



Northwest Public Power Association

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**Government Relations Committee Meeting  
Palm Springs Hilton  
Palm Springs, CA  
May 23, 2005**

**Minutes of Meeting**

**A. ATTENDING**

Al Aldrich, Snohomish PUD  
Ron Benfield, Central Lincoln PUD  
Donna Boekel, Inland Power & Light  
Steve Boyd, Turlock Irrigation District  
Frank Brawner, Tillamook PUD  
Shirley Cairns, Douglas Electric Co-op  
Karl Denison, Mason PUD No. 1  
Larry Descheemaeker, Fergus Electric  
Jim Dyer, Salem Electric  
Paul Elias, McMinnville Water & Light  
Jim Feider, Redding Electric Utility  
Ed Gossett, Kootenai Electric  
Linda Gott, Mason PUD No. 3  
Gordon Gould, Kodiak Electric  
Tim Gregori, Southern Montana G&T  
Fred Guyer, Benton REA  
Neal Harth, Wasco Electric  
Ron Hatfield, Pacific County PUD  
Terry Holzer, Yellowstone Valley Electric Co-op  
Jim Hubenthal, Lewis County PUD  
Penny Jordan, Emerald PUD  
Meera Kohler, Alaska Village Electric Co-op  
Virginia Lauritsen, Springfield Utility Board  
Russ Leslie, Nelson Hydro  
Jeff Lipscomb, Chugach Electric  
George Litzenberger, Springfield Utility Board  
Joe Mathieu, Springfield Utility Board  
Pat McGary, Clark Public Utilities

Doug Miller, Pacific County PUD  
Gerry Miller, Cowlitz PUD  
Fred Mitchell, Clallam PUD  
Nate Narrance, Inland Power & Light  
Bill Nordmark, Golden Valley Electric  
Michael Owens, Snohomish PUD  
Bruce Pilling, Emerald PUD  
Darrel Purkerson, Columbia River PUD  
Sheila Rau, Valley Electric Association  
Robin Rego, Lakeview Light & Power  
Paul Rogers, Kittitas Co. PUD  
Marianne Roose, Lincoln Electric Co-op  
Walter Sapp, Kodiak Electric  
Ted Simpson, Clallam County PUD  
Bob Speckman, Salem Electric  
Chuck TenPas, Lewis County PUD  
Bob Titus, City of Ellensburg  
Larry Weis, Turlock Irrigation District  
Mary Wright, Wells Rural Electric

NWPPA Staff

Will Lutgen, Executive Director  
Bryan Case, Deputy Executive Director  
Debbie Kuraspediani, Communication Director

Others in Attendance

Jane Cirrincione, NCPA  
Scott Lindsay, NWPPA Consultant  
Nancy Morgan, BPA Transmission  
Joe Nipper, APPA  
Jim Pope, NCPA  
Karen Price, Morgan Meguire  
Vince Sampson, Deputy Chief Counsel, House Res. Comm. - Conf. Call  
Marilyn Showalter, PPC  
Toni Timberman, BPA Transmission  
Tom Vinson, Legislative Dir., Congressman DeFazio  
Kiel Weaver, House Res. Water & Power Subcommittee – Conf. Call

GRC chair Al Aldrich called the meeting to order at 8:35 a.m. on Monday, May 23, 2005. The meeting was held at the Palm Springs Hilton in Palm Springs, Calif. A quorum of the GRC committee was present.

## B. CONSENT AGENDA

George Litzenberger moved to approve the Minutes from the March 9, 2005 GRC meeting as prepared with the following change: On page 11 under State Legislative Reports — Alaska, NERC should be NRC. With a second the motion was approved with none opposed.

## C. WASHINGTON DC UPDATE

Karen Price, Morgan Meguire provided the following Washington DC update to committee:

### 1. Energy Bill Update

#### *House*

- After almost two days of debate, and consideration of 30 amendments approved by the Rules Committee, the House passed H.R. 6, the *Energy Policy Act of 2005*, on April 21 by a vote of 249-183.
- With regard to the electricity title, it is very similar to last year's title, although several amendments were adopted in committee considered beneficial to public power, including:
  - **Native Load Amendment:** An amendment offered by Rep. Roy Blunt (R-MO) that directs FERC to use its authority to ensure that load serving entities (LSE) in and out of regional transmission organization (RTOs) are able to secure long term transmission rights to deliver long term power supplies to load.

Rep. Greg Walden (R-OR), in an effort to protect the physical transmission rights of utilities in the Northwest, sought to clarify with Committee Counsel that a provision in Blunt's amendment that prohibits FERC from abrogating existing contracts of California entities would also protect Northwest (NW) utilities' transmission rights. Committee Counsel declared that his interpretation of that provision would prevent FERC from forcing NW LSEs to convert from physical to financial rights. No report language clarifying this point was added to the bill, however.

- **REPI:** Rep. Inslee won approval to add "ocean power" projects to the Tier II list of projects eligible for funding in the Renewable Energy Production Incentive (REPI) program. Reps. Terry (R-NE) and Baldwin (D-WI) also won committee approval to add livestock methane projects to the list of

eligible Tier II REPI projects. Rep. Terry's attempt to add these projects to Tier I failed by one vote.

- Prior to floor consideration, Rep. Dingell also filed a hydro amendment with the Rules Committee which would have allowed any third party to offer alternatives to mandatory conditions imposed by federal agencies on a relicensing application and would have directed the Secretary of Energy to choose the alternative that best met environmental objectives of the law.
- The amendment was opposed by industry because it would make the hydropower relicensing process more complicated, more time consuming and more contentious.
- Fortunately, Rep. Doc Hastings (R-WA), a long-time friend of hydropower and senior member of the Rules Committee, took the lead and obtained the support of House Republican Leadership, which turned the tide in the Committee against the Dingell amendment, and the amendment was not allowed to be offered. Section 231, the hydro language that NWPPA supports, remained intact.
- With regard to the tax title, the \$8 billion package is a slimmed down version of the tax title from the 108<sup>th</sup> Congress. The bill does not contain any tax incentives for public or private developers of renewable resources.

#### *Senate*

- Last week, the Senate Energy and Natural Resources (ENR) Committee began its comprehensive energy bill markup and adopted nine of fourteen titles: Indian Energy, DOE Management, Personnel and Training, Coal, Vehicle and Fuels, Hydrogen, Research and Development, Energy Efficiency and Electricity.
- During consideration of the Electricity title, Committee Chairman Pete Domenici (R-NM) stated that the bipartisan draft reflects the input of many of the members of the Committee and pointed to specific provisions added at the behest of certain members, living up to his word about crafting a bipartisan bill.
- After a lengthy discussion by Senators, the committee approved by voice vote an amendment by Sen. Maria Cantwell (D-WA) relating to Enron contracts. The amendment declares that FERC has exclusive jurisdiction to determine whether termination payments required by contracts, which were later found to be fraudulent, entered into prior to 2001 must be paid. Following the voice

vote, Chairman Domenici and Sen. Cantwell expressed their intent to continue working on the language of the amendment to address concerns expressed by some Senators.

- After adoption of the Cantwell amendment, the committee approved a series of amendments that had been negotiated and agreed upon by Republican and Democratic committee staff prior to the markup. Two amendments in this group were advocated by public power. The first modifies the uniform refund authority provision by limiting its application. The other is an amendment that protects transmission contracts in the Pacific Northwest by preventing FERC from forcing the conversion of physical transmission rights to tradable or financial rights.
- In addition, the committee rejected 7-15 an amendment offered by Sen. Lamar Alexander (R-TN) that would have required state utility regulators to conduct a rule making on whether natural gas plants should be dispatched on the basis of efficiency rather than economics. This “economic dispatch” amendment had been sought by independent power producers.
- Finally, Sen. Richard Burr (R-NC) offered and then withdrew an amendment related to protection for existing transmission rights and the ability of load serving entities to obtain long- term transmission rights for future power supply investments – which was, essentially, the Blunt amendment adopted in the House energy bill. Burr withdrew the amendment pending further negotiations with committee senators.
- While the committee moved to adopt the electricity title by voice vote, Chairman Domenici announced that he would continue to work to reach a compromise on two key issues in the hopes of incorporating them into the bill before final committee approval.
- The first issue still open for negotiation is the Burr native load amendment. In question is one subsection in the amendment, to the effect that exercise of the provision’s protection of existing transmission rights – sometimes called native load rights – will not be considered unduly discriminatory or prejudicial. Domenici also said he was “close” to a compromise on repeal of the Public Utility Holding Company Act (PUHCA) and related increased merger authority provisions.
- The committee will reconvene on Tuesday, May 23, and continue to meet throughout the week, to markup the remaining five titles, including Renewables (hydro re-licensing) and Nuclear.

## 2. Hours of Service

- On May 17, the full Senate passed the transportation reauthorization bill, the *Transportation Equity Act: A Legacy for Users (HR 3)*, by a vote of 89 to 11. The House passed its version of the bill on March 10 by a vote of 417 to 9.
- Included in both versions of the bill is the permanent exemption for utility vehicle drivers from the Department of Transportation's (DOT) "Hours of Service" (HOS) regulation.
- Currently, the DOT safety regulations limit the amount of time commercial drivers can drive. These in-vehicle restrictions are problematic for utility vehicle drivers, especially in an emergency situation, when power has been interrupted. Under current law, rural electric cooperatives, private utilities and some public power systems are affected by the DOT regulations and, hence, are seeking the permanent exemption.
- While this HOS exemption is non-controversial, the transportation bill itself is plagued by a spending issue and whether or not the President will veto the measure if the total spending exceeds \$284 billion over six years.
- Last week, the Senate voted to waive the Budget Act and allow over \$11 billion in additional spending to be added to the transportation reauthorization bill in violation of both the budget resolution agreed to in Congress and the President's veto threat. This vote was widely viewed as a "test vote" for a possible veto showdown with President Bush over the spending levels. The House bill contains \$283.9 billion in guaranteed spending.
- The bill now heads to a House-Senate conference committee, where differences between the two versions will need to be reconciled.

### 3. Tax and Appropriations

#### *Tax*

- On April 28, Senate Finance Committee Chairman Grassley (R-IA) and Ranking Member Baucus (D-MT) introduced S. 962, the *Clean Energy Bond Act of 2005*, to allow consumer-owned utility systems and electric cooperatives to use modified interest-free bonds to build renewable generation facilities.
- This bond differs from a traditional bond: instead of the issuer paying interest to the bondholder, the federal government would issue a tax credit to bondholders to reduce their federal income liability.

- This bond proposal is the alternative to the tradable tax credit that public power (including NWPPA, APPA and NRECA) pursued in the last Congress, but was not included in the final energy bill because of opposition from House Ways and Means Committee Chairman Bill Thomas (R-CA) and the Administration. Original cosponsors of the bill include Sens. Jeff Bingaman (D-NM), Jim Bunning (R-KY), Norm Coleman (R-MN), Kent Conrad (D-ND), Chuck Hagel (R-NE), Tim Johnson (D-SD) and Ben Nelson (D-NE).
- This proposal is expected to be included as part of the final Senate energy bill.
- A companion bill is expected to be introduced in the House shortly, as well. Rep. Ron Lewis (R-KY) is expected to be the sponsor, and will be seeking additional cosponsors, particularly from Ways and Means Committee Republicans.

#### *FY06 Appropriations*

- The House began consideration of the Fiscal Year 2006 (FY06) appropriations bills late last month, with the goal of having all 10 bills completed by the July 4<sup>th</sup> congressional recess.
- Of interest to NWPPA is the Energy and Water Development Appropriations Bill, which includes funding for the Department of Energy (DOE) and where the budgets for the Renewable Energy Production Incentive (REPI) and Yucca Mountain nuclear waste repository programs are located.
- The full Appropriations Committee approved the bill last week and it is expected to be on the House floor tomorrow.
- Included in the bill is \$5 million for REPI, which is the same level of funding the program received in FY05 and the President's FY06 request. The Yucca Mountain repository is funded at \$661 million, \$84 million above FY05 and \$10 million over the President's request. This includes \$310 million for Nuclear Waste Disposal and \$351 million for Defense Nuclear Waste Disposal. The additional funds are provided to begin moving spent nuclear fuel away from reactor sites to an interim DOE storage facility.
- The Energy & Water bill approves the Administration's proposal to make recover from project beneficiary a portion of the costs of increased security at federal dams. This year that will be about \$20 million out of the \$50 million requested by the Bureau of Reclamation. In the Columbia River System, that means the Bureau will ask BPA to pay another \$4.5 million in O&M costs.

- Preference customers continue to argue that this should be a federal expense because the risk is loss of dam and regional economy, which affects more than power customers. We will be trying to block this in the Senate and looking for your help.
- The report, accompanying the Energy and Water Development appropriations bill, noted that the Committee rejects the Administration's proposal to increase Power Marketing Administration (PMA) rates to reflect market rates.

The DC report concluded with updates from Tom Vinson from Cong. DeFazio's office, Keil Weaver, House Res. Water & Power Subcommittee, and Vince Sampson, House Resources Committee. Keil Weaver and Vince Sampson joined the meeting via conference call.

#### **D. NCPA/NWPPA CONFERENCE & RALLY REPORT**

Scott Lindsay and Jim Pope, NCPA provided an update to the committee of the April 2005 Washington D.C. visitation. Both indicated this was a well received event by both the participants and the Congressional delegation. Jane Cirrcincione, NCPA also provided comments on the meeting and reminded the group that we need to continue to move forward with a common message to DC. A follow-up survey on the trip indicated the trip was rated very high by participants. Nate Narrance, Bruce Pilling and Al Aldrich also provided comments on the trip to the committee.

#### **E. FINAL 2005 RESOLUTION REVIEW**

##### **En Bloc Resolution Consideration**

Ed Gossett moved to approve the en bloc resolutions as submitted. A friendly amendment was made to pull out resolution 05-14 and move it to individual consideration for further discussion. With a second the motion carried with none opposed.

##### **Individual Resolution Consideration**

05-13 — Tim Gregori moved to approve 05-13 as presented. With a second the motion carried with none opposed.

05-24 — George Litzenberger moved to approve all committee suggested changes to this resolution. With a second the motion carried with none opposed.

05-26 — Ed Gossett moved to approve 05-26 as presented. With a second the motion carried with none opposed.

05-27 — Bruce Pilling moved to approve all committee suggested changes to this resolution. With a second the motion carried with none opposed.

05-28 — Jim Feider moved to approve 05-28 as presented. With a second the motion carried with none opposed.

05-29 — Meera Kohler moved to approve 05-29 as presented. With a second the motion carried with none opposed.

05-14 — Meera Kohler moved to approve all committee suggested changes to this resolution. With a second the motion carried with none opposed.

## **F. STATE LEGISLATIVE REPORTS**

**Alaska** — Meera Kohler reported that the State Legislature is in a special session. Key issues under great contention are the legislature is looking at adjusting future pension benefits for public employees; workman's compensation; capital and operation budgets have not been approved; not much in the capital budget for rail belt utilities; the Chugach manager has been asked by the board to leave. Three incumbents were defeated in a recent election; renew Alaska project was recognized by the legislature as continuing good work; Golden Valley adopted the SNAP project and it may be a model for net metering into the future; and fuel cost and availability of fuel continues to rise and be a major cost factor for Alaska utilities; warnings have been issued that fuel costs will be rising dramatically in Alaska; Ron Bergh is the new president of NRECA; the Galena nuclear plant continues to be in the permitting phase.

**British Columbia** — Russ Leslie reported the legislative agenda centered on B.C. Hydro. B.C. Hydro is limited to upgrades of their existing facilities. The legislature may privatize parts of B.C. The leader of the opposition party accuses liberals of having a secret agenda of privatizing B.C. Hydro. Provinces may be developing more hydro resources outside of B.C. Hydro. B.C. Hydro transmission is changing into a separate crown corporation to prepare for what happens with Grid West. The liberal party was reelected with a smaller majority recently and they have fixed election dates now in B.C. B.C. Hydro is now regulated by B.C. Utilities Commission again.

**California** — Jim Feider reported that the legislature & governor are consumed with the budget crisis. On Energy — California is revisiting the renewable portfolio standard, 20% renewables by 2010-2014. On the solar front — the governor has an initiative of over a million solar rooftops over the next 10 to 12 years. Bill reduced to \$2.80 watt rate subsidy to utilities. The governor proposed new reorganization that would establish a department of energy within a cabinet level position. It would report to the governor and include the California Energy Commission. They would pick up the goal of transmission siting from the PUC. A bill was introduced to consider direct access for customers 200 kW and above. The CAISO is under new management with a new CEO. IT systems have crashed and they are now reviewing all systems.

**Idaho** — Ed Gossett reported that a bill for bond authorization has passed both houses. Bond authority was to build transmission & generation. The state is not backing bonds, individual utilities are. IOUs are fighting this especially Idaho Power. A committee is putting together a list and governor will appoint a board to oversee the committee that will offer bonds.

**Montana** — Terry Holzer reported that Montana had a pretty busy legislative session focused primarily on school funding. They found enough time to introduce 95 energy bills in Montana. The top five bills that passed the Montana legislature are: 1) Renewable Resource Portfolio — Also includes co-ops over 5,000 meters. Co-ops fewer than 5,000 meters are exempt. Requires that 15% resources are renewable resources. Pricing needs to be within 15% of market prices. Northwestern Energy was pushing this. 2) Universal System Benefiting Funding Bill — Defeated and bill now says they will extend USB funding another 4 years at present level of 2.4%. 3) Net Metering — Was tabled and effectively defeated. Net metering would change from 10kW to 15kW. 4) Ground Source Heat Pump Tax Credit Bill — \$1,500 tax credit also extends to builders for residences and businesses. 5) Major Facility Siting Log — Was amended to exempt transmission and substation switching operations. Southern Montana G&T helped work to defeat a number of department bills in Montana. It was a combined effort of statewide and G&T efforts. Tim Gregori urged co-op members that are looking at generation to get a hold of NRECA and make sure there is adequate transmission and we have an energy policy that supports that.

**Nevada** — Sheila Rau reported that the legislature is still in session. One major bill that is being worked on with all co-ops is on capital credits issues and being able to have them remain with the co-op and be used for benefiting education or to enhance the community and not go to the general fund. It's been pulled off and sent to Ways & Means on the House side. Utilities are lobbying heavily.

**Oregon** — Frank Brawner reported the 73<sup>rd</sup> session was still in going and that there was much time being spent on the PGE buyout proposal and discussion on what should happen. Eight power bills were introduced and most of them were nuisance bills and have been put to sleep. A couple of proposed changes to PUD statutes were proposed. Most of the time was spent on what should happen to PGE. On the Portland General Electric (PGE) Buyout — Two legislative proposals for PGE were: 1) Puts the state of Oregon in the utility business. It passed the Senate and is in the House. 2) Form a mutual. Rate payers would be owners and it would be PUC controlled. The PUC denied the Texas Pacific purchase of PGE. The Governor is supporting the city of Portland running the utility. Frank feels Enron may begin to offer stock to creditors soon and creditors will own the company and take over.

**Washington** — Bob Titus reported that the Washington legislature focused on finances, transportation and energy legislation. Two significant energy bills were addressed that didn't pass: 1) Electronic billing legislation that would mandate all utilities to provide electronic billing to customers at no cost to customers effective July 1 of 2005. This would be a huge cost to utilities. The bill was defeated. 2) Bill mandating energy efficiency for certain products passed with incentives for renewable energy. There was a tax incentive for solar energy manufacturers. Nate Narrance reported that WRECA and WPUA working together stopped some of less appealing legislation to utilities from getting through.

## **G. REGIONAL REPORTS**

Al Aldrich provided a regional issues update. He reported:

- BPA '07-'09 rates don't include revisions required to their rate hearing process. Discussion part of rates has just finished PFR (Power Function Review). Today's rate is \$31 ½ MW/hr. Proposed '07 rate is \$33 to \$34 MW/hr. Deadline for comments was 5-19.
- Fish Program & Costs — Judge Redden has two cases before him 1) challenge to the 2004 BiOp and a decision on a preliminary injunction to force BPA and action agencies to do additional activities this summer to save on summer spill. 2) Additional water spill; states split.

Marilyn Showalter updated the group on the Transmission Improvement Group (TIG) and Grid West activities. Grid West is a third generation RTO. Grid West will be FERC jurisdictional.

## **H. PROPOSED CRITERIA FOR SELECTING GRC CHAIR & VICE-CHAIR**

Neal Harth gave a report on the May 13 conference call on proposed criteria for selecting a committee chair and vice chair. Will Lutgen suggests that the GRC use this suggested criteria provided as an informal set of guidelines for selecting

future GRC chairs. Meera Kohler moved to accept the proposed guidelines presented with the following changes to the document language:

Under number 3. Insert the words "Where possible" to the beginning of the paragraph. With a second the motion carried with one opposed.

#### **I. ELECTION OF 2005-2006 GRC CHAIR AND VICE-CHAIR**

Bob Titus moved to nominate **Neal Harth, Wasco Electric as 2005-2006 GRC chair**. With a second the motion to elect Neal Harth carried with none opposed.

Meera Kohler moved to nominate **Tim Gregori, Southern Montana G&T as 2005-2006 Vice-chair**. With a second the motion to elect Tim Gregori carried with none opposed.

#### **J. OTHER BUSINESS & REPORTS**

Al Aldrich thanked everyone for participation in the GRC over the past year.

Meera Kohler, Bob Titus, Fred Guyer and Neal Harth, the GRC Ad Hoc Committee on Charter Revisions, met immediately following this meeting.

Will Lutgen presented a plaque of appreciation to Al Aldrich on behalf of the membership, board and staff for chairing the GRC committee over the past year.

With no further business George Litzenberger moved to adjourn the meeting at noon.

Respectfully submitted,

A handwritten signature in black ink that reads "Al Aldrich". The signature is written in a cursive, slightly slanted style.

Al Aldrich, Committee Chair