

Minutes
Energy Facility Siting Council Meeting
Oregon Department of Energy
The Discovery Center
5000 Discovery Drive
The Dalles, OR 97058
July 27, 2007

Energy Facility Siting Council

David Ripma, Chair
Martha Dibblee, Vice-Chair
Lori Brogoitti
Jake Polvi
Robert Shiprack
David Tegart
Brian Wolfe

Oregon Department of Energy:

Michael Grainey, Director
Tom Stoops, Council Secretary
Adam Bless, Project Officer
Shelley Carlson, Project Officer
John White, Project Officer
Jill Hendrickson, Administrative Assistant

Oregon Department of Justice:

Jan Prewitt, Assistant Attorney General

Others:

David Neikirk
Richard Herman
Chuck Little
Jay Jefferies
William O'Mearc
Jack Meyer, NW Natural Staff Geologist

Chair David Ripma called the meeting to order at 9:06 a.m.

I. Consent Calendar:

A. Welcome and Introductions

The meeting began by a roll call taken by Jill Hendrickson, Administrative Assistant. Council members present were Chair Ripma, Vice-Chair Martha Dibblee, Lori Brogoitti, Jacob Polvi, Bob Shiprack and David Tegart.

B. Approval of May 10th and May 11th, 2007 minutes from the Energy Facility Siting Council meeting

Martha Dibblee made a motion to approve the May 10th and 11th, 2007 minutes of the Energy Facility Siting Council meeting. David Tegart seconded the motion and the Council approved unanimously:

Lori Brogoitti	Yes	David Ripma	Yes
Martha Dibblee	Yes	Bob Shiprack	Yes
Jacob Polvi	Yes	David Tegart	Yes
		Bryan Wolfe	Yes

C. Approval of July 2nd, 2007 minutes from Energy Facility Siting Council teleconference

Martha Dibblee made a motion to approve the July 2nd, 2007 minutes of the Energy Facility Siting Council teleconference meeting. Jacob Polvi seconded the motion and the Council approved unanimously:

Lori Brogoitti	Yes	David Ripma	Yes
Martha Dibblee	Yes	Bob Shiprack	Yes
Jacob Polvi	Yes	David Tegart	Yes
		Bryan Wolfe	Yes

D. Overview of Oregon Legislative Actions 2007 with Director Michael Graine

Michael Graine, Director of the Oregon Department of Energy, referred to the handout entitled "Summary of Energy Legislation Passed by the 2007 Session," and highlighted four main bills.

Senate Bill 838: Renewable Portfolio Standard (RPS).

This requires a utility company's portfolio contain 25% energy from renewable energy by the year 2025. There are interim targets of 5% by 2011, 15% by 2015 and 20% by 2020. This applies to electric utilities and any electricity service suppliers that serve at least 3% of Oregon's electric load.

Mr. Grainey discussed the public purpose charge, which is extended through 2025. Also, he stated that compliance with the RPS can occur by owning eligible resources, by buying the output of resources developed by others, or by acquiring a limited number of unbundled Renewable Energy Certificates.

He stated that the State of Washington established RPS a year ago through a ballot measure, which has enabled Oregon to get this legislation passed without the ballot measure.

House Bill 2210: Biofuels Fuels Package

This bill expands property tax incentives for biofuel and certain fuel additive production facilities. This also establishes a Renewable Fuel Standard for biodiesel and ethanol based on in-state production, prohibits the sale of gasoline that contains MTBE and certain other additives, provides a mandate on State agencies regarding biodiesel for backup power generation, modifies the site certificate exemption criteria for ethanol and biodiesel production facilities to preclude coal-fueled facilities, and allows certain farm biofuel production facilities on land zone for exclusive farm use (EFU).

House Bill 2211: Business Energy Tax Credit (BETC)

This bill amends the Business Energy Tax Credit to provide greater incentives for renewable energy, and was added to House Bill 3201, which contains a number of other tax credits. The bill increases the tax credit for renewable energy systems installed by businesses from 35% to 50% and increase the project cost limit from \$10 million to \$20 million.

House Bill 2212: Residential Energy Tax Credit (RETC)

This bill also was added to House Bill 3201. It allows use of the residential energy tax credit for more than one qualifying item in the same year. The bill also increased the maximum tax credit for fuel cells and for wind generation from \$1,500 to \$6,000 over four years.

Mr. Grainey stated altogether there were 25 energy bills passed. On Senate Bill 375, Appliance Efficiency Standards, a number of appliances and electric equipment were added. He noted that the State of California standards have been adopted so that manufacturers have one standard to build to, when no federal standards are in place.

House Bill 3543, Global Warming Actions, takes recommendation from one of the Governor's advisory committees to reduce global warming emissions and establishes a Global Warming Commission to oversee the state's efforts. It also puts into statute the targets that were recommended in 2004 to reduce emissions to less than 10% by 2020 and by the year 2050 to reduce greenhouse emissions by 75%. Mr. Grainey noted that the 75% target is a common target among states and other countries and is widely thought to be a stable level in terms of cap.

Lori Brogoitti asked if there is a carbon dioxide (CO₂) cap in place. Mr. Graineey said there isn't a cap, they are just statutory goals. There was separate legislation to set up for cap and trade measure which sets a cap on utility CO₂ emissions. He also said there is another bill to be taken up in the 2009 legislative session the so called Power Plant Performance Standard.

Chair Ripma asked if other states are following these procedures. Mr. Graineey stated many are doing some of these things, biofuel in particular. As technologies are developing the economics are getting better, encouraging the interest.

Mr. Graineey stated that Oregon is unique in the offering of tax credits, especially the business energy tax credit. A few other states have comparable programs. Martha Dibblee asked about the Federal Energy Policy Act and how that plays into the Oregon program. Mr. Graineey discussed changes made in 2005. There has been a great interest in wave energy and Oregon has some of the best sites in the world. There are international companies exploring the Oregon coast, which the Federal Energy Regulatory Commission (FERC) recently declared as their primary jurisdiction. Oregon is fighting this.

Mr. Graineey discussed pending bills in Congress now regarding energy. Congress directed the Department of Interior to provide funding for feasibility studies of environmental impacts of wind facilities, which amounted to only two million dollars nationwide. Another bill pending in Congress is the standards for automobile efficiency, which has not been raised for twenty years and is controversial.

Mr. Graineey said congress is also considering a national renewable portfolio standard which will probably be weaker than state standards and Oregon is working to be sure it does not conflict.

There are also bills in Congress requesting five-year extensions of the federal production tax credit for renewable energy, which is vital to the renewable energy.

Mr. Graineey stated that for the energy loan program there is a rule currently in place that states anyone coming before the Energy Facility Siting Council (EFSC) for a site certificate is not eligible for a loan. There are tax credits, which most wind projects receive. Most renewable energy projects receiving benefits through the loan program are below the EFSC threshold jurisdiction. Recently a few biofuel facilities have been exempted through EFSC and would be allowed to use the loan program. This issue will be raised with the advisory committee first to possibly make changes so there would not be any conflict or pressure on the Council. Any comments the Council has will be considered.

Chair Ripma asked if the Council has a role in setting the rules for the loan program. Mr. Graineey stated that the decision is made by the Oregon Department of Energy (ODOE) but wanted the Council to be aware of this impact.

Jan Prewitt, Department of Justice, stated that if changes were made in the policy of the loan program the Council may need policy changes.

Bob Shiprack asked about in-state production of corn for ethanol plants. Producers are saying they can't grow enough. Mr. Grainey discussed the statute and that out of state corn is permitted for production of ethanol. The issue with in-state production of corn has to do with tax credits.

II. Action Items:

A. Shepherds Flat – Appointment of Hearing Officer

John White, Oregon Department of Energy Project Officer, reviewed the process of appointing a hearing officer. He presented an Order Appointing a Hearing Officer, recommending John W. Burgess, an attorney in Portland. Mr. White discussed the Shepherds Flat Wind Farm.

Martha Dibblee made a motion to appoint John Burgess as Hearing Officer for Shepherds Flat. David Tegart seconded the motion and the Council approved unanimously:

Lori Brogoitti	Yes	David Ripma	Yes
Martha Dibblee	Yes	Bob Shiprack	Yes
Jacob Polvi	Yes	David Tegart	Yes
		Bryan Wolfe	Yes

B. Klondike III Request for Amendment #2

John White, Project Officer, stated the proposed amendment would authorize approximately 18.5 acres of additional micrositing area. The amendment would authorize the construction of a single wind turbine, an access road and a collector line within this new micrositing area.

Mr. White referred to the locations of Klondike I and II and where the proposed plant site area would be located. The proposed amendment would not increase the overall amount of turbines approved for Klondike III, which has been approved for 165 turbines. It would increase the permanent footprint approximately two or three acres and increase the micrositing area approximately 18 acres, which is an area potentially subject to construction disturbance.

Mr. White referred to the rulemaking and the financial assurance for facilities. When Amendment 2 was approved for Klondike III Staff recommended and Council adopted a value for scrap value. The Council's direction that scrap value not be allowed in the rulemaking, the amount in the current site certificate for restoration the amount is \$1.089 million in 2005 dollars. With the elimination of a scrap credit the recommended increase in the financial assurance would escalate the cost in 2006 dollars to \$7.825 million. Mr. White further discussed an adjustment of that amount, based on the final design of the facility. A letter of credit or financial assurance was explained more also by Mr. White.

On page 37 of the proposed order, Mr. White said Revisions 1 – 3 are basically "housekeeping" revisions. Revisions 4 through 11 are all changes to mandatory conditions in the site certificate that update the Klondike III site certificate to reflect the changes in the rules adopted in May. Revision 12 and 17 are similar to that, removing conditions to align with current rules. Revision 20 addresses Condition 28, specifying the turbine types that certificate holder is allowed to construct.

Mr. White said Revision 22 is explained further in Attachment B, the Klondike III Wind Project Revegetation Plan. Revision 23 changes Condition 92, regarding the new micro-siting area. Revision 24 is shown in Attachment C, regarding the Habitat Mitigation Plan.

Mr. White said the project manager for Klondike III, Jesse Gronner, is in the audience if someone would like to ask questions of him, or of the ODOE Staff. There were no questions.

Martha Dibblee made a motion to approve Amendment #2 of the Site Certificate for the Klondike III Wind Project. Lori Brogoitti seconded the motion and the Council approved unanimously:

Lori Brogoitti	Yes	David Ripma	Yes
Martha Dibblee	Yes	Bob Shiprack	Yes
Jacob Polvi	Yes	David Tegart	Yes
		Bryan Wolfe	Yes

Mr. White discussed documentation given to the Council on Amendment 3 on Klondike III and Leaning Juniper.

C. South Mist Pipeline Extension Amendment #4 Decision

Adam Bless said NW Natural is requesting Amendment # 4 on the South Mist Pipeline Extension (SMPE). Mr. Bless reviewed the project history. The Notice of Intent was received back in 1999. The Council issued the site certificate issued in 2003 after it went through the contested case process.

Mr. Bless said the pipeline starts in Mist, deep in the Oregon Coast Range not far from Clatskanie. The reason it starts there is that there are natural underground formations in the mountains suitable for natural gas storage. These are actually sandstone formations in the rock that once held natural gas. NW Natural Gas imports gas into the area, usually from Canada during the summer when prices are low and gas is available. The South Mist Pipeline has been used to connect that storage field to the western suburbs of Portland and the interstate pipeline system, with a gate station at Molalla. There is a large interstate pipeline through Molalla. The South Mist Pipeline was completed in 2004 and was amended three times. The first three were all related to construction, in particular the laydown area. Amendment #4 is first amendment since operation began. The amendment request describes two modifications to the project. The first modification is the installation of 2 additional compressors at the Molalla valve station. Mr. Bless explained more of the valve station and the equipment involved.

Mr. Bless stated the second change is to remove the horizontal inclinometer, installed at the north end of the pipeline. The area gets from 16 to 17 inches of rain a year and could be in a landslide area. When it was sited in the first place this was considered and so the inclinometer was installed to study the area and provide early warning of possible pipeline damage due to landslides. The Sherman Mill Slide is where the inclinometers are installed, deep under ground. There are two inclinometers, a vertical one and a horizontal one.

The inclinometers were proposed by one of the parties in the contested case. The manufacturer stated to mount the inclinometer at a 100-foot depth at a 1% tolerance is difficult even under ideal circumstances. This has proven to be the case and is not getting useful data. The vertical inclinometer would be left in place.

Mr. Bless reviewed a few other changes, one being the temporary lay down area of approximately 100 feet x 300 feet.

The proposed order was published on June 22, 2007 and by rule 30 days must be allowed for the public to comment or request a contested case. Mr. Bless stated no comments or requests were received so the final order will be the same as the proposed order.

For the seismic issue, one condition was imposed by request of DOGAMI, which involves the abandonment of the horizontal inclinometer and the procedures to be followed in abandonment, much like abandonment of a well.

Mr. Bless reviewed the other new conditions that have been added due to the two new compressors and also the lay down area. Mr. Bless stated Staff recommends the Council approve Amendment #4.

Mr. Bless said Michael Hayward from NW Natural, who does most of their environmental work, and Jack Meyer, the on-site geologist are present to answer any questions.

Chair Ripma asked how many inclinometers are being abandoned. It was noted by NW Natural only one, the horizontal inclinometer. Chair Ripma asked about the individual that requested the inclinometers be installed. Mr. Bless stated his name is Greg Brown, an active participant in the contested case. Mr. Bless stated Mr. Brown did receive notice of this request and did not respond.

Jack Meyer, of NW Natural, stated the vertical inclinometer is part of their program. He further described the landslide recognition program and the monitoring that NW Natural follows. He also explained the situations where the horizontal inclinometers are used and they operate the way they are designed.

Lori Brogoitti asked about the financial impact of removing the inclinometer. There was discussion about the process.

Mr. Bless discussed the noise level of the new compressors and what could be done if the noise standard is not met.

Martha Dibblee made a motion to approve Amendment #4 of the Site Certificate for the South Mist Pipeline Extension. Lori Brogoitti seconded the motion and the Council approved unanimously:

Lori Brogoitti	Yes	David Ripma	Yes
Martha Dibblee	Yes	Bob Shiprack	Yes
Jacob Polvi	Yes	David Tegart	Yes
		Bryan Wolfe	Yes

Bob Shiprack stated that his brother will be employed on the SMPE Compressor Station and wanted to note this for the record. Jan Prewitt, Department of Justice would research whether this would be a conflict of interest.

D. Elections – Chair and Vice Chair

Chair Ripma stated that the position of Chair and Vice-Chair. The term for him and David Tegart ended in June of this year. Until a replacement has been nominated and approved they are allowed to serve, which they are willing to do. This could go on into next year. Council members are limited to two four-year terms, which most state commissions don't have that limitation. There was discussion about terms and the position of Chair and Vice-Chair, with advice from Ms. Prewitt, Department of Justice.

III. Information Items:

A. Project Overview – Golden Hills Wind Farm Project.

Adam Bless stated that a Notice of Intent (NOI) was received for the Golden Hills Wind Farm Project. This project would be located just south of the Klondike site. It would be located on both sides of Highway 97.

Mr. Bless said a project order was issued and at the public meeting in Wasco there were about twenty people in attendance, all in favor. Comments given were concerning the noise standard being too restrictive. The landowners in that area want the lease payments. Mr. Bless said that in terms of habitat it would be similar to Klondike and Biglow.

Mr. Bless said a group toured the area and noted the terrain is a little more rugged than Klondike, more draws and not as many wheat fields. Staff expects the application in about a week.

Bob Shiprack asked who the applicant is. Mr. Bless stated it is BP Alternative Energy (BPAE), a subsidiary of BP. He further stated they bought Orion.

Chair Ripma said it would be good to have maps on these projects.

Mr. Bless also noted that Shelley Carlson will be working as Project Officer on this application, along with the help from him and Mr. White.

B. Project Overview – Rattlesnake Road Wind Power Facility

John White, Project Office for Rattlesnake Road Wind Power Facility, discussed the projects happening in this area of the state. The applicant for Rattlesnake Road has submitted an application for expedited review. Staff has reviewed the request and noted that they are eligible. This means there will not be a Notice of Intent (NOI) and this proposed facility would have average electric generating capacity less than 100 megawatts. A facility that has up to 300 megawatts of generating capacity can have an expedited review.

Mr. White said the applicant is Arlington Wind Power Project LLC, which is a subsidiary of Horizon Wind Energy. Horizon is not new to wind energy, but they are new for the EFSC process.

Mr. White noted that Robin Straughn, who works in Renewable Energy for the Oregon Department of Energy will be working on this project. He further showed maps of the wind projects in the process.

Martha Dibblee asked about the Arlington Waste Landfill. Mr. White said the Rattlesnake Road Wind Project would be north of that. He also noted the Landfill owns land that they lease to Leaning Juniper I and II Wind Projects.

Ms. Brogoitti asked if the state has a climatologist on staff. She questioned project after project and the effect it would have. Mr. White said the strings of turbines are in a north-south direction with about a mile separation between strings. He further stated this is all taken into consideration in he micrositing.

Chair Ripma asked if there were any public comments. There were none.

C. Future Meetings

Tom Stoops, Council Secretary, said the next meeting will be August 16th & 17th. The primary agenda item would be the first reading on the Draft Proposed Order of the Leaning Juniper Project in Arlington. The public hearing is on August 9th.

Mr. Bless said a question that came up on the tour the previous day was how wind energy gets integrated into the overall grid. A presentation should be arranged with visual aids if there is time on the upcoming agenda.

There was more discussion about locations for the meetings. The September meeting is tentatively scheduled for September 20th and 21st.

Mr. Stoops asked if there were any public comments.

David Neikirk asked if Morrow, Gilliam, Wasco will be turning into a large energy facility in this area.

Chair Ripma stated the Council is put into place by state laws to consider applications for energy facilities. The Council cannot say they prefer to have it somewhere else. The Council has discussed cumulative impacts, and this area does look this way.

Mr. Neikirk asked why all these facilities are coming to Oregon and whether it is the tax breaks being offered by Oregon. He further noted that companies from out of state will change the flavor of Oregon.

Bryan Wolfe said he would like to have the Director, Mike Grainey, answer the question. Mr. Grainey stated that to have new generation for electricity, it is preferable to have renewable energy.

David Tegart commented that hydro has been a big thing in the past, and Oregon has the dams. He further stated that with the wave energy upcoming, this would shift it to the coastal area.

Mr. Wolfe agreed with Ms. Brogoitti that more studies should be done on cumulative effects with the wind energy.

Mr. Neikirk stated he has lived through seeing the dams built and has seen problems that were not foreseen even though studies had been done. He expressed his concern with the same thing happening with so many energy projects coming to Oregon.

There were no further comments. Chair Ripma adjourned the meeting at 11:55 a.m.