and H-4.

23                   As to G-1, Commissioner Moeller is concurring,  
24       with a separate statement.

25                   We will now take a vote on the Consent Agenda

1 Items this morning, beginning with Commissioner Moeller.

2 COMMISSIONER MOELLER: I vote aye, noting my  
3 concurrence in G-1.

4 SECRETARY BOSE: Commissioner Spitzer?

5 COMMISSIONER SPITZER: I vote aye.

6 SECRETARY BOSE: Commissioner Kelly?

7 COMMISSIONER KELLY: Aye.

8 SECRETARY BOSE: And Chairman Wellinghoff?

9 ACTING CHAIRMAN WELLINGHOFF: I vote aye. Madam  
10 Secretary, would you now turn to the discussion items?

11 SECRETARY BOSE: Certainly. The first item for  
12 discussion and presentation this morning, is E-15,  
13 concerning Chinook Power Transmission, LLC, in Docket Number  
14 ER09-432-000.

15 There will be a presentation by Natalie Probst  
16 from the Office of Energy Market Regulation. She is  
17 accompanied by Timothy Duggan from the Office of the General  
18 Counsel and John Carlton from the Office of Energy Market  
19 Regulation.

20 MS. PROBST: Good morning, Mr. Chairman,  
21 Commissioners. In this Draft Order, we conditionally  
22 approve proposals to sell transmission rights at negotiated  
23 rates, and grant waivers of certain Commission regulations  
24 for two merchant transmission developers, Chinook Power  
25 Transmission, LLC, and Zephyr Power Transmission, LLC.

1                   We also refined the method by which the  
2 Commission will evaluate merchant transmission developers'  
3 requests for negotiated rate authority, and, for the first  
4 time, approve the pre-subscription of capacity to an anchor  
5 customer.

6                   The two proposed merchant transmission projects,  
7 are located in the western United States. The first  
8 project, Chinook, involves a proposed 1,000-mile, 500-  
9 kilovolt, high-voltage direct-current transmission line from  
10 central Montana to a point south of Las Vegas, Nevada.

11                   The second project, Zephyr, involves a proposed  
12 1,100-mile, 500-kilovolt, high-voltage, direct-current  
13 transmission line from southern Wyoming to a point south of  
14 Las Vegas, Nevada.

15                   According to the Applicants, the projects will be  
16 beneficial to the West, by providing additional transmission  
17 capacity to deliver renewable energy from wind generation  
18 projects in Montana and Wyoming, to load centers in the  
19 southern southwestern United States.

20                   Furthermore, each of the transmission projects  
21 will have a transfer capability of approximately 3,000  
22 megawatts.

23                   The Draft Order refines the method by which the  
24 Commission will evaluate merchant transmission developers'  
25 requests for negotiated rate authority in the future.

1           The refined method is reflective of the policy  
2 concerns upon which the Commission has previously evaluated  
3 such requests, while at the same time being less rigid.

4           The Draft Order determines that the Commission  
5 will focus its analysis on the following four areas of  
6 concern, when evaluating merchant transmission requests for  
7 negotiated rate authority: The justness and reasonableness  
8 of rates; the potential for undue discrimination; the  
9 potential for undue preference, including affiliate  
10 preference; and regional reliability and operational  
11 efficiency requirements.

12           In their requests for negotiated rate authority,  
13 both Chinook and Zephyr seek Commission approval to their  
14 proposal to pre-subscribe half of their respective capacity  
15 to an anchor customer, before holding an open season for the  
16 remaining capacity.

17           In the past, the Commission has required  
18 merchant transmission owners to allocate all initial  
19 capacity through a pre-construction open season.

20           The decision here to forego this requirement,  
21 marks an evolution in the Commission's policy. This  
22 evolution recognizes the importance of financial commitments  
23 made by anchor customers prior to an open season, which  
24 provide crucial early support and certainty to merchant  
25 transmission developers, enabling them to gain the critical

1 mass necessary to develop these projects.

2 The anchor customer model may also be  
3 particularly beneficial to addressing the unique challenges  
4 associated with location-constrained resources.

5 Therefore, the Draft Order accepts the anchor  
6 customer approach to structuring new merchant transmission  
7 projects.

8 This concludes Staff's presentation. We would be  
9 happy to answer any questions you may have.

10 ACTING CHAIRMAN WELLINGHOFF: Thank you,  
11 Natalie, Timothy, and John. This is a very important Order.  
12 I think that, with heightened concerns about global warming  
13 and our country's dependence upon foreign oil, the need to  
14 accelerate the integration of clean, reliable domestic  
15 energy resources, into our country's energy portfolio, is  
16 clear.

17 Thus, we must do more to unlock the potential of  
18 our country's location-constrained renewable resources.  
19 This Order, I think, is one of the most significant steps  
20 this Commission has taken toward that goal.

21 This Order builds on the Commission's previous  
22 recognition that merchant transmission projects can play a  
23 seminal role in expanding competitive generation  
24 alternatives.

25 Today we adopt a more flexible approach to secure

1 financing that should help overcome challenges facing  
2 merchant transmission projects.

3 Renewable energy resources such as wind, solar,  
4 and geothermal, are located in economically develop-able  
5 quantities at dispersed sites remote from load centers.

6 As Staff observed in their presentation, this  
7 Order recognizes that merchant transmission projects may be  
8 particularly well suited to addressing the unique challenges  
9 associated with such location-constrained resources.

10 Consumers will benefit from this evolution of the  
11 Commission's policy on merchant transmission, because it  
12 will promote the expansion of our transmission grid capacity  
13 and thereby enhance the development of our country's clean  
14 renewable energy potential.

15 I finally want to add that this line will  
16 terminate in Nevada, my home state.

17 (Laughter.) ACTING CHAIRMAN WELLINGHOFF: I  
18 want to thank again, our Staff, for its hard work. Fellow  
19 Commissioners? Suedeen?

20 COMMISSIONER KELLY: Thank you, John. Yes, this  
21 is a very significant Order. We are today, for the first  
22 time, approving the use of an anchor tenant in the context  
23 of a merchant transmission project. We're familiar with  
24 this on the gas side.

25 In doing this, we demonstrate, I believe, our

1 capacity for flexibility, while at the same time remaining  
2 true to our core mission of ensuring just and reasonable  
3 rates, as well as preventing undue discrimination.

4 This finding represents a significant step in the  
5 evolution of our merchant transmission policy. For the past  
6 ten years, that policy has, in large part, been geared to  
7 the circumstances within an RTO or adjoining an RTO.

8 However, given the advent of renewable portfolio  
9 standards in more than half of our states, as well as the  
10 development of renewable generation, particularly in the  
11 western part of the United States, it means that our policy  
12 was destined to change

13 This Order marks the initial phase of that  
14 process of change, but I suspect it is not the last. Given  
15 expectations surrounding transmission buildout, I believe we  
16 will see a number of merchant applications structured in a  
17 variety of ways.

18 While this Order provides an adaptable  
19 framework for addressing future merchant applications, it  
20 also provides a clear indication of the Commission's  
21 underlying concerns.

22 Our analysis, properly, thanks to the Staff,  
23 includes an examination of the potential for undue  
24 discrimination, as well as an examination of the potential  
25 for affiliate preference, none of which we find in this

1 case, and I believe this Order will offer valuable guidance  
2 for future applicants.

3 More generally, this Order highlights the  
4 challenges facing the development of location-constrained  
5 renewable resources.

6 Many, actually including myself, have referred to  
7 it as the chicken-and-egg problem. Transmission owners find  
8 it difficult to build transmission in advance of generation  
9 development, and generation developers, particularly those  
10 trying to build generation in remote locations, find it  
11 difficult to develop the generation, without access to load.

12 As a result, some of the country's best  
13 locations for intermittent renewable resources, have yet to  
14 be developed.

15 Today's ruling provides one solution to that  
16 challenge, and I believe it serves as a bookend to our 2007  
17 ruling in the Tehachapi proceeding. In the Tehachapi  
18 proceeding, it was the California consumers that, in  
19 essence, partnered with the transmission owners to foster  
20 the development of transmission linking location-  
21 constrained wind to load.

22 Here, Chinook and Zephyr partner with the  
23 generation developers to build the transmission. In both  
24 instances, we see a sharing of the risk between parties who  
25 ultimately benefit from the installation of the transmission

1 facilities and the development of renewable generation.

2 And I also would like to thank the team for their  
3 excellent work on this case. Thank you.

4 ACTING CHAIRMAN WELLINGHOFF: Commissioner  
5 Spitzer?

6 COMMISSIONER SPITZER: Thank you, Mr. Chairman.  
7 I, too, would like to thank the Staff for their presentation  
8 and hard work on this item.

9 This Commission's responsibility is to ensure to  
10 the nation's consumers, a reliable supply of energy at just  
11 and reasonable rates.

12 Robust transmission and delivery of power, is  
13 critical to this mission. Several months ago, the  
14 Commission convened a technical conference to assess whether  
15 any of our rules or procedures hinder the full development  
16 of the electric transmission grid.

17 That conference was helpful, because it  
18 illustrated that some of our rules and regulations designed  
19 for a market structure different than we have today, may  
20 impede the development of a robust transmission grid.

21 The conference also graphically depicted the  
22 chicken-and-egg problem that we all alluded to, that the  
23 transmission provider is reluctant to build, absent  
24 preexisting generation, and that developers will not site  
25 renewable resources, absent a constructed transmission path

1 to the market.

2 The Gordian Knot of who goes first, is resolved  
3 in this case, by simultaneity. Chinook Power Transmission,  
4 LLC, and Zephyr Power Transmission, LLC, propose to resolve  
5 the chicken-and-egg problem by signing up anchor customers  
6 for a portion of the new capacity, holding an open season  
7 for the remainder.

8 The anchor customers will assure the commercial  
9 viability of the project, while the open season affords non-  
10 party developers, a fair shot at obtaining capacity. All  
11 the investment is recovered under merchant-based rate  
12 design, so captive customers will not be stuck with any  
13 costs, if the projects ultimately do not go forward.

14 This win/win approach is an elegant solution, and  
15 I support this Order.

16 I also note that in today's Order, the  
17 Commission does more than authorize Chinook and Zephyr  
18 proposals. We take this opportunity to refine the ten-  
19 criteria test by which this Commission has previously  
20 evaluated negotiated rate authority for merchant  
21 transmission projects.

22 The refined analysis reflects the policy upon  
23 which the ten criteria were originally based, but adds  
24 flexibility. The Order is more reflective of the financing  
25 realities and other issues faced by merchant transmission

1 and renewable electricity developers, and is applicable to  
2 projects both within and outside RTO/ISO regions.

3 And, Mr. Chairman, I really believe this is one  
4 of the most substantial Orders during my tenure on FERC.  
5 During my period as an Arizona Commissioner, we were  
6 frustrated by many of the proposals made in the western  
7 United States, that ultimately did not come to fruition,  
8 and, frankly, a lot of us became tired of this repetition of  
9 the chicken-and-egg scenario.

10 I alluded in this statement to the Gordian Knot,  
11 and in the absence of Mr. Kelliher, I figured at least one  
12 historical reference was --

13 (Laughter.)

14 COMMISSIONER SPITZER: -- necessary.

15 ACTING CHAIRMAN WELLINGHOFF: I'll cede that to  
16 you.

17 COMMISSIONER SPITZER: Okay.

18 (Laughter.) ACTING CHAIRMAN WELLINGHOFF: I  
19 cede that role to you.

20 (Laughter.)

21 COMMISSIONER SPITZER: I think that's fair.

22 (Laughter.) COMMISSIONER SPITZER: In 333 BC -

23 -

24 (Laughter.)

25 COMMISSIONER SPITZER: Alexander the Great --

1 (Laughter.)

2 COMMISSIONER SPITZER: -- made a swift, bold  
3 stroke and he didn't untie the knot. It was decisive  
4 action, and that's what we need, and you stated the problem  
5 very well with the issue of climate and renewables.

6 This is a signal, I think, to the entire  
7 industry, both renewable developers, as well as  
8 transmission developers, that changed circumstances call for  
9 changed rules.

10 And as we protect the integrity of open access,  
11 we also promote renewable resources, particularly in the  
12 West, but really throughout the country, and this is an  
13 Order of which I'm very proud.

14 I think it's one of the most pro-  
15 infrastructure, pro-renewable Orders that this Commission  
16 has ever entered, and I'm very proud to support it.

17 ACTING CHAIRMAN WELLINGHOFF: I agree with you,  
18 Marc. Phil?

19 COMMISSIONER MOELLER: Mr. Chairman, today's a  
20 great day, not only because of these Orders, but because  
21 everyone has pronounced "Chinook" correctly.

22 (Laughter.)

23 COMMISSIONER MOELLER: I'm impressed.

24 From where I grew up, a Chinook was a warm wind,  
25 and in the winter, it tended to melt snow pretty quickly, so

1 we actually had to be a little bit on notice, but if it's  
2 not obvious, these are named after western winds, and it's  
3 an exciting day to be promoting this concept.

4 But I do have a few questions for the team. Do  
5 you anticipate more of these applications with anchor  
6 shipper concepts for transmission projects?

7 MS. PROBST: In recent technical conference on  
8 the transmission barriers to entry, there were several  
9 participants who indicated that they supported this anchor  
10 customer model, and with this Draft Order approving this  
11 construct, we're signifying to everyone, that we also  
12 support this construct, and we anticipate that it will help  
13 develop much needed transmission in the West.

14 COMMISSIONER MOELLER: Would you care to  
15 speculate on whether a 50-percent standard will become a  
16 standard in terms of the amount that's allocated to the  
17 anchor side, versus the open season?

18 MR. DUGGAN: I think part of what the Commission  
19 is doing in this Order, is signalling its flexibility to  
20 proposal that will come to develop much needed  
21 infrastructure.

22 I think we'd be hesitant at this point to  
23 speculate if 50 percent becomes gold standard, and, instead,  
24 we'd like to evaluate any case that comes before us, based  
25 on its terms.

1                   COMMISSIONER MOELLER: And I sense we wouldn't be  
2 approving this Order, if you didn't think that it would be  
3 resulting in more transmission being built in an efficient  
4 way?

5                   MR. DUGGAN: Quite true.

6                   COMMISSIONER MOELLER: Well, as I said, it is a  
7 big day; I think we've all agreed on that. It is a concept,  
8 though, that does come with tradeoffs, because it is a tweak  
9 to our open access policy, but it's one that I strongly  
10 support, because I think it's going to work.

11                   It does address the issue of getting adequate  
12 investment up front in very capital-intensive projects, and  
13 I'm happy to support the Order. I appreciate the team's  
14 willingness to answer questions, and a lot of hard work over  
15 probably about the last year.

16                   ACTING CHAIRMAN WELLINGHOFF: Thank you, Phil.  
17 Are we ready to vote? Madam Secretary?

18                   SECRETARY BOSE: We'll take a vote, beginning  
19 with Commissioner Moeller?

20                   COMMISSIONER MOELLER: Aye.

21                   SECRETARY BOSE: Commissioner Spitzer?

22                   COMMISSIONER SPITZER: Aye.

23                   SECRETARY BOSE: Commissioner Kelly?

24                   COMMISSIONER KELLY: Aye.

25                   SECRETARY BOSE: Chairman Wellinghoff?

1                   ACTING CHAIRMAN WELLINGHOFF: Aye.

2                   SECRETARY BOSE: The next item for presentation  
3 and discussion this morning, is H-2, involving Public  
4 Utility District No. 1 of Chelan, County Washington.

5                   There will be a presentation by Kim Nguyen from  
6 the Office of Energy Projects. She is accompanied by Scott  
7 Ediger from the Office of the General Counsel, Jennifer Hill  
8 and Bob Easton from the Office of Energy Projects.

9                   MS. NGUYEN: Good morning, Mr. Chairman,  
10 Commissioners. The Draft License Order in Item H-2, issues  
11 a new 40-year license to the Public Utility District Number  
12 1 of Chelan County, Washington, for the Rocky Reach  
13 Hydroelectric Project.

14                   The project is an integral part of the Seven-Dam  
15 Mid-Columbia River Hydroelectric System, which is the single  
16 largest coordinated hydroelectric system in the country, at  
17 over 13,256 megawatts.

18                   The Seven-Dam system consists of two federal dams  
19 and five FERC-licensed dams. The Mid-Columbia River extends  
20 from the Grand Coulee Dam, nearly 450 miles downstream to  
21 the Bonneville Dam where the Columbia serves as the boundary  
22 between Oregon and Washington.

23                   The project includes an integrated dam and  
24 powerhouse spanning the width of the River. The powerhouse  
25 contains 11 turbine generator units, which generate 865.76

1 megawatts.

2           At the dam, there are two fish passage  
3 facilities, an upstream and a downstream. The upstream fish  
4 passage facility consists of a fish ladder, while the  
5 downstream fish passage, has a surface selection system and  
6 a bypass conduit.

7           The major issue for relicensing of the Rocky  
8 Reach Project, is the protection of salmon and Steelhead  
9 species, including two that are listed as endangered under  
10 the Endangered Species Act.

11           Chinook Salmon, Coho Salmon, Sockeye Salmon, and  
12 Steelhead, are culturally and economically important fish in  
13 the region. The Draft License Order includes provisions for  
14 the continued implementation of the Anadromous Fish  
15 Agreement and Habitat Conservation Plan, or HCP, which was  
16 approved by the Commission in 2004, and resubmitted as a  
17 Comprehensive Settlement Agreement for the relicensing of  
18 the project.

19           For salmon and Steelhead, the Draft License Order  
20 includes measures for improving upstream and downstream  
21 salmon and Steelhead passage facilities and operation,  
22 enhancing hatchery facilities and increasing stocking  
23 levels, performing habitat restoration projects, performing  
24 control programs for avian and fish predator of juvenile  
25 salmon and Steelhead, and monitoring to ensure the success

1 and effectiveness of these programs.

2 For other project resources, the Draft License  
3 Order includes management plans for White Sturgeon, Pacific  
4 Lamprey, Bull Trout, and resident fish.

5 To address water quality, the Draft License Order  
6 requires implementation of a program to monitor water  
7 quality and improve total dissolved gas levels. Dissolved  
8 gases are important, because saturated levels well in excess  
9 of 100 percent, can cause gas bubble disease and mortality  
10 in fish.

11 This Draft License Order also includes measures  
12 for wildlife habitat protection and enhancement at the  
13 Chelan and Rocky Reach Wildlife areas, riparian buffer  
14 zones, annual wildlife surveys, and noxious weed control;  
15 implementation of historic property management plans for the  
16 protection of archeological, historic, and traditional  
17 cultural resources; recreational enhancements such as camp  
18 grounds, day use areas, and non-motorized trails, and  
19 provisions for shoreline management.

20 That concludes our presentation, and we will be  
21 happy to answer any questions you may have.

22 ACTING CHAIRMAN WELLINGHOFF: Kim, thank you very  
23 much, Bob, Jennifer, Scott, and the rest of the team. Thank  
24 you for your work on this, and thank you for the great slide  
25 presentation.

1                   I think that people who know me, know that I love  
2 slide presentations and you did a nice job on it, a very  
3 nice job.

4                   I supported this Order. I'd like to turn this  
5 over to Commissioner Moeller.

6                   COMMISSIONER MOELLER: Thank you, Mr. Chairman.  
7 I appreciate calling this item for discussion.

8                   This is a dam that I have not only been by a few  
9 times in my life, but I've actually been down in it during  
10 turbine replacement. It's about as deep as you can get into  
11 a dam --

12                   (Laughter.)

13                   COMMISSIONER MOELLER: -- and from my office, is  
14 a picture of the dam, as well.

15                   (Laughter.)

16                   COMMISSIONER MOELLER: I encourage people to  
17 visit Rocky Reach and the other great resources of the  
18 Pacific Northwest.

19                   One of the keys to the relicensing is the Habitat  
20 Conservation Program, which is relatively unique. I  
21 wondered if you could elaborate a little bit on the details.

22                   MR. EASTON: Well, the Habitat Conservation Plan  
23 is a beneficial program that will aid in the recovery of  
24 endangered salmon and Steelhead and also at the same time,  
25 ensure protection of species that are not listed in the

1 Endangered Species List.

2 There's other salmon species that aren't  
3 currently listed, so it will help to protect those and  
4 prevent them from becoming listed.

5 The details of the program: It primarily  
6 establishes specific survival standards for upstream and  
7 downstream passage, includes hatchery improvements, and  
8 specific stocking levels for the salmon and Steelhead  
9 species, and then also creates a program for conducting  
10 habitat improvements for salmon and Steelhead, and measures  
11 for eliminating predators, avian and fish predators that  
12 consume juvenile salmon and Steelhead during their migration  
13 through the project area.

14 COMMISSIONER MOELLER: Thank you. One of the  
15 more unique aspects, from my perspective, was, when the  
16 approach was taken a few years ago, instead of being very  
17 prescriptive in telling the utility, you must do this and  
18 this and this, the HCP gave them the flexibility to achieve  
19 goals in the ways that they thought were most effective in  
20 terms of decreasing fish mortality, and also balancing that  
21 with cost-effectiveness.

22 In that sense, I believe they were probably the  
23 first in the nation to take this approach, and I think it's  
24 been terrifically successful.

25 It just proves that if you let people who know

1       what they're doing, do it well with flexibility, the results  
2       will tend to be more beneficial, so thank you for that  
3       description.

4               I'm happy that we are giving a relicense to this  
5       project. The term may confuse some people, but that's  
6       because it lines up with the HCP's implementation date and  
7       how long it runs, so that's the reason why it's a 43-year  
8       license.

9               Thank you to the team. For those people who  
10       don't do hydro, this is a multi-year project that involves  
11       extensive Staff work and public outreach, and today is the  
12       culmination of a lot of work.

13              Thank you very much, Mr. Chairman.

14              ACTING CHAIRMAN WELLINGHOFF: Thank you, Phil.  
15       Any other comments? Suedeem?

16              COMMISSIONER KELLY: Thank you, Jon. Thank you,  
17       Phil, for bringing the picture of the dam. I think we  
18       should show it again.

19              (Laughter.)

20              COMMISSIONER KELLY: There are a lot of us here  
21       who find beauty in manmade structures, and I think this is a  
22       work of art. Of course, I also think turbines and sometimes  
23       even transmission lines are works of art.

24              (Laughter.)

25              COMMISSIONER MOELLER: I'll loan it to you for

1       awhile.

2                       (Laughter.)

3                       COMMISSIONER KELLY: I'll trade out my New Mexico  
4       Wind Farm Center picture, but only for a short while.

5                       Also, to keep Joe's legacy intact, even though he  
6       isn't here, I also wanted to talk a little bit about  
7       history, not history back to 333 B.C. however.

8                       (Laughter.)

9                       COMMISSIONER KELLY: It was 74 years ago that the  
10       Army Corps of Engineers first recognized Rocky Reach's  
11       potential for hydroelectric development, and I doubt that at  
12       that time, anyone suspected how enormous the undertaking was  
13       going to be, that resulted in this project.

14                      It was 52 years ago that Chelan County PUD  
15       started construction. That was 1956, and it involved moving  
16       3.3 million cubic yards of dirt and rock, and at peak  
17       construction, it employed nearly 2200 workers.

18                      The dam was built downstream from the town of  
19       Antioch, and because of the rising waters behind the dam,  
20       the town had to be relocated, a not well known fact, as well  
21       as highways and a rail line.

22                      The original project cost \$273.1 million and was  
23       financed through the sale of revenue bonds, which was Chelan  
24       County's pledge of future revenues generated by the project.  
25       Well, the project has repaid that debt and then more, and is

1 a real testament to Chelan County's leadership as a public  
2 entity, to undertake what was then such a huge project.

3 And it provides many benefits; it provides power  
4 to seven million people in the Northwest, and it confers  
5 benefits to a number of other stakeholders. Thanks to our  
6 Staff, as well as the settling parties, there will be  
7 continued new and continued protections for fish and  
8 wildlife, better water quality, cultural resources, and  
9 recreational facilities.

10 So I am thankful to the settling parties, and I  
11 know that their efforts helped to make this relicensing  
12 process more efficient, less costly, and resulting in a  
13 decision around which there is consensus.

14 I thank Staff for their hard work, and I'm very  
15 pleased to vote for this Order. Thank you, Jon.

16 ACTING CHAIRMAN WELLINGHOFF: Marc?

17 COMMISSIONER SPITZER: Thank you, Mr. Chairman.

18 Two points: First, it's important, with all the  
19 renewable proposals out there, to reflect upon projects such  
20 as this, where hydropower is, in fact, a renewable and is an  
21 environmentally-friendly resource, and we must always be  
22 mindful of that.

23 Secondly, for Commissioner Baum, we have  
24 downstream and upstream navigation, which reflects that the  
25 FERC is solicitous of Oregon salmon, as well as those from

1 Washington State.

2 (Laughter.)

3 COMMISSIONER SPITZER: Thank you, Mr. Chairman.

4 ACTING CHAIRMAN WELLINGHOFF: Shall we vote?

5 SECRETARY BOSE: The vote begins with  
6 Commissioner Moeller.

7 COMMISSIONER MOELLER: Aye.

8 SECRETARY BOSE: Commissioner Spitzer?

9 COMMISSIONER SPITZER: Aye.

10 SECRETARY BOSE: Commissioner Kelly?

11 COMMISSIONER KELLY: Aye.

12 SECRETARY BOSE: And Chairman Wellinghoff?

13 ACTING CHAIRMAN WELLINGHOFF: Aye. The meeting  
14 is adjourned --

15 COMMISSIONER KELLY: Before you adjourn --

16 ACTING CHAIRMAN WELLINGHOFF: Oh, too late, too  
17 late.

18 COMMISSIONER KELLY: You're going to get to  
19 strike it again.

20 ACTING CHAIRMAN WELLINGHOFF: Go ahead.

21 COMMISSIONER KELLY: I would just like to say how  
22 pleased I am that you are presiding as our Chair. I know I  
23 speak what is on the minds of my colleagues, and we all look  
24 forward to your speedy confirmation as permanent Chair, by  
25 the White House.

1                   ACTING CHAIRMAN WELLINGHOFF: Thank you.

2                   COMMISSIONER KELLY: Thank you; I appreciate it.

3                   ACTING CHAIRMAN WELLINGHOFF: With that, the  
4 meeting is adjourned.

5                   (Whereupon, at 10:38 a.m., the Open Meeting was  
6 concluded.)

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