



Northwest Public Power Association

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**Government Relations Committee Meeting
Harvey's Resort
Lake Tahoe, Nev.
May 23, 2006**

Minutes of Meeting

A. ATTENDING

Nancy Barnes, Clark Public Utilities
Carl Beach, Salem Electric
Ron Benfield, Central Lincoln PUD
Alicia Bonesteele, Salem Electric
Bob Boyd, Chelan PUD
Frank Brawner, Tillamook PUD
Ralph Carmona, Sacramento Municipal Utility District
Randy Cornelius, Orcas Power & Light
David Crockait, Salem Electric
Brent Crowther, Valley Electric
Karl Denison, Mason PUD No. 1
Larry Descheemaeker, Fergus Electric Co-op
Joe Dirksen, Southern Montana G&T
John DiStasio, Sacramento Municipal Utility District
Jim Dyer, Salem Electric
Jim Feider, Redding Electric Utility
Clay Fitch, Wells Rural Electric
Ken Gates, Cordova Electric
Ed Gossett, Kootenai Electric
Linda Gott, Mason PUD No. 3
Tim Gregori, Southern Montana G&T
Fred Guyer, Benton REA
Byron Hanke, Clark Public Utilities
Neal Harth, Wasco Electric Co-op
Ron Hatfield, Pacific County PUD No. 2
John Hossack, Lincoln Electric
Jim Hubenthal, Lewis County PUD
Jack Janda, Mason County PUD No. 1
David Jedlicka, Naknek Electric
Meera Kohler, Alaska Village Electric

Valarie Koss, Columbia River PUD
Virginia Lauritsen, Springfield Utility Board
Russ Leslie, Nelson Hydro
George Litzenberger, Springfield Utility Board
Joe Mathieu, Springfield Utility Board
Pat McGary, Clark Public Utilities
Jean McKinney, Wasco Electric Co-op
Kathern Mounteer, Lincoln Electric
Nate Narrance, Inland Power & Light
Bill Nordmark, Golden Valley Electric
Scott Odegard, Sun River Electric
Michael Owens, Snohomish PUD
Dan Peterson, Pend Oreille PUD
Bruce Pilling, Emerald PUD
Darrel Purkerson, Columbia River PUD
Robin Rego, Lakeview Light & Power
Bill Robinson, Plumas Sierra REC
Paul Rogers, Kittitas PUD No. 1
Marianne Roose, Lincoln Electric
Walter Sapp, Kodiak Electric
Karl Schrade, Flathead Electric
Lonny Sheffield, Hughes Supply
Milt Skov, N. Wasco PUD
Bob Speckman, Salem Electric
Loren Tarbell, Columbia River PUD
Bob Titus, City of Ellensburg
Bob Walker, Beartooth Electric
Stanley Weishear, Oregon Trail Electric
Barbara Weishiar, Oregon Trail Electric
Ken Weiss, Clearwater Power
Ralph Williams, United Electric Co-op
Cathy Wilson, Wasco Electric Co-op
Bob Wittenberg, Skamania PUD
Darrell Wood, Lassen Municipal Utility District

NWPPA Staff

Will Lutgen, Executive Director
Debbie Kuraspediani, Communication Director

Others in Attendance

Marvin Hintz, Black & Veatch
Steve Johnson, Washington PUD Association
Marilyn Leland, Alaska Power Association
Scott Lindsay, NWPPA GRC Consultant

Joseph Mayes, Esprit
Jim Pope, NCPA
Karen Price, Morgan Meguire
Marilyn Showalter, Public Power Council
Dave Warren, Washington PUD Association
Al Zepp, NCPA

GRC chair Neal Harth called the meeting to order at 8:30 a.m. on Monday, May 22, 2006. The meeting was held at Harvey's Resort in Lake Tahoe, Nev. A quorum of the GRC committee was present.

B. CONSENT AGENDA

Jim Feider moved to approve the Minutes from the March 9, 2006 GRC meeting as prepared. With a second the motion to approve the Minutes as presented was approved with none opposed.

C. WESTERN GOVERNORS ASSOCIATION FOLLOW-UP

Will Lutgen gave a Western Governors Association (WGA) follow-up. The Board had asked staff to determine if the WGA might support public power's position opposing the OMB proposal to send BPA surplus sales/secondary revenues in excess of \$500,000,000 to the U.S. Treasury. Staff discussed the topic with WGA's Amelia Jenkins and determined that NWPPA would have to lobby each of the Governors in 18 Western states and that one of the governors would have to bring the matter before the WGA for a vote in order to support our position.

NWPPA staff determined: (1) it did not currently have the resources (man power or financial) to lobby 18 governors' offices and (2) even if NWPPA had the resources, this particular issue would be resolved before all of the necessary work with the WGA could be done.

D. WASHINGTON DC UPDATE

Karen Price of Morgan Meguire provided the following Washington DC legislative update:

OMB Budget Proposal for BPA

- Karen began with the Administration's budget proposal that would direct BPA to use any net "secondary market revenues" in excess of \$500 million per year towards accelerated federal debt repayment.

- The Northwest Congressional delegation continues to push back hard on this proposal.
- NW Senators were successful in getting language included in the FY06 Emergency Supplemental Appropriations bill (for Hurricane Katrina and Iraq relief) that would delay the proposal for essentially one year.
- On May 16, the Northwest congressional delegation sent a letter to the leaders of the House and Senate Appropriations Committee urging that this one-year fix to delay implementation of the Administration's "net secondary revenue" proposal be retained in the final supplemental bill.
- Karen took a minute and read a quote from the letter because she thought it was quite telling, the letter states, "On a bipartisan, bicameral basis, we have communicated our concerns to the administration about the budget proposal, which was offered without notice to or consultation with the Northwest congressional delegation and other regional stakeholders. On policy and economic grounds, the administration proposal is unwarranted. Section 9013 would provide the timeout that is necessary to ensure this poorly conceived policy, which Northwest members continue to hold is not within the BPA Administrator's discretion, is not imposed on a regional that has expressed universal concern about its impact."
- All House and Senate Members from Washington, Oregon, Idaho and Montana signed the letter, except for Sens. Larry Craig (R-ID) and Patty Murray (D-WA) who are serving on the conference so protocol dictated that they not sign.
- We are optimistic that this provision will be retained in the final bill, which should hit the floor by the Memorial Day recess at the end of the month. Of course, having said that, nothing's over in this town till it's over, so Morgan Meguire will keep members posted if they hear things going in the opposite direction.
- So, while this short term solution is great news and a testament to the strength of our delegation, and of course members like you present who immediately provided support to the delegation by via People Power, meeting with DOE, etc., the long-term outlook is still in question.
- OMB and DOE are still pushing for a compromise, but most in public power thought they had that 10 years ago and don't trust them again.

Renewable Incentives

CREBS

- The Clean Renewable Energy Bonds were created under EPAct 2005. CREBs are modified, interest-free bonds that public power and rural electric cooperatives can issue to build qualified renewable energy projects.
- There are some limitations, in that the law limits total bond issuances to \$800 million, with “governmental entities” allowed to issue no more than \$500 million of the total. Coops do not have a cap.
- In December 2005, the IRS issued “preliminary guidance” to implement the CREB program, requesting applications for allocation of CREB authority to be filed by April 26, 2006, and stating that the IRS would determine allocations on a project-by-project basis, adopting a “smallest-to-largest” issuance method of allocation.
- So, the deadline for submitting the applications has come and gone, and Morgan Meguire has heard that the IRS received more than 700 applications from public power and cooperative utilities.
- During a Morgan Meguire conversation with the chief counsel responsible for this program, he said, although somewhat optimistic, they are hoping to get allocations out in 60-90 days, hopefully by August. He said many of the applications are “cookie cutter” but that there are about 10% they have questions about (e.g. what is “incremental hydro” and really closed-loop biomass), which might hold up the announcements since they want to announce them all at once.
- So, what NWPPA is asking Congress for now, with respect to the CREBs, is essentially an extension and expansion of the program.
- We’d like to extend the program for five years, from 2009-2013, in tandem with extension of the Section 45 production tax credit (PTC) available to the private sector and to eliminate the arbitrary cap (currently at \$800 million) to allow for the creation of a viable market for the CREBs and significant investment in renewable energy by the not-for-profit sector.
- Several bills in the Senate have already been introduced to extend the program.
- For example, Senate Finance Committee Chairman Charles Grassley (R-IA) and Ranking Member Max Baucus (D-MT) introduced S. 2401, the *Alternative Energy Extender Act*, which extends a number of tax provisions enacted in EPAct, which includes, among other extensions: a three year extension of both the Production Tax Credit (PTC) for private developers of renewable projects and the CREB for public power.

- In addition, Sen. Baucus introduced S. 2398, the *Energy Competitiveness Act of 2006*, to extend energy tax incentives, including the CREBs. This legislation, while similar to S. 2401, is a message bill outlining the Ranking Member's energy tax priorities.
- Although the Grassley-Baucus legislation has many supporters, the bill is unlikely to pass this Congress because it is an election year and, as a result, has a short legislative calendar. In addition, Congress doesn't tend to extend things until they expire, so again it's likely not happen this year.
- However, prospects for passage next year seems good, especially since we've now been linked in several bills with the PTC, which puts us in a very good position.

REPI Appropriations

- In mid-May, The House Appropriations Committee reported out is FY 2007 Energy and Water Development bill, and despite our best attempts get an increase, it approved \$4.96 million for the Renewable Energy Production Incentive Program (REPI). Not surprisingly, this is the same level that was requested by the Administration in its 2007 budget and the same amount we received last year.
- The Senate has not yet begun considering its FY07 bills.

Telecommunications Update

- In the House, public power had a victory in April when the Energy and Commerce Committee reported out, by a vote of 42-12, the *Communications Opportunity, Promotion, and Enhancement Act (COPE)*, which includes language (Title IV, Section 401) that preserves the ability of public power to provide telecommunications services to their communities, if they so choose.
- During deliberations, Members voted against an amendment offered by Rep. Lee Terry (R-NE), which would have grandfathered existing state bans. We are told that Rep. Terry was advancing the amendment on behalf of Qwest Communication International, Inc.
- This is actually better than him not offering it because it puts the committee on record as opposing it.

- Also a victory for public power were efforts to push back a separate attack, advanced by Rep. Steve Buyer (R-IN), that would have modified the underlying bill by giving telecommunication providers the “right of first refusal” before allowing municipalities to enter the marketplace.
- In significant behind-the-scenes negotiations, Rep. Bass (R-NH) and others worked to erode support for the Buyer amendment, resulting in his not advancing it.
- In its place, Buyer advanced a study provision, which instructs the Federal Communications Commission (FCC) to “study municipal broadband networks.”
- NWPPA contacted its delegation to urge them to oppose amendments that would weaken Sec. 401. In fact, NWPPA members were in DC the week of the markup advocating support for Sec. 401, so their message was timely.
- The full House was expected to consider the bill early in May, however, the Judiciary Committee tried to assert its jurisdiction over the bill, so that process slowed it down a bit.
- Morgan Meguire learned last week that the Parliamentarian ruled they do NOT have jurisdiction, so they now expect the bill to be brought to the floor right after the Memorial Day recess, likely the first week in June.
- In the Senate, on May 1, Senate Commerce Committee Chairman Ted Stevens (R-AK) released a “draft” telecommunications bill. The 135-page draft includes provisions dealing with universal service reform and interconnection, streamlining of the franchising process, video content, wireless networks and net neutrality, among other issues.
- Title V, Sec. 502, of the bill includes language from the McCain-Lautenberg bill that preserves the ability of public power to provide telecommunications services to their communities, if they so choose. However, it also includes language from the Ensign bill on “right-of-first refusal” provision (whereby local governments would have to receive “permission” from the incumbent provider before being able to provide advanced telecommunication services) and on “open-access” (which unfairly discriminates against municipalities).
- Public power opposes these other two provisions as unnecessary and counterproductive to the stated policy goal of promoting “community choice” in telecommunications deployment.
- It appears that what Stevens, who is really an appropriator at heart, did was combine provisions from several different telecommunications bills (S. 1294,

the Community Broadband Act of 2005 (Lautenberg-McCain) and S. 1504, the Broadband Investment and Consumer Choice Act (Ensign)) and presented it as a “compromise.” Of course writing *policy* doesn’t really work well that way.

- APPA has met with Chairman Stevens’ staff to discuss its concerns and try to explain how essentially these additional two provisions “gut” the provision we do like (to ban states from enacting laws prohibiting public providers from providing telecom services), but he does not yet seem swayed.
- As for schedule, upon releasing the bill Chairman Stevens laid forth an aggressive timetable to advance the bill, upsetting committee Democrats who feel they have been left out of the process.
- In mid-May, Chairman Stevens held the first hearing on the draft bill.
- Most of the discussion during the hearing was on how best to bring competition to consumers, focusing on national franchising, net neutrality, and universal service.
- There was no discussion of the municipal broadband title.
- During the hearing, Chairman Stevens emphasized that this was a draft bill and that he was eager to continue to hear from committee members about their concerns and to work to achieve a bipartisan bill. So, Stevens will hold a second hearing this Thursday (May 25), release a revised draft on June 5, with a subsequent hearing June 13 and markup on June 20. However, in an exchange with Sen. Barbara Boxer (D-CA), he declared that “we will have this bill this year.”
- However, this seems rather ambitious, as Senate Judiciary Committee is also trying to assert its jurisdiction, which given the breadth of the bill it could actually get.
- So there just doesn’t seem time in the senate for a bill to make it to the floor. Best case scenario, committee marks it up and reports it out next month, it’s already June, Judiciary might get jurisdiction and take some time to consider it, and on top of all that it will be controversial and will need about a week of floor time — not sure Majority Leader Frist will be able to give them that that much time.
- Morgan Meguire will continue to express our concerns to committee members and advocate that the bill be changed to reflect the McCain-Lautenberg language.

E. REGIONAL/BPA UPDATE

Public Power Council manager Marilyn Showalter, provided a brief update on the regional BPA dialogue. When asked about the three potential FERC candidates, Marilyn suggested support for Sandy Hockstader for FERC Commissioner would be most beneficial to public power.

F. STATE LEGISLATIVE UPDATES FROM GRC MEMBERS

The GRC committee heard state legislative updates from Ken Gates — Alaska; Bob Titus — Washington; Bruce Pilling — Oregon; Jim Feider — California; Clay Fitch — Nevada; Ralph Williams — Idaho; Tim Gregori — Montana; and Russ Leslie — British Columbia.

G. ELECTION OF GRC CHAIR

Neal Harth reviewed the criteria for nominating a government relations committee chair. Meera Kohler moved to nominate Tim Gregori, Southern Montana G&T as the 2006/2007 GRC Chair. With a second the motion passed with none opposed.

H. ELECTION OF GRC VICE CHAIR

The following individuals were nominated as GRC vice chair: Walter Sapp, Kodiak Electric; Bruce Pilling, Springfield Utility Board; and Linda Gott, Mason Co. PUD No. 3. GRC members were asked to cast one vote per utility on paper. Votes were tallied and Walter Sapp won the nomination by a simple majority.

I. 2006 RESOLUTIONS

ARCHIVED RESOLUTIONS

Bruce Pilling recommended removing archived resolution 8-06 and move it into active status. Bruce will rewrite the resolution language and update it for GRC and Board consideration at the September 2006 GRC and Board Meeting.

Ed Gossett made a motion to move resolution 14-06 to active status and rework the resolution language. Staff will work with Ed to produce a revised version for GRC consideration at the September 2006 GRC and Board Meeting.

These resolutions will be considered archived at this time and a discussion will continue at the September GRC meeting.

The GRC recommends the following resolutions be moved to archived status and submitted to the Board and then membership for adoption:

- 7-06 — Preference Clause
- 8-06 — In Support of Local Control of Retail Rate Setting and Conservation and Renewables Programs
- 9-06 — Rural Utility Service (RUS) Program
- 10-06 — NW Irrigated Agriculture
- 11-06 — Tax Exempt Financing
- 12-06 — In Support of Preserving Public Powers Traditional Financing Methods
- 13-06 — FERC Regulation of Hydro Licensing
- 14-06--- U.S. Forest Service and Bureau of Land Management’s Strict Liability Policy
- 15-06 — Opposition to the Sale of or Move to Market Rates for Power Marketing Administrations
- 16-06 — Broadband Network Infrastructure and Telecommunications Services
- 17-06 — Evaluation of Proposals for Electric Industry Restructuring
- 18-06 — Support for Avoiding “Cost Creep” in Fish Funding
- 19-06 — Support of Reform and Reauthorization of the Renewable Energy Production Incentive Program
- 20-06 — Support for Construction and Completion of a Trans-Alaska Natural Gas Pipeline Project
- 21-06 — Access for Utility Rights-of-Way
- 22-06 — Equal Treatment for NW Industries Served by BPA
- 23-06 — Opposition to Application of FERC’s Standard Market Design
- 24-06 — Infrastructure Security and Security Costs
- 25-06 — Opposition to Hours of Service Regulations for Electric Utilities
- 26-06 — In Support of GTA Contracts and Equality of Service
- 27-06 — Support for the Completion of the Control Area for the Sierra Nevada Region of the Western Area Power Administration

ACTIVE RESOLUTIONS

- 06-1 — No changes recommended
- 06-2 — Nate Narrance moves to insert the following new language into line 18: *provide greater transparency in the costs to consumers.* With a second the motion carries with none opposed.
- 06-3 — Jim Hubenthal moved to make the following wording changes: line 20 the word voted is changed to *decided*; line 30 the word vacate is changed to *turned down*.
- 06-4 — No changes recommended

- 06-5 — No changes recommended
- 06-6 — No changes recommended
- 06-7 — No changes recommended
- 06-8 — No changes recommended
- 06-9 — Fred Guyer moved to delete this resolution. With a second from Marianne Roose the motion was voted upon. After a vote and one opposed from Benton REA the resolution remains active and on the record.
- 06-10 — No changes recommended
- 06-11 — No changes recommended
- 06-12 — No changes recommended

GRC recommends these 12 resolutions to the Board of Trustees and membership for adoption and to archive the 21 resolutions submitted.

J. POLITICAL CANDIDATE TRAINING

Lyle Piper, NRECA and Clay Fitch, Wells Rural Electric were invited to make a short presentation on the value of political campaign training. Nevada Rural Electric Cooperative (11 members — 4 in Nevada and 5 members outside Nevada) host a leadership campaign academy. They are strong advocates of ACRE, run a small grassroots program, and host a campaign academy. There are several goals of this academy: strengthen relationships with local officials; and visit with elected officials (they are looking at getting involved with political parties now).

K. NEXT MEETING

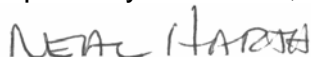
The next meeting of the Government Relations Committee will be in conjunction with the Board of Trustees meeting September 6-8, 2006 in Billings, Mont.

L. PLAQUE OF APPRECIATION FOR GRC CHAIR

Will Lutgen presented 2005/2006 GRC chair Neal Harth with a plaque of appreciation for serving as the GRC chairman over the past year.

With no further business George Litzenberger moved the meeting be adjourned at 11:12 a.m.

Respectfully submitted,



Neal Harth, Committee Chair