

MEETING SUMMARY
COOPER LAKE PROJECT RELICENSING
SETTLEMENT WORKING GROUP MEETING
NOVEMBER 16-17, 2004

Hampton Inn
Anchorage, Alaska

Attendance:

November 16:

Margaret Beilharz (phone)	USDA Forest Service, Hydropower Assistance Team
Dave Blanchet	USDA Forest Service (USFS)
Phil Brna	U.S. Fish and Wildlife Service (USFWS)
Debora Cooper	USFS
Karen Demsey	Long View Associates (LVA)
Jim Ferguson	Alaska Department of Fish and Game (ADFG)
Suzanne Fisler	Alaska Department of Natural Resources, Parks division (ADNR-Parks)
Ricky Gease	Kenai River Sport Fishing Association (KRSFA)
Amber Glenzel	Kenaitze Indian Tribe (KIT)
Dora Gropp	Chugach Electric Association (Chugach)
Bill Hauser	Alaska Flyfishers
John Heberling	D. Hittle and Associates (DHA)
Jan Konigsberg	Natural Heritage Institute
Mike Massin	Chugach
Jerry Mastel	USFS
John Morsell	Northern Ecological Services (NES)
Sally Morsell	HDR Inc. (HDR)
Steve Padula	LVA
Larry Peltz	NOAA Fisheries
Gary Prokosch	ADNR, Water Resources division (ADNR-Water)
Robert Ruffner	Kenai Watershed Forum (KWF)
Andy Schmidt	USFS
Rob Spangler	USFS
Brenda Trefon	Kenaitze Indian Tribe
Cassie Thomas	National Park Service Rivers and Trails Program (NPS)
Burke Wick	Chugach

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Suzanne Fisler	ADNR-Parks
Ricky Gease	KRSFA
Amber Glenzel	KIT
John Heberling	DHA
Jan Konigsberg	NHI
Mike Massin	Chugach
Jerry Mastel	USFS
John Morsell	NES
Sally Morsell	HDR
Steve Padula	LVA
Larry Peltz	NOAA
Gary Prokosch	ADNR-Water
Andy Schmidt	USFS
Rob Spangler	USFS
Brenda Trefon	KIT
Cassie Thomas	NPS
Burke Wick	Chugach

Agenda:

- Economics workshop
- Preliminary discussion of settlement issues:
 - Cultural resources
 - Cooper Creek operations/resources
 - Cooper Lake operations/resources
 - Snug Harbor Road issues
 - Powerlines, powerline ROW, and powerline access
 - Visual resources

Handouts Provided:

[None]

Meeting Summary:

I. Economics Workshop

Burke Wick (Chugach) presented information on how Chugach sets its rates, explaining that they are set on a system-wide basis and are subject to the approval of the Regulatory Commission of Alaska (RCA). He explained that rates are based on the costs incurred, not on a current market value. He added that for a utility to be able to bill its customers for costs incurred, the RCA

requires that those costs be reasonable (prudently incurred, used and useful) and support the plant that is in service.

Burke Wick also explained that Chugach, as a non-profit members-owned cooperative, does not make any profit on the electricity it sells. To allow it to cover short-term costs, however, Chugach does collect “margins.” Burke explained that margins are revenues in excess of expenses; these revenues are retained by Chugach for a set period of time (e.g., 15 years), upon which they are returned without interest as capital payments to the individual customers that originally paid the excess revenue. Sometimes the margins are fully used to cover costs in the intervening period, in which case there are no margins left to return as capital payments at the end of that period.

John Heberling (DHA) then presented economic information specific to the Cooper Lake Project, including the Project’s benefits to the Chugach system and the local economy, the costs of producing power at the Project, and the costs that would be incurred to generate power at other facilities if the Cooper Lake Project were not in service. He combined these cost factors to show the estimated net cost of alternative power generation (i.e., increase in cost of producing power to meet Chugach system needs without the Cooper Lake Project). Burke Wick presented the estimated economic impact of decommissioning the Project, showing the individual cost components making up the overall estimated impact. Burke Wick also presented a graph showing the estimated amount of emissions avoided (NOx and total tons/year) by having the Project in the system. Lastly, Burke Wick presented a graph showing the monthly cost to the system if Cooper Lake were required to operate at a “static” reservoir level (within +/- 1 foot of a set water surface elevation).

John Heberling (DHA) briefly summarized findings presented in an Institute of Social and Economic Research (ISER) 1996 report related to increasing Kenai River late-run sockeye. He summarized the report’s estimate of the economic value per sockeye in the Kenai River sport fishery. Ricky Gease (KRSFA) mentioned that the KRSFA is updating the economic figures from this study to 2004 values.

II. Preliminary Discussion of Settlement Issues

Cultural Resources

The SWG briefly discussed what information would be useful to help advance negotiations on cultural resource related issues. Upon Chugach’s suggestion, Brenda Trefon (KIT) agreed that it would be helpful if she could obtain the GIS layer that contains all of the information regarding locations of existing and proposed access routes. Arrangements were made for Brenda Trefon to follow up with HDR to obtain the GIS data.

Cooper Creek Operations and Resources

The SWG discussed information that would be needed to make sure the in-depth discussion of Cooper Creek at the mid-December SWG meeting is productive. Information needs identified included results from additional runs of the instream flow models to determine whether it is possible to optimize power and fish benefits.

The SWG discussed at length the potentially conflicting interests that would be associated with implementing measures currently under consideration to increase fish use of Cooper Creek (e.g., fish production, angling, power production, human-brown bear interactions, cultural resource protection). Because of the potentially conflicting interests, the SWG agreed that it would be acceptable to begin developing information regarding potential off-site mitigation options on a parallel path to developing additional information on mitigation in Cooper Creek itself, as a way to keep the negotiations moving forward. It was agreed that a small technical working group (TWG) should form to begin working on developing the information regarding potential off-site mitigation. Several SWG representatives, however, emphasized that on-site mitigation in Cooper Creek will still remain the primary consideration until such time as the SWG may determine that this mitigation route is not in the best overall interest of the resource, as compared to other alternatives.

The discussion on Cooper Creek resumed on day 2 of the meeting, focused in part on questions as to whether there may be less expensive methods to increase flows and temperatures in Cooper Creek than had been identified to date, and how the economic value of the resource/mitigation should be factored into the cost equation. Additional discussion on the topic of potential off-site mitigation indicated the SWG's general feeling that this parallel information development path should focus on identifying what criteria and selection process would be used to determine which offsite mitigation projects should be funded. The discussion also touched on the amount of mitigation funding that Chugach should be expected to contribute in the event that on-site mitigation of Cooper Creek is ultimately not undertaken. The SWG indicated it would be helpful to see other examples of mitigation funds set up under other hydropower project licenses.

Cooper Lake Operations and Resources

The SWG discussed the question of impacts to resources around Cooper Lake, including vegetation, shorebirds, and fish, due to fluctuations of the reservoir. Additional information needs identified included further information about loon nesting platforms, the concept of creating additional wetland habitat at the southern end of the reservoir, and the concept of long-term monitoring of the Arctic char population in the reservoir. Various potential mitigation concepts were also discussed. Action items were assigned to address the identified information needs.

Snug Harbor Road

After a brief discussion, the SWG agreed that the basic task to begin addressing issues related to Snug Harbor Road was to have the parties that are involved in ownership/use/maintenance of the road (i.e., Chugach, ADNR, and the USFS) meet in a small working group to try to come to agreement on what the ownership and maintenance responsibilities should be during the new license term. The Kenai Peninsula Borough and the Alaska Department of Transportation were identified as other potentially interested parties in these discussions. It was also acknowledged that part of the question regarding maintenance standards of the road depended on recreation management direction of the Cooper Lake area (which ties to public use of the road).

Powerlines, powerline ROW, and powerline access

The forthcoming revised draft Road and Access Route Condition Survey report was identified as a key piece of information that was necessary to be able to begin discussions regarding issues related to the Project powerlines. It was also agreed that a TWG should form to address issues such as:

- Vegetation feathering along the ROW clearing
- Brown bear denning surveys before conducting maintenance work along the ROW
- Other protocols for use of access routes, including:
 - seasonality of use of specific routes
 - criteria for gating

The SWG discussed participation in this TWG, and it was suggested that other State land interests, including Chugach State Park, should be contacted to determine their interest in participating.

Visual Resources

Chugach indicated it would meet separately with the USFS to get further information on what would be involved in painting the powerhouse to reduce its reflectivity, as requested by the USFS. Chugach also agreed to develop information on what would be involved and estimated costs of potential rerouting around Kenai Lake of the Project transmission line that currently crosses over the lake.

III. Schedule planning and update / Wrap-up

The SWG agreed that it would be helpful to develop a matrix of Project impacts and mitigation options as an analytical framework for the negotiations, and decided that a draft of this type of matrix would be developed for the SWG's consideration prior to the December SWG meeting.

It was mentioned that Steve Colt of ISER had offered to speak to the SWG on the topic of economic valuation of mitigation measures. The SWG agreed that this would be useful, and tentatively planned to request that Steve Colt make this presentation to the SWG on December 13.

LVA was tasked with following up with individual SWG members to schedule the TWG meetings.

The meeting adjourned at approximately 3:30 P.M.

Action Items:

Detailed action items were captured during the meeting and subsequently issued to SWG members to help ensure that information and materials were developed in a timely fashion for use in the upcoming TWG and SWG meetings.

Next Meeting:

Date: December 13–15, 2004

Location: Chugach headquarters

Proposed agenda (preliminary):

- Dec. 13:
 - Presentation on resource economics by Steve Colt (ISER)
 - TWG meeting
- Dec. 14:
 - Morning: Official dispute resolution meeting on Cooper Creek aspects of DLA
 - Afternoon: TWG meetings as needed
- Dec. 15:
 - SWG meeting:
 - Discuss Cooper Creek
 - Review/finalize new settlement analysis matrix
 - Discuss potential structure/framework of Agreement in Principle

Calendar:

[*Note:* The following dates are currently being held for settlement negotiations related meetings, including technical working group sessions, Settlement Working Group meetings, and/or caucus sessions as needed. Specific dates and agendas to be confirmed.]

- December 14–15:
- January 11–12
- February 1–2