Verbatim Transcript of Monthly Council Meeting

Washington State Energy Facility Site Evaluation Council

October 17, 2017

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WASHINGTON STATE

ENERGY FACILITY SITE EVALUATION COUNCIL

Richard Hemstad Building

1300 South Evergreen Park Drive Southwest

Conference Room 206

Olympia, Washington

October 17, 2017

MONTHLY COUNCIL MEETING

Verbatim Transcript of Proceeding

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A P P E A R A N C E S

Councilmembers Present:

Roselyn Marcus, Chair
Jaime Rossman, Department of Commerce
Cullen Stephenson, Department of Ecology
Joe Stohr, Department of Fish and Wildlife
Dennis Moss, Utilities and Transportation Commission
Dan Siemann, Department of Natural Resources (via bridge line)

Local Government and Optional State Agencies:

Ken Stone, Department of Transportation
Greg Shafer, City of Vancouver (via bridge line)
Larry Paulson, Port of Vancouver

Assistant Attorney General:

Ann Essko, Senior Counsel

Staff in Attendance:

Stephen Posner
Jim LaSpine
Tammy Mastro
Sonia Bumpus
Joan Aitken
Ami Kidder
Christina Potis

Guests in Attendance:

Jennifer Diaz, Wild Horse (via bridge line)
Debbie Knaub, Energy Northwest (via bridge line)
Mark Miller, Chehalis Generation Facility
Chris Sherin, Grays Harbor
Sheldon Zakreski, The Climate Trust
Sean Penrith, The Climate Trust
Milos Stefanovic, Invenergy

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OLYMPIA, WASHINGTON; OCTOBER 17, 2017
1:30 P.M.

CHAIRMAN MARCUS: Well, good afternoon. Today is Tuesday, October 17th, 2017, and it is 1:30, and I am going to begin the October meeting of the Energy Facility Site Evaluation Council. For those of you who do not know me, I am Roselyn Marcus, and I have been appointed as the interim chair.

Clerk, could you call the roll?

MS. MASTRO: Department of Commerce.

MR. ROSSMAN: Jaime Rossman is here.

MS. MASTRO: Department of Ecology.

MR. STEPHENSON: Cullen Stephenson, here.

MS. MASTRO: Department of Fish and Wildlife.

MR. STOHR: Joe Stohr is here.

MS. MASTRO: Department of Natural Resources.

MR. SIEMANN: Dan Siemann is on the phone.

MS. MASTRO: Utilities and Transportation Commission.

MR. MOSS: Dennis Moss is here.

MS. MASTRO: Local Governments and Optional State Agencies for the Tesoro Project Department of

Transportation.

MR. STONE: Ken Stone is here.

MS. MASTRO: City of Vancouver.

Clark County.

MR. SHAFER: Greg Shafer is on the phone.

MS. MASTRO: Larry Paulson. I'm sorry, Port of Vancouver.

MR. PAULSON: I'm here.

MS. MASTRO: Chair, there is the quorum for the regular Council and for the Tesoro Project.

CHAIRMAN MARCUS: Thank you.

I gather everybody's had time to look at the proposed agenda. Are there any suggested changes? Seeing none, I think there are other people on the phone. If there are other folks on the phone that would like to identify themselves, please go ahead, starting with anybody who is going to be giving an update today on one of the facilities.

MS. DIAZ: Jennifer Diaz, Puget Sound Energy.

MS. KNAUB: Debbie Knaub, Energy Northwest.

CHAIRMAN MARCUS: Okay. Anybody else?

Okay. We will move on to the minutes. Has everybody had a chance to review the minutes? Are there any changes, comments, questions? No. I would entertain a motion to approve the minutes of the August 15th, 2017 Council meeting.

MR. STEPHENSON: I will so move.

CHAIRMAN MARCUS: Is there a second?

MR. MOSS: I will second that motion.

CHAIRMAN MARCUS: All those in favor?

MULTIPLE SPEAKERS: Aye.

CHAIRMAN MARCUS: Opposed? None. The meeting minutes of the August 15th, 2017 Council meeting has been approved.

And we will go into project updates. The first listed is Eric Melbardis. Sorry if I messed up your name. Operational update on Kittitas Valley Wind Project. Is anybody here to give an update on the Kittitas Valley Wind Project?

MR. LASPINA: Apparently he couldn't join us. I didn't hear otherwise, so his report is in these -- August and September reports are on the green pages.

CHAIRMAN MARCUS: Okay. Does anybody have any questions that maybe Jim could answer? No questions.

Okay. Jennifer Diaz, I believe you said you were on the phone. Do you have an update on the Wild Horse Wind Power Project?

MS. DIAZ: Yes. Thank you, Chair Marcus and councilmembers. For the record, my name is Jennifer Diaz. I'm with Puget Sound Energy at the Wild Horse Wind Facility, and for the month of August and September there was nothing non-routine to report.

CHAIRMAN MARCUS: Does anybody have any questions?

Thank you very much.

Then the next project is the Columbia Generating Station. Debbie Knaub, I believe you're on the phone?

MS. KNAUB: Yes, this is Debbie Knaub with Energy Northwest, and the only thing to update is that Columbia's radiological waste shipping privilege for the Columbia Generating Station were restored on October 3rd, 2017, after they were suspended temporarily on July 20th, 2017. And I have no other advance to report or new issues to report. Any questions on Columbia Generating Station?

CHAIRMAN MARCUS: Does anybody have any questions? Seeing none, I think you can go on to your nonoperational update on WNP-1/4.

MS. KNAUB: Okay. I have one update on WNP-1/4 and that is that Energy Northwest is continuing our planning work and fieldwork on the water system.

And I have no other issues to update.

CHAIRMAN MARCUS: Does anybody have any questions? None, okay.

Thank you very much.

We will move on to the Chehalis Generation Facility, Mark Miller.

MR. MILLER: Good afternoon, Chair Marcus and councilmembers. My name is Mark Miller. I am plant manager at the Chehalis Generation Facility for PacifiCorp. I do not have any non-routine comments to offer for the months of August and September. Are there any questions?

CHAIRMAN MARCUS: I guess not. Thank you. That was pretty easy.

Now I am going to have Staff member, Sonia Bumpus is going to give an update on the Vancouver Energy Distribution Terminal Project.

MS. BUMPUS: Thank you. Good afternoon, Chair Marcus and councilmembers. I will start with my SEPA update. At the last Council meeting in August, I noted that EFSEC had just received response materials from the applicants on August 14th. The materials provided to EFSEC were for the air quality DPM-D2 tier 2 assessment, and our consultant was able to use that information to complete an independent assessment for the final EIS. This includes -- well, hold on. Let me stop there.

Our consultant completed the analysis recently. We are looking at the results now, and we are also reviewing the sections of the FEIS that had to be revised to reflect the new information. This is our last phase of review for the FEIS, so once this is wrapped up, I'll be having consultants finalize the document to distribute to councilmembers for review. If there aren't any questions on the SEPA update, I'll move on to permits.

CHAIRMAN MARCUS: Are there any questions on the SEPA update?

Nope, you can move on.

MS. BUMPUS: I'll start with the notice of construction. Some of this you've heard in previous updates. We received approximately 2,976 extracted comments that required screening for the NOC. We've narrowed these down to substantive comments, and we are working with our contractor to finalize responses and to finalize the permit documents for Council review. So I'll keep you updated on the progress there.

For the NPDES Construction Permit, we are a little bit farther along. We received 184 comments and we have been working to finalize the responses to those comments, and this is basically to make sure that the comments are synchronized across permits that have to do with the same issues. So we're -- we have less work to do on this permit, but we still need to vet some of the responses.

The NPDES Industrial Stormwater Permit, the public comment was noticed and began on Wednesday, July 19th and ended on August 22nd. On August 22nd, EFSEC also held a public comment meeting in Vancouver at the Clark College Columbia Technical Center. At that meeting, we received 92 comments from speakers, and we also received 109 mailed in letters or submitted letters at the meeting during the public comment period. It was a 35-day public comment period, and we had a total of 344 submissions during that time.

EFSEC and its consultants have screened these comments, and we've narrowed these down to some discrete issues that need to be addressed in the responses, and we're working with our Ecology contractor to finalize the responses to those and update the permit documents. And, again, I'll keep you updated on our progress there.

CHAIRMAN MARCUS: Does anybody have any questions for Sonia? Mr. Stohr.

MR. STOHR: Thank you, Madam Chair. I'm

just thinking about planning ahead here a little bit, and so it sounds like we'll be looking at the final EIS and then these three or four permits in the next couple of weeks basically?

MS. BUMPUS: You'll be looking at the FEIS in the next couple of weeks I would say, and then the permits will follow. I'm not exactly sure when that will be, but they will be following the -- pretty immediately, I think, the review of the FEIS.

MR. STOHR: I don't mean to put you on the spot, I'm just thinking about calendars.

MS. BUMPUS: Sure. That's okay.

CHAIRMAN MARCUS: Anybody else?

Okay. Thank you.

Okay. Next is the update from Grays Harbor Energy Center. Chris Sherin, did I get that right?

MR. SHERIN: Yes.

CHAIRMAN MARCUS: Great. Welcome.

MR. SHERIN: Good afternoon, councilmembers. Chris Sherin, plant manager for Grays Harbor Energy Center. Just a couple items not normal to note. For August and September 2.2, August, September, we conducted our relative accuracy tests assessments in August, and we got our final relative accuracy tests assessments and SO2 stat test reports back and that was all successful. That's real good.

Also, under 2.4, the arsenic and mercury levels in the September testing results received for -- for the outfall have been -- have been below the minimum level documented in the Table 3-6 of AECOM's 2015 Engineering Report. The average arsenic results of three micrograms per liter have shown little variation over the 12 samples we've taken so far.

And then under 2.2, we've had all our paved surfaces, parking lots and roadways swept, clean sweeped, and we do that every year in September, in the third quarter. And the results back from the lab -- test lab were good.

CHAIRMAN MARCUS: Great.

MR. SHERIN: Are there any questions?

CHAIRMAN MARCUS: Anybody have any questions?

Looks like no questions.

MR. SHERIN: All right. Thank you.

CHAIRMAN MARCUS: Thank you for the report.

Turning over to Jim LaSpina.

MR. LASPINA: Good afternoon, Chair Marcus and councilmembers. Grays Harbor Energy Center is required by its site certification agreement to fund projects mitigating and submissions of greenhouse gases.

The Grays Harbor Energy Greenhouse Gas Mitigation Program was approved by the Council in June 2003. In 2008, the Council approved The Climate Trust as the program administrator or independent qualified organization to manage the Grays Harbor Energy Greenhouse Gas Mitigation Program.

Climate Trust's representative, Sheldon Zakreski and Sean Penrith are here today to describe the Greenhouse Gas Mitigation Plan, how the Greenhouse Gas Mitigation underpayment occurred, the proposed resolution, the measures The Climate Trust has implemented to prevent such errors in the future. Following The Climate Trust presentation, Milos Stefanovic of Invenergy will address the Council.

CHAIRMAN MARCUS: Thank you.

And if you could just start with identifying yourself for the record

MR. ZAKRESKI: Yeah, thank you. Good afternoon, Chair Marcus and councilmembers. I'm Sheldon Zakreski with The Climate Trust. Behind me is our executive director -- our executive director, Sean Penrith. No? All right.

MS. AITKEN: Try again.

MR. ZAKRESKI: All right. Third time's a charm. There we go. All right. Thank you.

So yeah, as Jim mentioned, The Climate Trust was selected to manage Grays Harbor Energy's Greenhouse Gas Mitigation Plan, and we've been doing this since 2008. This is the first time actually we're appearing before the Council, so for just -- you know, for our presentation today, I would describe a little bit about who The Climate Trust is, how this plan works, what we do with these funds, and then talk a little bit about the miscalculation of past payments that we saw and sort of how we're going to mitigate that happening in the future and what our sort of proposed resolution is.

So The Climate Trust has been around for about 20 years. We were actually established as a result of a law in the -- through the Oregon Energy Facility Siting Council's standard process. Basically through that law to get a siting certificate in the state of Oregon, you have to mitigate your carbon. And one of the ways which you can do that is to pay a third party to essentially go out and manage that responsibility for you.

And that sort of experience in Oregon I think sort of formed the basis in Washington, and there is a law on the books, RCW 80.70, that deals with it. Important distinction is that although there is that law in the books, it's my knowledge there is no facility, you know, sort of subject to that law. The plan that sort of governs our relationship with Grays Harbor predated that. So I will describe that a little bit more, but it works a little bit differently than that law on the books.

So to start a little bit about, you know, how this sort of works is that what was negotiated under the Greenhouse Gas Mitigation Plan that was approved, I think, back in 2003, and that sort of works between Grays Harbor and The Climate Trust is there's an annual calculation that takes place, and it's sort of done under the basis of the assumption that, you know, if you look at the hearing design specification, the Facility was going to emit about approximately just over a half million short tons of carbon dioxide a year. And then you have a base rate and an inflator subject to it, and there's an initial -- the initial rate that sort of was established was 57 cents per ton, and then that per unit rate would fluctuate depending on the inflation for the previous year.

And so we've been kind of taking that approach to determine what is the annual greenhouse gas mitigation payment. And in addition to that payment, there's a seven and a half percent what the plan refers to, the mid charge, but I'll explain a little later on how we actually use that differently than administration. And since this plan has kind of been in effect, we've gotten just over $3.2 million from Invenergy to kind of go to our efforts and go towards greenhouse gas reduction projects.

So just a very high level overview on how this works is, you know, each year kind of mid April we are able to get the data that sort of allows us to kind of figure out the impact of inflation and, you know, what the annual mitigation payment is. And so Invenergy submits that payment to us, that's what they're sort of required to do to comply with their site certificate. You know, our role is, as an independent qualified organization, is to sort of take those funds and put them into projects that we think will sort of provide environmental performance.

And that good looking guy on the right of your screen there, his name is Kevin Maas. He runs a company called Farm Power Northwest. And these are some examples of sort of the first project that we invested in using Grays Harbor funds. He runs a biogas company whereby he's collecting dairy manure and converting it into biogas degenerated electricity, and it's that process of combusting the dairy manure that generates carbon credit. So when he generates those carbon credits about once a year, they get delivered to us. And in exchange for receiving those, we pay him a third-time price, and we retire those offsets on behalf of the Facility.

Just for a little bit more, you know, in depth to sort of show you what we kind of need to do as an, you know, IQO to find these projects and make sure that there's performance is, you know, there's sort of the left side of this slide and the right side. And the left side sort of involves all the activities that we need to do in order to find a project. We need to determine, you know, whether or not it's eligible to generate kind of emission reduction and offset, and we need to do an evaluation just to make sure the project's going to perform as it is and that we think the project proponent is qualified. And, you know, assuming we like everything and we're agreeable to terms, then, you know, we enter into a contract, we do negotiations. And so that whole process takes about six to nine months, and we operate on a voluntary market. So that doesn't necessarily guarantee success.

But that's how we -- those activities on the left is what we take that seven and a half percent administrative fee for. We really refer to it as our transaction cost budget, and it's all about, you know, getting to that point to where we can execute a purchase agreement with somebody to supply these offsets to us. And those are relatively fixed costs. We typically, to go from sort of the introductory point to signing of a contract, that's about a 15-, $20,000 investment, you know, assuming we're successful. And so that's -- and because of that, we tend to try to find larger projects to -- you know, in order to make that seven and a half percent stretch as far as we can.

So on the right side is where we sort of use some of the, you know, mitigation payment for our management. You know, some of the activities we do out of the mitigation pieces manages working with those project proponents so they can understand how to monitor and get those reductions verified by a credible third party. Once that happens, those offsets are sort of issued and transferred to us and then they become a tradable goods that we can hold or retire.

Some of the other pieces in there that, you know, you don't necessarily see is that, you know, in order to have -- we basically have a contractual relationship with these offset suppliers for several years, so we need to have a budget in order to, you know, manage that agreement. Sometimes it needs to be amended; sometimes there are legal issues that pop up.

So this briefly is just a -- sort of our portfolio of reductions that we secured on behalf of Grays Harbor to date. You can kind of see that we've secured about 284,000 offsets that have been contracted, we've retired most of those, and approximately about 55 percent of those retired, just 148,205 offsets are from projects in Washington State that are eligible for the Facility to use towards their Clean Air Rule compliance target.

And just as a quick aside, as I kind of mentioned, you know, how we sort of use some of the mitigation funds for management, just an example out of that is we entered into one agreement with ECC Composting, and that stands for Environmental Credit Corp., and that involved a project in Delaware, and then they ran into some issues with their permitting and they weren't able to continue to deliver us offsets. And so we actually had to work with our attorneys, work with their attorneys to figure out in the event of the fall and actually figure out a way to find replacement offsets from them.

So the line below it where you see "Composting Replacement Offsets," that 40,000 in Washington State, that was a result of us having a bit of a program management budget to, you know, make sure we could administer these agreements and provide replacement offsets for the Facility.

So just going to talk a little bit about, you know, what happened, you know, in connection to the calculations. So, you know, we sort of based our calculation tool, I mean, off of the plan that just basically sort of told us you can assume about half a million tons of emissions a year, a unit rate of 57 cents per ton adjusted for inflation. And so basically what happened was we would buy that 57 cents, look back at what the inflator was in the past year and calculate the payment. And then the next year would come along and we would reset that -- we wound up resetting that rate back to 57 cents per ton.

And we kept doing that each successful year, where what should have happened was the inflation should have compounded. So if it was 57 cents initially, it went up to 59 cents, and then it should have gone up to 62 cents. And so we kind of missed that compounding inflation component. And so -- and then that resulted in sort of a -- just a mistake in the calculations for the years 2010 to 2016, and that resulted in an -- just an underpayment by not capturing that compounding inflation of about $181,029.

Basically it was a just, you know, internal error that wasn't sort of caught. That, you know, payment spreadsheet was sort of set up, it just wasn't set up, you know, properly to kind of, you know, catch the initial and the carryover and the inflation. And it was sort of discovered earlier this year, and sort of the impetus for discovering it was when the Department of Ecology had passed the Clean Air Rule, you know, we started, you know, kind of looking in a little bit more to the Clean Air Rule and trying to understand how the Greenhouse Gas Mitigation Plan was going to intersect with that.

And so it just sort of through just a kind of a deeper review of the plan itself that we had discovered this error. We informed Invenergy -- sorry, of this error -- just before I move this slide -- in March of 2017, and so I just wanted to kind of make clear that, you know, the 2017 payment did factor in the full compounding inflation. So the payment that we received earlier this year is sort of not part of that.

Just want to talk a little bit about what we're doing internally to make sure this doesn't happen again. So, I mean, we've obviously -- step one, we've kind of fixed the spreadsheet and making sure that we're going to have at least three people kind of touching this calculation. So there will be the person responsible for doing the calculation, that's myself. I will then not only sort of submit the number to our director of finance, but she'll sort of review the spreadsheet, you know, make sure, just double-checking the map, just kind of recreating it, making sure that she comes up with the same number. And so if we both have the same number, then, you know, she will submit both pieces of documentation to our executive director and he will sign off on it before we submit it to Invenergy. So we're just making sure we got those internal controls in place to prevent this from happening again.

So I was sort of mentioning previously, you know, we caught this in, you know, late March and sort of informed Invenergy in April of this year. We also sort of submitted to, you know, Invenergy kind of an invoice value for the 2017 payment, you know, kind of factoring in the compounding inflation, and that wasn't, you know, really the issue there. So then we kind of went into discussions with Invenergy and we sort of reached out to, you know, EFSEC Staff to make them aware, you know, of the miscalculation and sort of were discussing okay, what would we sort of propose to resolve this back calculation issue.

So what the parties, you know, Climate Trust and Invenergy have sort of come up with here is that Invenergy will for the next four years, starting in 2018, make additional payments of about $45,257. And so doing that over the next four years, that would represent sort of the full greenhouse gas mitigation amount. That doesn't include any back payment for, you know, administrative fees or the transaction cost fees that The Climate Trust since this was an error that originated with us. We're not asking for any additional funds.

Also, as I've mentioned, you know, typically we would take the mitigation payment and, you know, some of it goes directly into projects, other it goes sort of to support the management activities. And in this case, we're going to treat -- the 100 percent of those funds is going towards offsets. So anything that we've kind of got from management fees, you know, we're going to stretch that to make that work.

You know, we're also going to make the best efforts to find Washington State offsets. You can sort of see to date we've gotten about over -- just over half of our offsets from Washington, and we're going to continue to emphasize, you know, that and make personally reasonable efforts if we can find quality offsets that are competitively priced and that, you know, preferably are eligible under the Clean Air Rule compliance. Those are the offsets we are going to target and make our best efforts to secure on behalf of the Facility.

And on a couple of final points, we've sort of drafted a memorandum of understanding with Invenergy and, you know, we sort of think that's an important document. It's not only going to cover the payment issue, but it's really just going to cover just the general business relationship in the operating and, you know, because I think what we sort of learned is people tend to move on, but if you've got this sort of, you know, MOU document in place to kind of govern the relationship, there's just sort of a centralized place that parties on -- you know, both parties can kind of refer to going forward.

And then finally, you know, just in terms of our outreach with EFSEC, you know, we're going to make sure that we're increasingly collaborating with them, providing annual reports to them so that they can kind of be made aware of how we're managing these funds.

So that's it for my presentation. I'm happy to answer any questions people may have.

CHAIRMAN MARCUS: Anybody have any questions? Mr. Rossman?

MR. SIEMANN: Chair Marcus, this is Dan Siemann from DNR, and I just have a couple of questions.

CHAIRMAN MARCUS: Okay. Mr. Siemann, you can go ahead.

MR. SIEMANN: Okay. My first question is -- and I appreciate the presentation and your efforts to rectify the problem. If I understood correctly, the focus is largely on the financing piece of it. But it seems to me that the purpose behind this effort is really a reduction in CO2, and I'm wondering if you have calculated the -- the lost opportunity, I suppose, the opportunity cost that was lost due to this financing challenge or mistake in terms of the additional CO2 that's been admitted into the atmosphere as a way of thinking about what perhaps additional reductions need to be made to make up for that additional CO2, given the kind of compounding that would have occurred had those reductions been made earlier, therefore less [inaudible] over time.

MR. ZAKRESKI: That's a good question. I mean, in our experience, I mean, the way I guess it sort of works, you know, for us, you know, the way we sort of view the program is it's one of kind of more like a -- I mean, structured like a carbon tax, you know, where it's based on, you know, sort of a, you know, payment and, you know, we're kind of making, you know, efforts to, you know, get the projects that we can get. So it's really challenging to sort of slice it in okay, how do we go about in a way to maximize emission reductions.

You know, we can -- one of the ways we could do that is we could go out and, you know, buy a lot of offsets that may come out of China for 50 cents a ton, and that may have the greatest climate benefit, but that's not -- that's only part of what we try to do. You know, we try to make sure that we're, you know, investing in, you know, local projects, folks that we can replicate with, you know, that are also providing local benefits.

And so, you know, for us -- and I guess we talked about how we're going to use the money, you know, going forward, I would say the emission reduction impact is part of it. The other part of it is how are we going to support projects in Washington State and what sort of, you know, real economic benefits might those efforts have.

MR. SIEMANN: I see. So the issue really does focus much more so on the financial piece as in carbon tax rather than on the emissions reduction goal; is that correct?

MR. ZAKRESKI: Yeah, I mean, that's kind of how I would characterize it, just in the way the, you know -- I mean, our interpretation of the -- the way the plan was established is that, you know, a requirement for the Facility to kind of, you know, maintain its site certificate in good standing is making a payment, and that payment is based on, you know, the half a million ton figure that this sort of came out, I think, in the design stage plus the 57 cents times inflation. And, you know, on our -- on The Climate Trust's side, we don't have a mandate in terms of a, you know, strict -- strict ton introduction. You know, our job is to go out and place that money in the projects, but there isn't a mandate to sort of say you need to reduce a hundred tons or a hundred thousand tons.

MR. SIEMANN: Got it. Okay. And if I may, one initial question, I noticed that RCW 80.70 uses the unit in metric tons. And it seems from looking at the materials that accompany this topic as a focus, this unit is a short ton. Has that been made consistent because those are two different things in terms of actual amounts?

MR. LASPINA: Maybe I can answer that.

CHAIRMAN MARCUS: Mr. LaSpina.

MR. LASPINA: Mr. Siemann, this Grays Harbor Energy Greenhouse Gas Plan predates the 80.70 law by several years. So there are some inconsistencies between the Grays Harbor Energy Plan and -- and the 80.70 law. So EFSEC intends in the future to come to develop a more fleshed out program that may reconcile these inconsistencies, and at that time when we do this program development, we will solicit input from everybody. But at this time, we're -- we are required to follow the plan that was approved by the Council in 2003. I hope that answers your question.

MR. SIEMANN: Yeah, and I guess that means that the plan that was approved in 2003 used short tons as a measurement and therefore that would be the appropriate unit to be using in this case, correct?

MR. LASPINA: I didn't catch it --

CHAIRMAN MARCUS: He asked if that was correct, that the plan used the short metric as the short ton --

MR. LASPINA: I would have to look it up.

MR. SIEMANN: I just want to be sure we're using the correct unit, given that there's oftentimes confusion between the term "ton" because it has at least three different measurements; metric, short ton, and long ton. Those are all my questions.

CHAIRMAN MARCUS: Okay. Thank you.

Mr. Rossman.

MR. ROSSMAN: Yeah, thank you. Thank you for the presentation, Mr. Zakreski? Is that how --

MR. ZAKRESKI: Yep, got it right.

MR. ROSSMAN: So I'm not sure that you covered this piece in detail today, but I think from earlier materials, so there's the mitigation amount that's calculated as the 57 cents adjusted for inflation and then there's a seven and a half percent administrative fee on top of that. But looking at some of the previous materials we've seen, it looks like that mitigation amount gets split 80/20 between something that's described as project funding and something described as project management; is that right?

MR. ZAKRESKI: Yeah, that's correct.

MR. ROSSMAN: And I think there was a slide in today's presentation where you talked about your overall management activities, and I think the seven and a half percent on the left-hand side of that slide you said?

MR. ZAKRESKI: Yes.

MR. ROSSMAN: And the 20 percent is on the right-hand side of that slide?

MR. ZAKRESKI: That's correct.

MR. ROSSMAN: And I know that this agreement was reached before the statute and WAC were in place, but there's a cap in the statute and WAC of 20 percent. So for a project that was permitted under that, would that 20 percent include things that you're doing in both the seven and a half percent and the 20 percent right now in this project or would you also have an additional administration fee on top of the 20 percent for projects?

MR. ZAKRESKI: Yeah, that's a good question. So I mean, you know, you are correct. I guess, you could -- you know, one of the ways you could interpret it is if you look at, yeah, 80.70, they're sort of saying you got 20 percent to use for -- that slide where I sort of said -- I will just slide back to it. You know, all your activities, right, whether it's the left side stuff or the right side stuff.

You know, one of the key differences between the WAC and the plan is that a WAC provides all the funding up front over a 30-year basis, whereas we're getting, you know, in theory one -- you know, up to 30 payments. And so that creates some, you know, implications, you know, just in terms of our ability to sort of, you know, find scaleable projects in that. And so I guess because we're getting, you know, sort of an annual payment, you know, that's what -- why we're sort of using that seven and a half percent, you know, to find the projects. And because like a lot of times, you know, we're getting these smaller payments and that affects -- you know, some of the projects, we can't go after them because we may only get, you know, $300,000 a year and that's all we've got. But we've got somebody with a million dollars' worth of offsets. So, you know, it kind of creates a little bit of extra costs on our end because of getting an annual payment structure that, you know, isn't done that way in the WAC.

MR. ROSSMAN: Got it. And so the details of that 80/20 split of how the mitigation payments themselves are going to be made, are those based on your agreement with the Facility?

MR. ZAKRESKI: Yeah, I mean, we've definitely had communications, you know, with the -- you know, dating back several years with Invenergy about, you know, this is how, you know, the -- sort of the law works in Oregon and how we kind of managed the mitigation payment to where, you know -- where 80 percent went towards the project, you know, up to 20 percent, like I said, you know, sort of management efforts, and then that is something that's sort of called out in our MOU.

MR. ROSSMAN: And then it looked like your last slide, part of proposed resolution, both parties are negotiating an MOU. When you say "parties" there, do you mean The Climate Trust and the Facility or is EFSEC Staff going to be part of negotiating that?

MR. ZAKRESKI: No, that's between The Climate Trust and the Facility.

MR. ROSSMAN: Okay.

CHAIRMAN MARCUS: Mr. Stephenson.

MR. STEPHENSON: Thank you, Chair Marcus.

Good presentation, helpful. Back on the project portfolio, there are project names and tons listed. What I can't tell is what happened to cause those tons to be put on this list? Could you give just a couple of examples of why those tons are being reduced? Isn't that what we're trying to do here?

MR. ZAKRESKI: Sure. Well, I mean, why those like sort of tons are on the list is the -- the number on the contracted side, that sort of represents the volume over the contract life. And typically when we enter into a contract, we're entering into a contract to receive offsets over a five to ten-year period. And then the reason why we tend to enter into those multiple-year contracts is because we're getting more bang for our dollar out of that seven and a half percent.

The right side, you know, is the retired side. So, you know, essentially -- the one I'll kind of call out is like the Lochmead Dairy. You know, that's a project that we have a ten-year contract in that we're about, you know, sort of year, year six in. And a lot of the offsets from that are kind of coming on the back end years for Invenergy. So, you know, when that project is all said and done in about five years' time, you know, we'd love to sort of see that contract and that retired figure up.

So, you know, essentially what you're sort of seeing here is, you know, these are projects that we've, you know, selected and on the right side, those are the volumes that have been delivered and have been retired. So that retired represents the actual benefit and the contracted would represent the anticipated benefit once these projects come in focus.

MR. STEPHENSON: So quick follow-up. For instance, Cedar Grove Composting, they're still composting, so what have they changed to get a credit here?

MR. ZAKRESKI: So are you trying to ask a question, if I'm understanding, what have they changed in order to be eligible to generate an offset?

MR. STEPHENSON: Yes.

MR. ZAKRESKI: Sure. So the way that that sort of works is that that particular -- Cedar Grove is sort of based on a third party standard called the Climate Action Reserve. And so they kind of looked at the different laws that are out there in terms of mandating composting and mandating waste diversion and mandating the type of waste that they take. And so they sort of concluded that, you know, there's a share of the waste that they take that if Cedar Grove, you know, hadn't been built and wasn't there, it would have gone to a landfill and generated methane.

And so it's sort of based on a lot of the waste characterization data and certain types of feedstocks is what we refer to them. There are certain types of food waste that are coming from certain sources that will be given credit. And so based on -- on sort of this Climate Action Reserve protocol and sort of following the procedures in terms of documentation and data, that's how we're sort of, you know, quantifying those credits. And so they are continuing to compost.

In the future, they could be generating additional offsets, but we don't really know that until they get verified by a third party and that gets reviewed by the Climate Action Reserve standard.

MR. STEPHENSON: Okay. Just maybe one follow-up for Staff. Are you confident with these numbers that there's actually going to be reductions at this level?

MR. LASPINA: Councilmember Stephenson, the whole -- the whole regem of having an IQO is based on the idea that there's -- there's really no expertise at EFSEC. These guys are the experts. So I mean, we -- we -- basically EFSEC certifies the IQO and on the basis that they know what they're doing, and that's about all we know. I mean, we have certified them to act in EFSEC's stead. So I really have no opinion. I mean, I have a total lack of knowledge on that.

MR. STEPHENSON: Thank you.

MR. ZAKRESKI: You know, I could add for further clarification. I mean, the Cedar Grove Composting is an example of a project type that is specifically called out by Ecology and their Clean Air Rule. So, you know, through their efforts studying what are the different, you know, credible ways to produce emission reductions, and in the context of that regulation, they have specifically called this activity-type out as something that is credible to generate what is called emission reduction unit for compliance with that standard. And part of that, you know, figure that it says -- that 18,000 figure does feed into.

So, you know, based on, you know, our review of the Clean Air Rule and our, you know, interactions with Ecology, you know, those composting offsets would be eligible under the Clean Air Rule. So there is that sort of also kind of seal of approval for those types of reductions.

CHAIRMAN MARCUS: Thank you.

MR. PENRITH: Thank you. I am -- my name --

CHAIRMAN MARCUS: Could you come and identify yourself for the record, please.

MR. PENRITH: Sean Penrith, executive director for Climate Trust. I did want to point out, Sheldon did a fabulous job of explaining. This is something as we travel around the country, this comes up a lot. So I just wanted to add a little bit of color to your question which is very pertinent.

The Climate Trust is not the arbiter of those numbers. Our job is to do the due diligence on the appropriate projects and make sure that as they deploy, the methodology of creating -- think of it as a recipe -- that real permanent reductions will ultimately be achieved.

But we use a recipe of protocol that's been generated and designed by a third-party registry company that's recognized in the United States. There are independent verifiers that come and verify those numbers and then turn them into the registry, and then those credits are housed on the registry. So I just wanted to make the point that it is not The Climate Trust that are saying these numbers are golden. We simply ensure that those occur, but we rely on third-party standards to verify to ensure that these results are credible so that your faith in us, being the IQO, is well vested. I just wanted to add that. Thank you.

CHAIRMAN MARCUS: Thank you.

Any other questions? Mr. Rossman.

MR. ROSSMAN: Yeah, thank you for the presentation and for working to get the air rectified. I guess I would like to see either some additional analysis on if The Climate Trust has other sort of smaller contracts that come in closer to that level of $300,000 a year, you know, why the 27 and a half percent overall management cost is reasonable to that or like to see in your new MOU be working to sort of bring it down towards that 20 percent standard. I hear the point about the difficulty in placing incremental amounts in different years, but I wonder if there's no way to bundle purchases across multiple projects to, you know, have smaller things contribute to larger or any kind of managerial projects like that.

I guess for lack of perspective, this is very much about the mitigation. It's a mitigation plan, it's framed around, you know, mitigating the impact of the GHG emissions, and I definitely appreciate that it's important to do that. And the way the balance is a lot of values around achieving GHG mitigation, but so that would be my request is to work towards getting that trended towards similar standards to other facilities will be in the future.

MR. PENRITH: Yes, we totally hear that. I do want to attempt to give additional context to Sheldon's comment. So when you think about offset mitigation funds, let's just say it's $10, that $10, the job of that $10 is to deliver that offset, but those offsets do not materialize without a bunch of management fees. And when I -- so I used to be the vice chair of the board at The Climate Trust before I joined my team as executive director, and it's taken me a long time, I will confess, to understand how they break out the fees. And when they use this term management fee, the way I articulate and understand is that the offset mitigation funds to generate this offset, there is a certain component to make sure that it is real, it is permanent, it is verified and so on.

And so while ideally we would like to put

$10 into a slot and an offset appears, it doesn't happen. So we have to put $8 in the slot, use $2 to create the offset, and that's the term that they use on the team, which is a management fee. It's accurate, Sheldon is absolutely spot on, but it's the curation fee, if you will, because without it, we will not get a permanent reduction that we can put on a slide and say with confidence that is a real ton of emissions that have been reduced. So I just -- if that's helpful at all, I just wanted to share that. Thank you.

MR. ROSSMAN: Oh, no, thank you. I definitely appreciate that, I just want to make sure that $8 is going in the slot and not 7.50.

MR. PENRITH: Sure. Understood.

CHAIRMAN MARCUS: I guess I have a question. I'm trying to figure out what you actually do to find the projects or how the projects can come find you, because it sounds like there was some problems with finding projects, and I'm wondering what you actually do to find projects.

MR. ZAKRESKI: Sure, so we -- there is a couple of ways we go about it. I mean, typically what we use is we have done RFPs in the past, but we found that's a pretty passive -- passive way. So, you know, in terms of finding the projects, you know, a lot of times it's sort of picking our sectors we've decided to have expertise. And so we kind of tend to focus on biogas, you know, working around projects that involve diary digesters, forestry, or avoided conversion of grasslands.

So it's kind of through developing a presence in that sector, you kind of get to have, you know, word of mouth. We also look for a lot of repeat, you know, in terms of trying to pick a winner. So I brought up Farm Power as an example. That was our first project using Facility dollars, and Farm Power has since gone on to build about several different projects in the Northwest. And so we've been able to get, you know, repeat business out of them.

You know, one of the challenges, yeah, with finding projects is you have to hear this term, you know, additionality, kind of talking about making sure that, you know, those reductions are an additional but otherwise happened. And that basically means business is not usual. So, you know, that adds a little bit of extra effort, you know, in terms of finding these projects, because a lot of times they're not necessarily there. They depend on a lot of different factors to come together. And so, you know, that's why sometimes, you know, because of that and because we're in a voluntary competitive market, you know, you can find, you know, years where, you know, where you're going to kind of come up empty, you know, sort of the swing of events in terms of finding a project to contract.

CHAIRMAN MARCUS: Any other questions? Jim.

MR. LASPINA: I wanted to add one other thing for context, one other event. This is a time of transition in the state of Washington for carbon mitigation. About a year or two ago, the Department of Ecology implemented the Clean Air Rule which was alluded to during the presentation. At this time, that -- that rule is being litigated in court. If the rule is -- withstands the -- the litigation, then there's a chance that 80.70, the facilities that are under 80.70 would move to the Clean Air Rule because there's some duplication in the laws. So I just wanted to make you aware that this is a real time of transition in this state for greenhouse gas mitigation.

CHAIRMAN MARCUS: Yes.

MR. PENRITH: I just wanted to close, from The Climate Trust's side, we apologize for the error both to the Council and to Invenergy who have been remarkable at working with us to find a resolution. We want to put the full mitigation funds to work without any fees. As Sheldon said, we will make it work. And we apologize. It was an error we inherited, Sheldon found, and he immediately sought to correct it, and I'm sorry.

CHAIRMAN MARCUS: Thank you for that.

MR. LASPINA: So in summary, councilmembers and Chair Marcus, EFSEC Staff recommends the Council approve the proposed resolution offered by Invenergy and The Climate Trust. Thank you for your time and understanding in this issue.

MR. POSNER: Chair Marcus, I just have a few comments. So first of all, I would like to thank councilmembers for their questions. It brought up some interesting things that we will be following up on with The Climate Trust and Invenergy, and I think they were important questions that we will be looking into further.

But the other thing I want to say is that we started talking to The Climate Trust and Invenergy several months ago about a resolution to this matter and we've had a number of meetings, we've had some phone calls, and I just want to thank them very much for working with us to reach this point. We started off at a different point and we've gone back and forth and they have been very cooperative and very collaborative in the meetings and the conversations we've had. So I just wanted to thank them for their willingness to work with us, and as Jim said, Mr. LaSpina said, Staff does support this proposal to resolve this matter.

CHAIRMAN MARCUS: Thank you, Mr. Posner.

Is there anybody from Invenergy that wants to address this resolution? If you would come to the front and identify yourself for the record, please.

MR. STEFANOVIC: Good afternoon, Chair Marcus and councilmembers. My name is Milos Stefanovic. I'm an assistant manager for Invenergy for Grays Harbor. I just want to say a few words and start off by thanking The Climate Trust and EFSEC members for Council support since day one. We look forward to meet them going forward as well as also work on the activities related to NPDES permit in the near future.

Also I want to say a few words about the Clean Air Rule since we touched on that subject. We've been working very closely with the Department of Ecology to better understand the Clean Air Rule and Clean Air Tracking System. Based on the Clean Air Rule, the primary complaints mechanism as of now are the instate carbon offsets, and as a result going forward we're going to try to maximize greenhouse gas mitigation funds towards those instate carbon offsets.

However, the problem we've been experiencing is -- or the challenges are that it doesn't seem good enough, instate offsets, which would cover those requirements and as a result, there is a possibility that we may need to go outside to the out-of-state market to pursue those carbon offsets in order to fully comply with the Clean Air Rule. That is all I want to say. I want to thank again, everyone, for Council support and patience through this whole process.

CHAIRMAN MARCUS: Thank you for working through this with Staff and with Climate Trust.

Anybody have any questions?

MR. STEFANOVIC: Thank you.

CHAIRMAN MARCUS: Thank you. Discussion? Mr. Rossman.

MR. ROSSMAN: Yeah, thank you. I was concerned about the first proposal that came to us, and I think that this is the right proposal. I appreciate getting the full amount of the mitigation payments back in to make the state whole, and I also appreciate being able to do that over a period of time to make it less impactful to the Facility since this was not their error. And I appreciate The Climate Trust for coming to a good resolution. Definitely think it will be good to have management changes going forward so that we have a little bit more transparency on this and have our eyes on it also as a potential place to catch error.

So I like the solution and would hope Staff can sort of work towards making whatever information we, as a Council, get about this in the future having some sort of degree of, you know, what the payment was and then also sort of what those dollars were spent on and what the anticipated reductions in greenhouse gases from those projects will be so that there's just a little bit more of sort of a line of sight of information to us. I know it's all there in the records, but prechewing it for us is helpful. I would really strongly encourage us to approve this.

CHAIRMAN MARCUS: Anybody else? Do I hear a motion to approve the proposed resolution?

MR. ROSSMAN: So moved.

CHAIRMAN MARCUS: Mr. Rossman has moved to accept the proposed resolution, is there a second?

MR. STOHR: I second.

CHAIRMAN MARCUS: There is a second. Any further discussion? All those in favor say "Aye."

MULTIPLE SPEAKERS: Aye.

CHAIRMAN MARCUS: Opposed? Motion carries. Thank you very much for working through this and for coming to a really good resolution.

Okay. We can move on to some internal

operations business. Mr. Posner.

MR. POSNER: Thank you, Chair Marcus, councilmembers. In your packets is the nondirect cost allocation sheet. We do this beginning of every quarter. We're starting the second quarter for fiscal year 2018, so we've gone back and done a recalculation for this quarter. So you may have noticed, if you looked through the sheet, that there is a new project listed, and I'll mention -- I'll have a few comments about that after I go through the percentages.

So for this quarter, we recalculated the calculations based on past quarter activities and our projected next quarter activities for each project. I will go ahead and read off the percentages. For the Kittitas Valley Wind Power Project, it's 6 percent; Wild Horse Wind Project, 6 percent; Columbia Generating Station, 16 percent; Columbia Solar Project, 10 percent; WNP-1, 3 percent, Whistling Ridge Energy Project, 3 percent; Grays Harbor 1 & 2, 8 percent; Chehalis Generation, 8 percent; Desert Claim, 3 percent; Grays Harbor Energy 3 & 4, 3 percent; and Tesoro Savage, 34 percent. So are there any questions on those percentages?

CHAIRMAN MARCUS: Anybody have any questions? No.

MR. POSNER: So we did receive a new application yesterday for a proposed solar project in Kittitas County. Its name is Columbia Solar and the company who is sponsoring the project is called Tuzo Energy. We will have more information on this project. We will be sending each of you a link to the application for site certification so you can start looking at that. We will also be sending you a CD so you can look at it that way as well. And this project is -- it's proposed to have five separate locations within Kittitas County with a combined output of 25 megawatts. And they, in their cover letter, have requested that EFSEC grant expedited processing in terms of their review for this project.

That is a decision that will have to be made by the Council, and it's described in our rules, and I will -- I'm planning on providing more information to the Council shortly on that, on the process. But one thing that we will be doing within 60 days as a requirement of our rules and statute is having an informational meeting in Kittitas County, and a subsequent land use hearing is to follow that as well. So I think that's -- for now that's probably enough information unless councilmembers have any questions.

CHAIRMAN MARCUS: Anybody have any

questions? Mr. Rossman.

MR. ROSSMAN: Thank you. Do you know if we'll have -- will we already have the benefit of any additional agencies and local entities wishing to sit by the time we're making that expedited decision?

MR. POSNER: We have to -- in fact, this week we will be sending out notification letters to the public and local agencies as well as other optional state agencies who have an opportunity to appoint somebody to sit on the Council. So for instance, for this project, a letter will go to Kittitas County and the optional state agencies, and they have the option of appointing somebody to sit on the Council. And our hope is that we will have -- if those agencies choose to appoint somebody, that person will be identified before we have that first meeting.

MR. ROSSMAN: Thank you.

CHAIRMAN MARCUS: Are you providing that deadline for them to respond back to whether or not they want to participate?

MR. POSNER: We are planning to in the letter. I'm not sure we have in the past, but we will let them know that, you know, we have this meeting coming up and that -- I think typically we like to know within 30 days after sending the letter.

CHAIRMAN MARCUS: Anybody else have any questions for Mr. Posner? Anybody have any other issues to bring before the Council? Hearing none, then this meeting is adjourned. Thank you.

(Meeting adjourned at 2:33 p.m.)

C E R T I F I C A T E

STATE OF WASHINGTON
COUNTY OF THURSTON

I, Tayler Garlinghouse, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript is true and accurate to the best of my knowledge, skill and ability.

Tayler Garlinghouse

____

Tayler Garlinghouse, CCR 3358

EFSEC Monthly Operational Report

August 2017

1. Safety and Training

   1.1. There were no accidents or injuries during the month of August.
   1.2. Conducted scheduled and required monthly training.
   1.3. Conducted the scheduled safety committee meeting.
   1.4. Met with Site Response regarding site respirators and purchased replacement filters for them as well as a new confined space monitor.

2. Environmental

   2.1. Submitted the July Outfall Discharge Monitor Report (DMR) to Ecology.
   2.2. Relative Accuracy Test Assessments (RATA) and SO2 source testing were completed on both stacks during the week of August 7 by Montrose Air Quality Services. The final RATA report is due to regulator(s) within 45 days of testing.
   2.3. A natural gas sample was collected on August 2 and its test results were later entered into the Continuous Emission Monitoring System (CEMS) for the month.
   2.4. The submitted responses for Approval Conditions 2, 5, and 6 of Cooling Tower Notice of Construction were approved by both EFSEC and ORCAA. These were all associated with the new, higher efficiency drift eliminators that were installed this year.
   2.5. The arsenic and mercury levels in all of the August outfall samples were below the minimum level documented in Table 3-6 of AECOM's 2015 Engineering Report. A test plan for post-AKART testing of the outfall was approved by both EFSEC and the lead consulting engineer (Cameron Ochiltree) - this addendum testing was started on August 15.
   2.6. A dry weather inspection of manhole 12 was completed on August 10. There was no discharge from site occurring, which confirmed the system's integrity, and that there were no non-storm water discharges to the plant's storm water system.
   2.7. Began review of a revised PSD Amendment 4 that EFSEC emailed on August 24 and requested comments on by September 8.
   2.8. Visible emissions training for EPA Method 9 opacity monitoring, outfall pipe inspection and repair, and sweeping of paved surfaces were each scheduled for this September.
   2.9. New turbidity and total residual chlorine samples were received from ERA for the DMR QA37 tests that our site lab failed. These quality assurance tests will be redone in early September.

3. Operations & Maintenance

   3.1. Grays Harbor Energy (GHE) operated 31 days and generated 403,440 MWh during the month of august.

4. Noise and/or Odor

    4.1. There were no complaints made to the site during the month of August.

5. Site Visits

    5.1. None.

6. Other

    6.1. Grays Harbor is staffed with 19 personnel.

Energy Facility Site Evaluation Council

Non Direct Cost Allocation
for
2nd Quarter FY 2018
October 1, 2017 – December 31, 2017

The EFSEC Cost Allocation Plan (Plan) was approved by the Energy Facility Site Evaluation Council in September 2004. The Plan directed review of the past quarter's percentage of EFSEC technical staff's average FTE's, charged to EFSEC projects. This information is used as the basis for determining the non-direct cost percentage charge, for each EFSEC project. In addition, the Plan allows for adjustment due to anticipated work load and the addition of new projects.

Based on the levels of work during the 1st quarter of FY 2018, using the procedures for developing cost allocation, and allowance for new projects, the following percentages shall be used to allocate EFSEC's non direct costs for the 2nd quarter of FY 2018:

Kittitas Valley Wind Power Project	**6%**
Wild Horse Wind Power Project	**6%**
Columbia Generating Station	**16%**
Columbia Solar	**10%**
WNP-1	**3%**
Whistling Ridge Energy Project	**3%**
Grays Harbor 1&2	**8%**
Chehalis Generation Project	**8%**
Desert Claim Wind Power Project	**3%**
Grays Harbor Energy 3&4	**3%**
Tesoro Savage	**34%**

Stephen Posner

Stephen Posner, EFSEC Manager

Date: 10/16/17

ENERGY FACILITY SITE EVALUATION COUNCIL

Roll Call Checklist

Meeting Date: October 17, 2017 EFSEC Council Meeting

State Agency Members

- [x] **Chair**
  Roselyn Marcus
- [x] **Commerce**
  Jaime Rossman
- [x] **Ecology**
  Cullen Stephenson
- [x] **Fish and Wildlife**
  Joe Stohr
- [x] **Natural Resources**
  Dan Siemann Via Phone
- [x] **Utilities and Transportation Commission**
  Dennis Moss

Local Gov't. and Optional State Agency

- [x] **Department of Transportation**
  Ken Stone
- [ ] **City of Vancouver**
  Bryan Snodgrass
- [x] **Clark County** via phone
  Greg Shafer
- [x] **Port of Vancouver**
  Larry Paulson

Assistant Attorney General

- [x] **Assistant Attorney General**
  Ann Essko
- [ ] **Assistant Attorney General**
  David Stearns

Council Staff

- [x] Stephen Posner
- [ ] Patty Betts
- [x] Jim LaSpina
- [x] Ami Kidder
- [x] Tammy Mastro
- [x] Christina Potis
- [x] Sonia Bumpus
- [ ] Cassandra Noble
- [x] Joan Aitken

In attendance	Call	Present
1. Jennifer Diaz Wild Horse	[x]	[ ]
2. Debbie Knaub ENW	[x]	[ ]
3. Mark Miller Chehalis	[ ]	[x]
Plant mgr - 4. Chris Sherin Grays Harbor	[ ]	[x]
Climate Trust - 5. Sheldon Zakreski	[ ]	[x]
6. Sean Penrith	[ ]	[x]
Climate Trust / Unenergy - 7. Milos Stefanovic	[ ]	[ ]
8.	[ ]	[ ]
9.	[ ]	[ ]
10.	[ ]	[ ]

THE
CLIMATE
TRUST

Grays Harbor Energy Center GHG Mitigation Plan

Sheldon Zakreski, Director of Asset Management
Sean Penrith, Executive Director

October 17, 2017

OUTLINE

- About The Climate Trust
- How the Plan works
- Impact of the Plan
- Mitigation Payment History
- Proposed Resolution

THE CLIMATE TRUST

Mission: *The Climate Trust mobilizes conservation finance to maximize environmental returns*

- Non-profit Organization – 1997
- Committed to projects – $34M
- Climate impact equivalent to taking almost 700,000 cars off the road
- Over 50 projects and 100+ collaborative partnerships
- Compliance and voluntary programs

THE CLIMATE TRUST

How is the GHG Mitigation Payment Calculated?

- Annual calculation
  1. Emissions differential between Total Potential and Base Rate
     - 514,103 short tons of CO2e emissions
  2. Base rate and inflation
     - Initial rate $0.57 per ton
     - Rate fluctuates based on PPI starting on April 1, 2008
- Paid $3,245,080 (2008-17)

THE CLIMATE TRUST

How this works?

Grays Harbor Energy Center

$$$

Independent Qualified Org

THE CLIMATE TRUST™

$$$

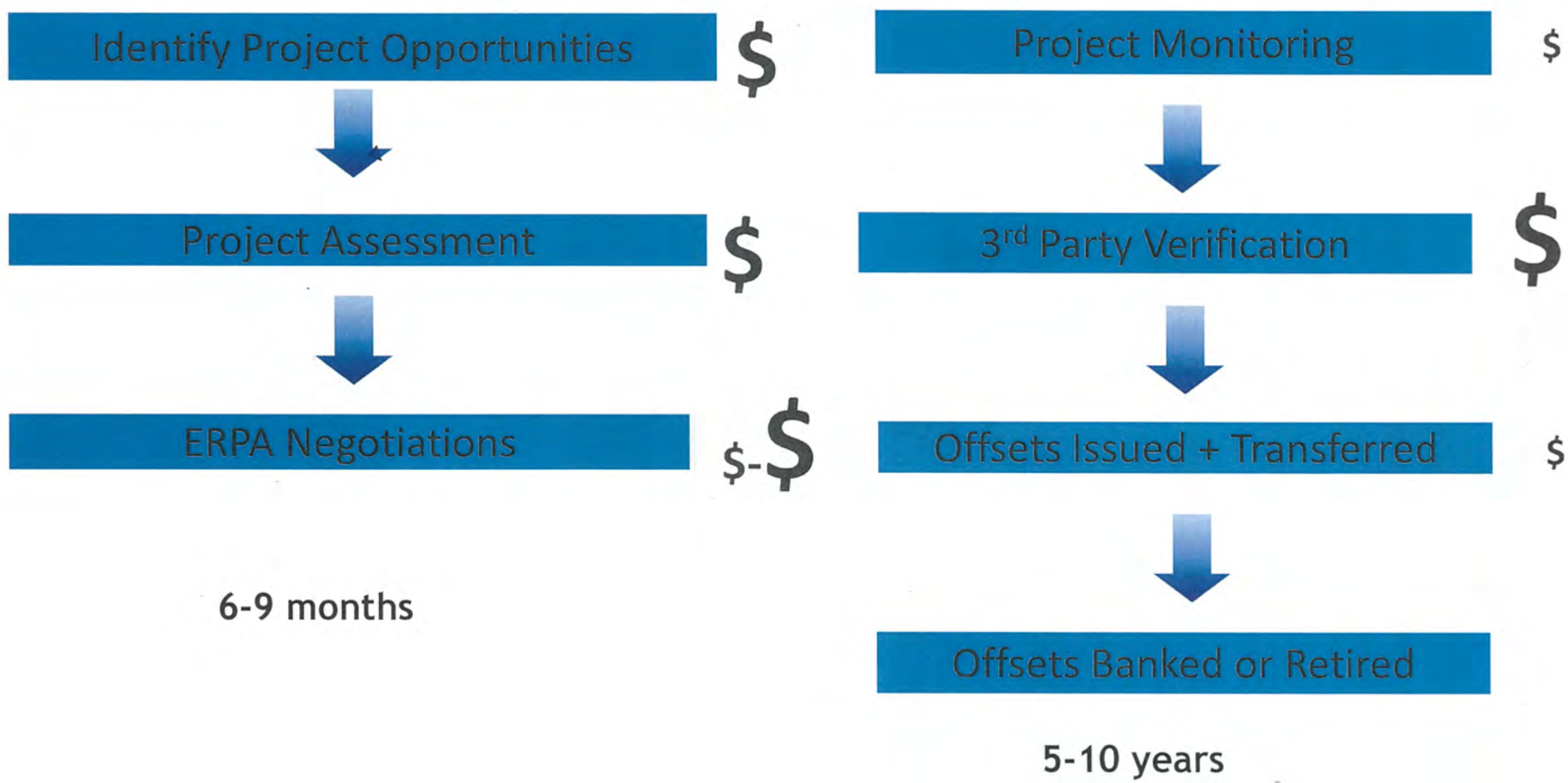
Project Developers

Site Certificate Compliance

Retire GHG on behalf of GHEC

Offset Project Lifecycle

THE CLIMATE TRUST

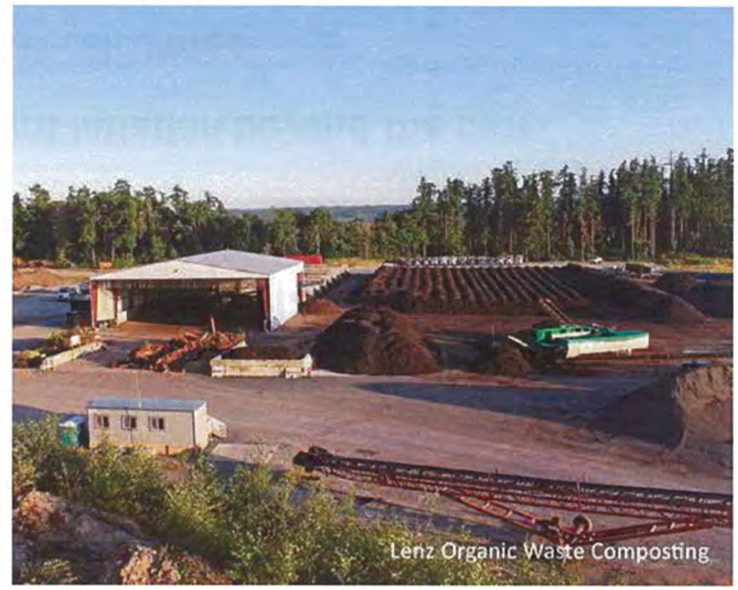


GHEC Project Portfolio

Project Name	State	Contracted ($mtCO_2e$)	Retired ($mtCO_2e$)
Rexville Dairy Digester	WA	50,476	50,476
Lochmead Dairy Digester	OR	11,200	2,991
Cedar Grove Composting	WA	17,996	17,996
ECC Composting	DE	33,002	33,002
Composting Replacement Offsets	WA	41,811	41,811
Afognak Forestry	AK	91,655	91,655
ClimeCo Composting	WA	37,922	37,922
Total		284,062	275,853

148,205 offsets or 54% retired are WA-based

Eligible to use for Clean Air Rule



THE CLIMATE TRUST

GHG Mitigation Payment Calculation in Practice

- ***What happened?*** TCT reset the unit rate to the base rate of $0.57 each year before factoring in prior year PPI.
- ***What should have happened?*** Each new annual unit rate calculation should have factored PPI going back to April 1, 2008 not just the prior year PPI.
- ***What's the implication?*** By not taking into account inflation beyond the past year, mitigation payments were increasingly under-calculated.
  - Result is a total underpayment of $181,029 between 2010 and 2016

THE CLIMATE TRUST

How did this happen?

- Payment spreadsheet wasn’t initially set up to carry over inflation.
- Discovered in March, 2017 review of GHG Plan in response to assessing how it would interact with new Clean Air Rule regulation.

THE CLIMATE TRUST

How TCT addressed the issue?

- Updated controls to mitigate future risk of error

  1. Annual calculation prepared and submitted by Director of Asset Management
  2. Annual calculation is reviewed by Director of Finance
  3. If calculations reconcile, mitigation payment documentation submitted to Executive Director for review and approval
  4. If approved by Executive Director, invoice and calculation documentation submitted to Invenergy

THE CLIMATE TRUST

Interactions with Invenergy

- April 2017. TCT informed Invenergy of the error.
- April 2017. TCT submitted annual mitigation payment requested based on corrected formula. Invenergy made mitigation payment.
- May-October 2017. Discussions with WA EFSEC staff and between Invenergy and TCT on the miscalculation and negotiations to reach a mutually agreed to resolution.

THE CLIMATE TRUST

Proposed Resolution

- Additional payment of $45,257 per year over the next 4 years (2018-2021)
  - Represents 100% of total miscalculated mitigation funds amount
- 100% of these funds go straight to offsets
  - Not used for TCT's transaction and management costs
  - Accounting system will reflect this restriction on these funds
- TCT to make best efforts to source WA-based offsets
- Parties negotiating a MOU to govern resolution plus future mitigation payments
- Increased collaboration with EFSEC staff on transparency and program reporting

THE CLIMATE TRUST

THANK YOU!

Washington State
Energy Facility Site Evaluation Council
AGENDA

<u>MONTHLY MEETING</u>
Tuesday, October 17, 2017
<u>1:30 PM</u>

1300 S Evergreen Park Drive SW
Olympia, WA 98504
Hearing Room 206

1. Call to Order ....Roselyn Marcus, EFSEC Chair

2. Roll Call ....Tammy Mastro, EFSEC Staff

3. Proposed Agenda ....Roselyn Marcus, EFSEC Chair

4. Minutes **Meeting Minutes**..Roselyn Marcus, EFSEC Chair

- August 15, 2017

5. Projects

a. **Kittitas Valley Wind Project**

- Operational Update..Eric Melbardis, EDP Renewables

b. **Wild Horse Wind Power Project**

- Operational Update..Jennifer Diaz, Puget Sound Energy

c. **Columbia Generating Station**

- Operational Update..Debbie Knaub, Energy Northwest

d. **WNP – 1/4**

- Non-Operational Update..Debbie Knaub, Energy Northwest

e. **Chehalis Generation Facility**

- Operational Update..Mark Miller, Chehalis Generation Staff

f. **Tesoro/Savage Vancouver Energy Distribution Terminal**

- Project Update..Sonia Bumpus, EFSEC Staff

g. **Grays Harbor Energy Center**

- Operational Update..Chris Sherin, Grays Harbor Energy
- Greenhouse Gas Mitigation Plan Update ....Jim LaSpina, EFSEC Staff

The Council may consider and take **<u>FINAL ACTION</u>** *on underpayment of funds to mitigate for greenhouse gases as required by the Facility Greenhouse Gas Mitigation Plan.* Representatives from the Climate Trust will make a presentation regarding this matter.

6. Other

a. **EFSEC Council**

- 2nd Quarter Cost Allocation..Stephen Posner, EFSEC Staff

7. Adjourn..Roselyn Marcus, EFSEC Chair

Note: "**FINAL ACTION**" means a collective positive or negative decision, or an actual vote by a majority of the members of a governing body when sitting as a body or entity, upon a motion, proposal, resolution, order, or ordinance. RCW 42.30.02

SATSOP COMBUSTION TURBINE PROJECT
GREENHOUSE GAS MITIGATION PLAN

APPROVED June 9, 2003

By

STATE OF WASHINGTON
ENERGY FACILITY SITE EVALUATION COUNCIL

SUBMITTED BY
DUKE ENERGY GRAYS HARBOR, LLC

INTRODUCTION

In 1994, the Washington Public Power Supply System (now "Energy Northwest") filed an application with the Energy Facility Site Evaluation Council (EFSEC or "the Council") to construct a 490 MW combined-cycle combustion turbine project at the Satsop site. After holding an adjudicatory hearing, EFSEC recommended a Site Certification Agreement (SCA) for the Satsop Combustion Turbine Project, and the Governor executed that SCA on May 21, 1996.

The topic of greenhouse gas mitigation was addressed during the adjudicatory hearings in 1996. Evidence indicated that the facility would emit up to 1.778 million tons of greenhouse gases a year. During the hearings, the applicant and the Counsel for the Environment disagreed about whether the Council should require mitigation for those greenhouse gas emissions. Ultimately, the Council decided not to impose a mitigation requirement. The Council found that "the Satsop CT Project uses the latest reasonable technology and that it will produce lower emissions of greenhouse gases than older natural gas combustion turbine facilities or other fossil fuel facilities." Order No. 694 at 13-14.

Among other things, the Council concluded that "[b]urdensome greenhouse gas mitigation . . . could place the Applicant at a competitive disadvantage within the power producing market and deprive the market of a very efficient power producing facility. Balancing the respective interests, and recognizing that emission technology will advance and greenhouse mitigation measures may be enhanced as time passes, the Council will impose no fixed requirement upon the Applicant. . . . If a comprehensive federal or state mitigation program is implemented, the Council reserves the right to exercise its authority under that program . . ." Order No. 694 at 25. Accordingly, the original SCA provided that:

> If a comprehensive federal or state mitigation program is implemented, the Council reserves the right to exercise its authority under that program, considering and appropriately crediting any measures that the Certificate Holder has accomplished. SCA Article VI.B.2.

In 2001, the Council added Duke Energy Grays Harbor, LLC ("Duke Energy"), to the SCA as a Certificate Holder, and together Duke Energy and Energy Northwest requested a technical amendment to the SCA to allow the use of currently available equipment in the CT facility. The equipment change resulted in an increase in the facility capacity from 490 MW to approximately 630 MW.

The Council granted the technical amendment on April 13, 2001, by Resolution No. 298. In Resolution No. 298, the Council acknowledged that the increase in the facility's capacity could result in an increase in the facility's carbon dioxide (CO_2) emissions, and stated that the Council had authority to compel the Certificate Holders to prepare and implement a carbon dioxide mitigation plan. Although the Satsop CT facility now has the potential to emit more than 1.778 million tons of CO_2 per year, under many likely operating scenarios, the actual annual emissions would not exceed the total volume of emissions that the Council and the Governor permitted in 1996 without any mitigation requirement. Both Resolution No. 298 and subsequent discussions with the Council reflect the Council's intention to require the Certificate Holders to mitigate only those CO_2 emissions that exceed the previously-permitted amount.

Duke Energy has developed this Greenhouse Gas Mitigation Plan over the course of several months, in consultation with Council members and with careful consideration of comments provided by other interested parties. The mitigation plan set forth below is based upon the mitigation plan that the Council approved for the Sumas 2 Generating Facility, which in turn was based upon the mitigation requirements established by Oregon statute and regulations.

In evaluating the mitigation plan, however, it is important to keep in mind that the Satsop CT Project differs from the Sumas 2 project in one very important respect. EFSEC approved the vast majority of the CO_2 emissions from the Satsop CT Project in 1996 (those attributable to 490 MW of the now 630 MW facility), without imposing any mitigation requirement. In contrast, none of the Sumas 2 facility's emissions had been previously approved without mitigation. Nonetheless, to address EFSEC's concerns, Duke Energy proposes a mitigation plan that is relatively comparable to the plan approved for the Sumas 2 Project.

MITIGATION PLAN

Duke Energy proposes that the mitigation obligation be based upon the maximum potential CO_2 emissions that exceed a rate of 0.675 pounds of CO_2 per kilowatt hour (lb/kWh) over 30 years of the facility's operation. The mitigation requirement would be satisfied on an annual basis by providing a fixed amount of funding per ton of CO_2 emissions to be mitigated to an approved organization for use in implementing CO_2 mitigation projects. In addition, the Certificate Holders will provide a fixed amount of funding to cover the organization's expenses in administering the mitigation funding.

This Mitigation Plan is generally based upon the mitigation plan approved by the Council for the Sumas 2 Generation Facility, which in turn was based on the requirement in effect in Oregon on June 29, 2001, the date on which the application for the Sumas 2 project was submitted to EFSEC. However, this Plan differs from the Sumas 2 mitigation plan in three important respects: (1) funding will be provided on an annual basis, unlike the Sumas plan which funded the entire obligation over the first five years of operation; (2) the price per ton will increase over time according to the Producer Price Index, and (3) funding for administrative expenses will be provided.

A. Calculation of Emissions Subject to Mitigation Requirement

The Certificate Holders will mitigate potential CO_2 emissions from the facility that exceed the rate of 0.675 lb/kWh. The mitigation requirement will be based upon the facility's maximum potential emissions, rather than the actual emissions in any given year.

In order to determine the volume of emissions requiring mitigation, the Certificate Holders shall determine the facility's maximum potential annual CO_2 emissions and the corresponding maximum potential kilowatt-hours of electricity generated. The Certificate Holders shall then subtract from the maximum potential annual emissions the volume of emissions that would be associated with generating the same amount of electricity if the electricity were generated at a rate of 0.675 lb/kWh CO_2.

For example, if the facility's maximum capacity were 630 MW and its maximum potential annual CO2 emissions were 2.2 million tons, the calculation would be made as follows:

Facility's Potential Annual CO_2 Emissions	-	Annual Emissions if 630 MW Generated at Rate of 0.675 lbs CO_2 per kilowatt hour	=	Emissions to Mitigate
2,200,000 tons	-	630,000 kw x 8760 hrs x 0.675 lb/kwhr --- 2000 lbs/ton	=	Emissions to Mitigate
2,200,000 tons	-	1,862,595 tons	=	337,405 tons

Thirty days prior to the commencement of facility operations, the Certificate Holders will submit to EFSEC the calculation of the emissions subject to mitigation on an annual basis.

B. Funding for Mitigation

The Certificate Holders will satisfy the mitigation requirement by providing a fixed amount of funding for each ton of emissions to be mitigated to an organization approved by EFSEC, as well as funding for administrative expenses as described below.

The amount of mitigation funding will be initially be fixed at \$0.57 per ton of CO_2 emissions to be mitigated. On the first anniversary of the commencement of commercial operation of the facility, and on the anniversary of that date of each year thereafter, the amount of funding per ton will increase from \$0.57 in the same percentage as the Producer Price Index has increased during the same period. For example, if the facility began commercial operation on January 1, 2004, and if the Producer Price Index rose by 3% from January 1, 2004 to January 1, 2005, the amount of any funding due for 2005 would be based on a price of \$0.587 per ton, which is 103% of \$0.57.

C. Funding for Administrative Expenses

In addition to the mitigation funding described above, the Certificate Holders will provide the organization selected to administer the greenhouse gas mitigation funding with funding equal to seven and one-half percent (7.5%) of each annual payment of mitigation funding for use toward the payment of the organization's administrative expenses.

D. Timing and Duration of Funding Requirement

The mitigation requirement will be payable by the Certificate Holders on an annual basis at the start of each of the first 30 years in which the facility is operating. Thirty days after the facility begins commercial operation, and on the anniversary of that date in each of the following 29 years, the Certificate Holders shall submit documentation to EFSEC demonstrating that the mitigation and administrative funding required under this mitigation plan has been provided to the organization approved to administer the funds.

E. Approval of Organization to Administer Funds

A qualified organization, such as the Climate Trust, shall be selected by the Certificate Holders to administer the funds provided for greenhouse gas mitigation. At least thirty days prior to the commencement of commercial operations, the Certificate Holders shall propose, for EFSEC's approval, an organization to administer the mitigation funding. The Certificate Holders shall provide detailed information regarding the proposed organization, including documentation indicating the organization's willingness to administer the funds and a description of how the organization intends to administer the funds. If EFSEC does not approve the organization proposed by the Certificate Holders, EFSEC shall specify an alternative organization to receive funding required under this mitigation plan.

At any time while the mitigation requirement is in effect, the Certificate Holders may propose to designate a new organization to administer mitigation funds in future years. EFSEC must approve any change in the administering organization.

PREEMPTION AND SUNSET

If a new state or federal law imposes requirements on the Certificate Holders to limit, mitigate or offset greenhouse gas emissions, EFSEC will support the Certificate Holders in obtaining credit under any such new laws, regardless of preemption, for early action for offsets already funded under this Mitigation Plan.
If any new state or federal law pre-empts this Mitigation Plan, to the extent that any carbon offset or funding obligation hereunder has not been met at the time of such change in law, the Certificate Holders may meet any such obligation through compliance with the new program, and further obligations under this Mitigation Plan will terminate.

EFSEC Monthly Operational Report

September 2017

1. Safety and Training

    1.1. There were no accidents or injuries during the month of September.
    1.2. Conducted scheduled and required monthly training.
    1.3. Conducted the scheduled safety committee meeting.
    1.4. Knight Fire Protection, Inc. completed an annual inspection of fire monitoring and protection system on September 14 (excluding pump confidence test).

2. Environmental

    2.1. Submitted the August Outfall Discharge Monitor Report (DMR) to Ecology and mailed a new NPDES sample from September 5 to ALS lab
    2.2. The final RATA and SO2 stack test report from Montrose Air Quality Services was submitted to EFSEC and ORCAA on September 20 (within 45 days of the successful testing).
    2.3. A natural gas sample was collected on September 5 and its test results were later entered into the continuous emission monitoring system (CEMS) for the month. The submitted responses for Approval Conditions 2, 5, and 6 of Cooling Tower Notice of Construction were approved by both EFSEC and ORCAA. These were all associated with the new, higher efficiency drift eliminators that were installed this year.
    2.4. The arsenic and mercury levels in the September results received for the outfall have been below the minimum level documented in Table 3-6 of AECOM's 2015 Engineering Report. The average arsenic results of 3 micrograms/liter have shown little variation over the 12 outfall samples evaluated since August 15.
    2.5. Provided draft comments on PSD Amendment 4 to ORCAA and DOE – these were reviewed with them during a September 28 conference call that included Southshore Environmental. Completed a quarterly drill/table top exercise for new air permit with Operations Manager and Plant Manager which identified new action items. Visible emissions training for EPA Method 9 opacity monitoring, outfall pipe inspection and repair, and sweeping of paved surfaces were each scheduled for this September.
    2.6. Visible emissions training for EPA Method 9 opacity monitoring was completed by 5 site staff. The first off-stack zero alignment was completed by Ametek Land for all 3 opacity meters on September 6. The opacity meter for CT1 was returned to OEM for repair in late September.
    2.7. In compliance with SPCC, a quarterly bulk inventory for site was completed on September 28.
    2.8. The second round of turbidity and total residual chlorine samples received from ERA for the site lab's quality assurance (DMR QA37) were tested and the results

submitted.

2.9. Submitted a 5-year update of Site Restoration Plan to EFSEC on September 27.

2.10. Cowlitz Clean Sweep swept all paved surfaces on-site on Sept. 10 and a passing storm water sample for 3rd quarter was collected on September 19. Turbidity is being measured by ALS Lab rather than site lab due to apparent calibration issues with Hach 2100P turbidimeter (new standards kit ordered).

2.11. The outfall discharge piping in the Chehalis River was inspected by Crux Diving, Inc. on Sept. 8 and the video and photo results were submitted to EFSEC on September 12.

3. <u>Operations & Maintenance</u>

3.1. Grays Harbor Energy (GHE) operated 29 days and generated 358,430 MWh during the month of September.

4. <u>Noise and/or Odor</u>

4.1. There were no complaints made to the site during the month of September.

5. <u>Site Visits</u>

5.1. None.

6. <u>Other</u>

6.1. Grays Harbor is staffed with 20 personnel.

Grays Harbor Energy Center

RECEIVED
FEB 14 2008
ENERGY FACILITY SITE
EVALUATION COUNCIL

Jim Luce, Chair
Energy Facility Site Evaluation Council
P.O. Box 43172
Olympia, Washington 98504

Re: Satsop Combustion Turbine Project – CO2 Mitigation Plan

Dear Chairman Luce:

Grays Harbor Energy LLC owns and will soon begin operating the Satsop Combustion Turbine Project ("the Project"). The Site Certification Agreement for the Satsop site actually dates back to 1976, when a nuclear facility was proposed for the site. An SCA amendment in 1996 authorized construction of a gas-fired combustion turbine facility at the site, and several amendments since that time reflect subsequent changes in the Project design and ownership.

As you know, the Project was permitted before the Legislature adopted the CO2 mitigation requirements that are now found in RCW chapter 80.70. However, as part of one of the SCA Amendments, the Council required the Certificate Holder to develop a CO2 mitigation plan. Duke developed the "Satsop Combustion Turbine Project Greenhouse Gas Mitigation Plan," and the Council approved that Plan on June 9, 2003. A copy of the approved plan is enclosed.

This letter provides a summary of the approved Mitigation Plan, and then explains two proposals that Grays Harbor Energy will present for the Council's consideration at the Council's February 2008 meeting.

The Approved Mitigation Plan

The approved Mitigation Plan contemplates that the Certificate Holder will make annual payments to a qualifying organization to be used to implement CO2 mitigation projects. The first payment is due within 30 days after the Project begins commercial operation, and annual payments are to be made on the anniversary of that date in each of the following 29 years.

Calculating the annual payment due under the Plan requires several steps.

> Step One: Calculate the Maximum Annual Potential Emissions from the Project. This calculation is based upon the assumption that the Project operates at 100% capacity for 8,760 hours per year.

We have calculated the Maximum Annual Potential Emissions for the Project to be 2,391,480 tons.

$$\frac{635{,}000 \text{ kW} \times 8{,}760 \text{ hours} \times 0.859843 \text{ lb/kWh}}{2000 \text{ lbs/ton}} = 2{,}391{,}480 \text{ million tons}$$

Step Two: Calculate the Amount of Emissions to be Mitigated.
The Plan requires the Project to mitigate only a portion of its CO_2 emissions. To determine the Amount to be Mitigated, the amount of emissions that would be generated if CO_2 were emitted at a rate of 0.675 lbs/kWh is subtracted from the Maximum Annual Potential Emissions calculated in Step One.

We have calculated the Amount of Emissions to be Mitigated each year to be 514,103 tons.

$$2{,}391{,}480 \text{ tons} - \frac{635{,}000 \text{ kW} \times 8{,}760 \text{ hours} \times 0.675 \text{ lb/kWh}}{2000 \text{ lbs/ton}} = 514{,}103 \text{ tons}$$

Step Three: Calculate the Mitigation Funding Due.
In Year One, the Project is required to provide funding at a rate of $0.57 per ton of CO_2 Emissions to be Mitigated. In future years, the $0.57 mitigation rate increases according to the increase in the Producer Price Index.

For Year One, the Project is required to provide $293,038.43 in Mitigation Funding.

514,103 tons x $0.57 = $293,038.43

Step Four: Calculate the Total Payment including Administrative Fee
Each year, in addition to the Mitigation Funding calculated in Step Three, the Project must pay an additional 7.5% to be used toward administrative costs.

For Year One, the Total Payment due would be $315,016.31.

$293,038.43 x 1.075 = $315,016.31

Council members will recognize that the approved Mitigation Plan is somewhat similar to the Oregon requirement that was in effect several years ago and it is also somewhat similar to the mitigation requirement that the Council included in the Sumas 2 SCA. However, the approved Mitigation Plan also included some important differences. Most notably, it allows the Project to make annual mitigation payments over 30 years, rather than requiring a single lump sum payment at the start of operation.

Requested Approvals

With that background about the Project's CO2 mitigation obligation, Grays Harbor Energy LLC requests the Council to approve two matters concerning the implementation of and compliance with the Mitigation Plan.

(1) Administering Organization

At least 30 days prior to the commencement of Commercial Operations , the Mitigation Plan requires Grays Harbor Energy LLC to propose for EFSEC's approval an organization that will manage and administer the Mitigation Funds. We request that the Council approve The Climate Trust as that organization.

We know the Council is familiar with The Climate Trust and as you know, The Climate Trust has extensive experience in administering CO2 mitigation funds. We are enclosing some additional information about The Climate Trust.

We are prepared to start making payments to The Climate Trust in April, if the Council approves it as the administering organization. The Climate Trust has expressed an interest in administering these Mitigation Funds, as indicated by the enclosed letter. We are in the process of finalizing a Memorandum of Understanding that we expect to be able to execute soon after EFSEC approves the Climate Trust as the administering organization under the Mitigation Plan.

(2) Modify Funding Schedule

As explained above, the approved Mitigation Plan requires the Certificate Holder to make mitigation payments each year for 30 years. Grays Harbor Energy LLC is prepared to comply with this payment schedule. However, when we approached The Climate Trust, The Climate Trust asked us to consider pulling forward some of the payments on a discounted net present value basis. The Climate Trust explained that it is easier for it to place larger amounts of money, and those larger projects mitigate more CO2 per dollar spent than smaller projects.

The Climate Trust has proposed that Grays Harbor Energy LLC make a lump sum payment in Year 1 to cover the first 7 years of operation, and then make annual payments for the remaining 23 years thereafter. The initial lump sum would be calculated based on the assumption that the $0.57 per ton rate mitigation funding would increase by 2.5% per year (our estimate of the average expected annual increase in the Producer Price Increase), and a net present value determination using a 10% discount rate.

Based on The Climate Trust's assumptions about mitigation costs over time, we have compared the CO2 mitigation expected to be achieved with this proposal to the CO2 mitigation expected to be achieved through the original payment schedule. During the first 7 years, the comparison is as follows:

FIRST 7 YEARS	**CO2 Climate Change Expects to Offset**	**Mitigation Funds Paid (including admin. fee)**
Approved Plan	130,343 tons	$2,384,763
Modified Payment Plan	174,618 tons	$1,642,505

Attached is a spread sheet that provides further details on these calculations.

After the first seven years, the Mitigation Payments would be made annually, so there would be no difference between the two approaches.

We want to emphasize that Grays Harbor Energy LLC is willing to comply with the funding schedule as set forth in the Mitigation Plan, making payments each year. However, Grays Harbor Energy LLC is also willing to make a lump sum payment of $1,642,505 to cover its obligation for the first seven years, and asks the Council to approve that alternative approach. A representative from the Climate Trust will join us at the Council's February meeting to further explain the advantages of the lump sum approach from their perspective.

We look forward to discussing these matters with you and other Council members at your February meeting.

Sincerely,

Michael Holstein

Invenergy Services LLC
Authorized Representative For
Grays Harbor Energy LLC

The Climate Trust: Organizational Overview and Qualifications
February 4, 2008

The following provides an organizational overview of The Climate Trust as well as its qualifications to serve as the implementation organization for the *Satsop Greenhouse Gas Mitigation Plan.*

Organizational Overview

Unique non-profit with a focus on high-quality greenhouse gas offsets. The Climate Trust is a 501(c)(3) non-profit organization whose mission is to provide high-quality carbon offset projects and advance sound offset policy. Since its establishment in 1997 as an Independent Qualified Organization (IQO) under the Oregon Carbon Dioxide Standard, The Climate Trust has successfully placed nearly $9 in carbon mitigation funding into a portfolio of 16 offset projects.

Ten years experience as the sole Independent Qualified Organization under the Oregon GHG Standard. The Climate Trust has provided cost-effective offsets, received flawless financial audits, managed funds transparently, and preserved the capital invested in offsets. As a result, The Climate Trust has maintained its qualified status under the Oregon law since the organization's inception. All offset projects funded to date have met the rigorous compliance criteria set forth by the Oregon Carbon Dioxide Standard.

Served as offset acquisition organization for other states. The Climate Trust has functioned as the provider of offsets under regulatory procedures in both Massachusetts and Montana. In Massachusetts, we successfully worked with the Massachusetts Energy Facility Siting Council as the offset acquisition organizations for a newly sited power facility. For our work in Montana, The Climate Trust was selected to acquire the offsets under a settlement agreement between a power developer and the Montana Department of Environmental Quality. For both of these, The Climate Trust was successful in identifying and implementing local projects.

Diverse portfolio of offset projects. The Climate Trust's current portfolio consists of 16 projects totaling $8.8 million that will offset nearly 2.6 million tons of CO_2, making it one of the largest institutional buyers of offsets in the US. A sampling of project sectors this diverse portfolio includes:

- Transportation;
- Diesel reductions;
- Industrial material substitution;
- Fuel switching;

- Renewable energy;
- Energy efficiency; and
- Forest restoration and preservation

Capacity to deliver at all stages of the offset project cycle. The Climate Trust has extensive experience with all the elements of identifying and implementing offset projects. This includes specifying preferred offset types, developing and issuing RFPs, evaluating and recommending projects, assembling diverse portfolios, negotiating offset contracts, designing monitoring and verification protocols, managing the implementation of offset contracts, and maintaining an offset registry and retiring tons.

Qualifications to Serve as an IQO for Washington

Although the *Satsop Greenhouse Gas Mitigation Plan* was developed prior to the passage of Washington's Greenhouse Gas Standard (WA RCW 80.70), The Climate Trust is able to meet the IQO requirements set forth in 80.70:

Requirement of 80.70: "An independent qualified organization shall not use more than twenty percent of the total funds for selection, monitoring and evaluation of mitigation projects and that management and enforcement of contract" Section 80.70.050(2).
Qualification: This is identical to Oregon GHG Standard requirement. To date, The Climate Trust has been in compliance with this obligation and we maintain a third-party annual audit to ensure ongoing compliance.

Requirement of 80.70: "Before signing contracts to purchase offsets with funds from certificate holders or order of approval holders, an independent qualified organization must demonstrate to the council that the mitigation projects it proposes to use provides a reasonable certainty that the performance requirements of the carbon dioxide mitigation projects will be achieved" Section 80.70.050(3).
Qualification: The Climate Trust continues to utilize the highest offset project assessment standards in the US offset market.

Requirement of 80.70: "The Independent Qualified Organization shall permit the council to appoint up to three persons to inspect plans, operation, and compliance activities of the organization and to audit financial records and performance measures for carbon dioxide mitigation projects using carbon dioxide mitigation money paid by certificate holders or order of approval holders under this chapter." Section 80.70.050(4), Qualification: The Climate Trust has an offset review committee, comprised of members of the Climate Trust's Board of Directors that is responsible for the review of carbon dioxide mitigation projects used to meet compliance obligations under the Oregon Carbon Dioxide Standard. It is anticipated that EFSEC appointed members would sit on that committee.

Requirement of 80.70: "Independent qualified organizations must file biennial reports with the council, the department, or authority on the performance of carbon dioxide mitigation projects, including the amount of carbon dioxide reductions achieved and a statement of cost for the mitigation period." Section 80.70.050(5).
Qualification: The Climate Trust undergoes an annual financial audit conducted by an independent auditing agency.

Supplemental information regarding The Climate Trust's programs, projects, and activities – including copies of our annual financial audits – can be made available upon request.

Calculations of Tons of CO_2 Mitigated Under Both Options

Yearly Payments for first 7 years

2.6% Estimated Growth Rate in PPI

	Year	Total Mitigation Payment	Admin Payments (7.5% of mitigation payment)	CO2 Price ($/ton)	CO2 Offset Volume (tons)
1	2008	$ 293,038	$ 21,978	$12	19,536
2	2009	$ 300,657	$ 22,549	$12	20,044
3	2010	$ 308,475	$ 23,136	$12	20,565
4	2011	$ 316,495	$ 23,737	$15	16,880
5	2012	$ 324,724	$ 24,354	$15	17,319
6	2013	$ 333,167	$ 24,987	$15	17,769
7	2014	$ 341,829	$ 25,637	$15	18,231
	Total	$ 2,218,384	$ 166,379		130,343

Total Payment $ 2,384,763

Lump Sum Payment

Discount Rate 10%

	Total Mitigation Payment	Admin Payments (7.5% of mitigation payment)	CO2 Price ($/ton)	CO2 Offset Volume (tons)
Total	$1,527,911.46	$114,593.36	$7	174,618

Total Payment $ 1,642,505

Differences

	Total Cost	CO2 Mitigated (tons)
Satsop Plan	$ 2,384,763	130,343
Lump Sum Payment	$ 1,642,505	174,618

Notes about these calculations:

PPI Growth Rate - From 1997 through 2006, PPI on all products has changed from -2.5% to +7% per year, with an average change of 2.6%.

CO2 Price per ton - These rates come from the forward price curves for CO2 used by The Climate Trust. The curves they use are fairly conservative and show little price growth over the next few years. The price difference between the Lump Sum Payment rate of $7 and the year 1 rate of $12 is because larger projects are easier to place and are more efficient.

Discount Rate - We use a 10% rate when making investment decisions for the plant. Because of the financing structure of Grays Harbor Energy LLC, we must go to our lenders and take out new loans to make this lump sum payment.

Kittitas Valley Wind Power Project
Monthly Project Update

September 19, 2017

Project Status Update

August Production Summary:

Power generated:	34,728 MWh
Wind speed:	8.2 m/s
Capacity Factor:	42.6%

Safety:
No incidents

Compliance:
Project is in compliance as of September 18th, 2017

Sound:
No complaints

Shadow Flicker:
No complaints

Environmental:
No incidents
Heavy smoke from multiple Kittitas County fires affected work when the AQI (Air Quality Index) was greater than 150.

Kittitas Valley Wind Power Project
Monthly Project Update

October 17, 2017

Project Status Update

September Production Summary:

Power generated:	19,958 MWh
Wind speed:	6.4 m/s
Capacity Factor:	27.5%

Safety:
No incidents

Compliance:
Project is in compliance as of October 12th, 2017

Sound:
No complaints

Shadow Flicker:
No complaints

Environmental:
No incidents

Wild Horse Wind Facility

August & September 2017

Safety

No lost-time accidents or safety injuries/illnesses.

Compliance/Environmental

Nothing to report.

Operations/Maintenance

Nothing to report.

Wind Production

August generation totaled 38,260 MWh for an average capacity factor of 18.86%.

September generation totaled 41,609 MWh for an average capacity factor of 21.20%.

Eagle Update

Nothing new to report at this time.

Energy Northwest
EFSEC Council Meeting
September 19, 2017
Debbie Knaub

I. Columbia Generating Station Operational Status

Columbia is online at 100% power and producing 1134 MWs. The plant has been online for 11 days following a several day outage to repair several valves and restore coolant chemistry. The plant took advantage of the offline time to perform other repairs and maintenance.

There are no other events, safety incidents, or regulatory issues to report.

II. WNP 1/4 Water Rights

NEPA/Leasing

No change from July 2017 report.

Energy Northwest's new lease with the Department of Energy for WNP 1/4 went into effect on July 1, 2017. We have started the planning and some field work on the water distribution system project, which will eventually utilize the Water Rights permit granted by the Department of Ecology.

Energy Northwest
EFSEC Council Meeting
October 17, 2017
Debbie Knaub

I. Columbia Generating Station Operational Status

Columbia is online at 100% power and producing 1151 MWs. The plant has been online for 38 days following a nearly 13 day outage at the end of August to repair valves and restore coolant chemistry.

Executive Team Changes:
Columbia is in the process of selecting a successor to the current CEO, Mark Reddemann, who has announced his retirement. Interviews will occur this winter and spring with selection occurring in April 2018. The new CEO will start in June 2018.

Regulatory Updates:
The Washington Department of Health restored Columbia Generating Station's radiological waste shipping privileges on October 3, 2017 which were suspended in late July following shipment of waste accompanied by an incorrect manifest. As discussed during the August 2017 council meeting, the Columbia team had completed an accurate manifest for a shipment prior to the date of shipment, but due to a lack of verification, an incorrect copy accompanied the shipment. Since the event, Columbia has worked with the Department of Health and the NRC and has revised shipping procedures and added additional expertise to the team.

There are no other events, safety incidents, or regulatory issues to report.

II. WNP 1/4 Water Rights

NEPA/Leasing
No change from July 2017 report.
Energy Northwest's new lease with the Department of Energy for WNP 1/4 went into effect on July 1, 2017. We have started the planning and some field work on the water distribution system project, which will eventually utilize the Water Rights permit granted by the Department of Ecology.

Chehalis Generation Facility
1813 Bishop Road
Chehalis, Washington 98532
Phone: 360-748-1300

Chehalis Generation Facility----Monthly Plant Report – August 2017
Washington Energy Facility Site Evaluation Council

9-01-2017

Safety:

- There were no recordable incidents this reporting period and the plant staff has achieved 764 days without a Lost Time Accident.

Environment:

- There were no air emissions or stormwater deviations or spills during the month of August 2017.
- Wastewater and Stormwater monitoring results were in compliance with the permit limits for the month of August 2017.

Personnel:

- The Chehalis plant staffing level is currently 18 of 19 approved positions filled.

Operations and Maintenance Activities:

- The Plant generated 260,300 MW-hours in August for a 2017 YTD generation total of 974,775 MW-hours and a capacity factor of 28.9%.

Regulatory/Compliance:

- Nothing to report.

Sound monitoring:

- Nothing to report this period.

PACIFICORP
A BERKSHIRE HATHAWAY ENERGY COMPANY

Carbon Offset Mitigation:

- Nothing to report this period

Respectfully,

Mark A. Miller
Manager, Gas Plant
Chehalis Generation Facility

PACIFICORP
A BERKSHIRE HATHAWAY ENERGY COMPANY

Chehalis Generation Facility
1813 Bishop Road
Chehalis, Washington 98532
Phone: 360-748-1300

Chehalis Generation Facility----Monthly Plant Report – September 2017
Washington Energy Facility Site Evaluation Council

10-01-2017

Safety:

- There were no recordable incidents this reporting period and the plant staff has achieved 794 days without a Lost Time Accident.

Environment:

- There were no air emissions or stormwater deviations or spills during the month of September 2017.
- Wastewater and Stormwater monitoring results were in compliance with the permit limits for the month of September 2017.

Personnel:

- The Chehalis plant staffing level is currently 18 of 19 approved positions filled.

Operations and Maintenance Activities:

- The Plant generated 139,492 MW-hours in September for a 2017 YTD generation total of 1,114,267 MW-hours and a capacity factor of 33.0%.

Regulatory/Compliance:

- Nothing to report.

Sound monitoring:

- Nothing to report this period.

Carbon Offset Mitigation:

- Nothing to report this period

Respectfully,

M A Miller

Mark A. Miller
Manager, Gas Plant
Chehalis Generation Facility