

**Government Relations Committee Meeting
Silver Legacy Hotel
Reno, NV
March 5, 2009**

Minutes of Meeting

A. ATTENDING

Michelle Caird, Inland Power & Light
Randy Cornelius, Orcas Power & Light
Brent Crowther, Valley Electric Association
John DiStasio, SMUD
Jim Dyer, Salem Electric
Steve Eldrige, Umatilla Electric
Ed Gossett, Kootenai Electric
Linda Gott, Mason PUD No. 3
Elizabeth Hadley, Redding Electric Utility
Byron Hanke, Clark Public Utilities
Neal Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Meera Kohler, Alaska Village Electric Co-op
Valarie Koss, Columbia River PUD
Tom Kuckertz, Copper Valley Electric Association
Jeff Lipscomb, Chugach Electric
Dick Morris, Trinity PUD
Stu Nelson, Franklin PUD
Bill Nordmark, Golden Valley Electric
Scott Odegard, Sun River Electric
Kevin Owens, Columbia River PUD
Bruce Pilling, Emerald PUD
Gail Rakitnich, Clatskanie PUD
Paul Rogers, Kittitas County PUD
Marianne Roose, Lincoln Electric Co-op
Gerald Rutledge, Hill County Electric
Dave Sabala, Douglas Electric
Brian Skeahan, Cowlitz PUD
Bob Speckman, Salem Electric
Brent ten Pas, NCPA

Bob Titus, City of Ellensburg
Scott Tomashefsky, NCPA
Bud Treadway, Benton REA
Ken Weiss, Clearwater Power
Mardy Whiteman, Chelan PUD
Ralph Williams, United Electric Cooperative
Mary Wright, Wells Rural Electric

By Phone

Pat Durham, NWPPA Environmental Task Force Committee Chair
Mike Gianunzio, Sacramento Municipal Utility District
Mitzi Lucas, Turlock Irrigation District

NWPPA Staff

Gregg King, Director of Administrative Services & Finance
Debbie Kuraspediani, Communication Director
Will Lutgen, Executive Director
Cathy Wilson, Member Relations Manager
Arnie Winkler, Director of Training & Education

Others in Attendance

Scott Lindsay, NWPPA GRC Consultant
Karen Zanoft, Morgan Meguire

Bruce Pilling called the meeting to order at 2:21 p.m. on Thursday, March 5, 2009. The meeting was held at the Silver Legacy Hotel in Reno, Nev. A quorum of the GRC committee was present.

B. REVIEW & APPROVE MINUTES OF PREVIOUS MEETING

Tom Kuckertz notified the GRC committee that his name was left off the list of those in attendance at the Sept. 4, 2008 meeting.

Neal Harth moved to accept the minutes from the Sept. 4, 2008 meeting as presented and to add Tom Kuckertz to the list of those present at the meeting. With a second from Michelle Caird the motion carried with none opposed.

C. WASHINGTON DC UPDATE

Karen Zanoft from Morgan Meguire gave the following federal legislative update:

1. Stimulus

- Last month President Obama signed into law the almost \$800 billion economic stimulus bill.

- Morgan Meguire has done a summary of energy programs of interest, including \$1.6 billion in new CREB authority, \$3.25 billion in additional borrowing authority for BPA, and \$3.25 in new borrowing authority for WAPA.
- Essentially, though, it's now out of Congress's hands and the money will be distributed through the state and federal programs, so if you are interested in applying for federal stimulus funds, the key is to basically get on the right lists. Even if you think your project might not meet all the criteria, it's probably best to get it in the queue. Zanoft directed committee members to www.recovery.gov or www.grants.gov for more information.
- Zanoft also mentioned that the stimulus bill provides \$4.5 billion in funding to implement programs in the Energy Independence and Security Act of 2007 (EISA) on regional demonstration projects (Section 1304) and smart grid investment programs (Section 1306) and directed DOE to issue guidance within 60 days of enactment.
- On March 2, the Department of Energy, Office of Electricity Delivery and Energy Reliability (EDER), issued a Notice of Intent (NOI) regarding smart grid regional demonstration projects (Section 1304). The NOI provides instructions on what type of projects qualify, who is eligible to receive funding and how proposal will be evaluated.
- DOE will make a "funding opportunity" announcement on March 10 to start receiving proposals.
- A separate NOI on Section 1306, the smart grid investment program, will be forthcoming.
- The Senate Energy and Natural Resources Committee held a hearing on March 3 on smart grid technology. They discussed efforts by the National Institute of Standards and Technology (NIST), FERC & DOE to develop a framework to implement protocols and standards for smart grid technology as well as DOE efforts to release the \$4.5 billion in smart grid funding.

2. Climate

- With the stimulus bill behind them, Congress is now focusing on other legislative issues, and at the top of the list are climate change and an energy bill.
- Recently the Obama Administration came out with its \$3.6 trillion FY 2010 budget request and it assumes roughly \$645 billion in revenues by 2019 raised from implementation of a cap-and-trade program, \$120 billion of

which will go to development of clean energy technologies, with the remainder to customer assistance programs.

- The budget also says that the Administration will work quickly with key stakeholders and Congress to develop an economy-wide emissions reduction program to reduce GHG emissions about 14 percent below 2005 levels by 2020, and approximately 83 percent below 2005 levels by 2050, implemented through a cap-and-trade system, with a 100 percent auction.
- It also includes a \$19 million increase for EPA to work on a Greenhouse Gas (GHG) emission inventory and to work with affected industry sectors to report high-quality GHG emission data.
- Inclusion of revenues in its budget request from a yet to be approved cap-and-trade bill signals to some that the Administration may try to advance this policy by attaching it onto the budget reconciliation legislation, which requires just 51 votes in the Senate and cannot be filibustered. Going around regular order would be a controversial move, but some Senate Democrats, including Budget Committee Chairman Kent Conrad (D-ND) and Environment and Public Works Committee Chairman Barbara Boxer (D-CA), said last week that they have not ruled it out. Zanoft doesn't think it's the desired route but there is a slim possibility that the leadership and Administration may take it.
- In Congress, with regard to climate, there seems to be some momentum to move away from an overly complicated cap-and-trade bill like, the failed Boxer-Lieberman-Warner bill from the last Congress.
- In the Senate, last month (Feb. 3), Chairman Boxer announced six principles, supported by all Democrats on the committee, that she said will guide her committee's drafting of climate change legislation this year. She also set a deadline of December of 2009 for her committee to act on such a bill, in time for the U.N. summit in Copenhagen, Denmark that will focus on international climate-treaty talks.
- The principles Boxer laid out include:
 - 1) Reducing emissions to levels guided by science;
 - 2) Setting short and long term emissions targets that are certain and enforceable, with periodic reviews and adjustments, as necessary;
 - 3) Allowing state and local entities to address global warming;
 - 4) Establishing a transparent and accountable market-based system;
 - 5) Using carbon revenues to finance multiple activities, such as funding clean technologies and protecting wildlife; and
 - 6) Ensuring a level global playing field.

- The Senate Energy and Natural Resources Committee, chaired by Sen. Jeff Bingaman (D-NM), is also expected to play a larger role than it did in the last Congress, although right now they're focused on an energy bill.
- In the House, Rep. Henry Waxman (D-CA), the new chair of the Energy and Commerce Committee, has said he wants to get a bill through the committee by Memorial Day.
- Although the House Democrats have a stronger and greater majority this year, the May deadline is an ambitious goal, as Waxman still has to win support from dozens of House Democrats who represent districts with coal-production and large industrial bases, as well as Republicans who still question climate change science and also have problems with the economic implications of global warming legislation.
- The 59-member committee is diverse, both regionally and politically, so developing a bill that can move through his committee will be challenging, at best (12 more Democrats than Republicans on the committee).
- It is possible that a bill could get through the subcommittee committee, and possibly to the House floor this year.
- There is momentum away from the Lieberman-Warner bill and other types of proposals to address climate are starting to percolate. Last week, Rep. Chris Van Hollen (D-MD) sent a Dear Colleague letter to fellow Democrats, outlining his approach to address global climate change, called "Cap and Dividend." He plans to introduce his bill soon.
- His bill would essentially:
 - Cap carbon emissions in 2012 and establish a scientifically driven glide path to a minimum 80% reduction in carbon emissions by 2050;
 - Auction 100% of carbon permits;
 - Require first sellers of fossil fuels (*i.e.* oil, coal and natural gas) to surrender permits equivalent to the carbon content of the fuel they sell into the U.S. market each year; and
 - Distribute at least 90% of total auction proceeds in the form of dividends to every American with a Social Security number.
- Zanoft directed the GRC members to the website at www.capanddividend.org.
- Rep. Van Hollen is a member of the House Ways and Means Committee, Vice Chairman of the bipartisan Renewable Energy and Energy Efficiency

Caucus and head of the Democratic Congressional Campaign Committee (DCCC), so he does have some influence.

- There's also been growing support in Congress and elsewhere for some form of a carbon tax. There have been several national newspaper op-eds calling for one, such as the *Washington Post*, and several members from the Northwest who have indicated they would be interested, such as Rep. McDermott and DeFazio. Of course, most of the support in Congress has been from members of the tax writing committees, such as Rep. Lloyd Doggett (D-TX) who had a bill last year.
- Zanoloff highlighted some of the jurisdictional issues and the politics of process. Zanoloff thinks that it's unlikely that individuals like Sens. Boxer and Bingaman and Reps. Waxman and Markey, who chair the energy and environment committees, are going to relinquish their jurisdiction over climate change policy, particularly since the Administration says it supports a cap-and-trade. She also thinks we'll see that the tax-writing individuals and others will start to assert more of their jurisdiction. It's a little too early to call how this will come out in the end, but it's possible we could end up with some kind of hybrid bill.

3. Energy Bill

- Congress is trying to develop another comprehensive energy bill (there was EPAct 05 and EISA in 07), with the Senate focusing more closely on that right now, while the House is engaged more on climate.
- Senate Energy and Natural Resources Chairman Jeff Bingaman (D-NM) introduced his RPS bill last month, which would require 20% of an affected utility's energy resources sold to retail consumers come from renewable energy or energy efficiency by 2021 (beginning at 4% in 2011) and would apply to all utilities, including federal and consumer-owned, that sell more than four million megawatt hours of energy at retail per year.
- Bingaman has indicated that he would prefer his RPS bill be part of a broader energy bill that he is currently crafting, rather than advanced as a stand-alone measure, and is hoping it will be the "driver" of the energy bill.
- Moderate Democrats on the committee, including Sens. Landrieu (LA), Lincoln (AR) and Bayh (IN), have expressed concerns about the impacts and costs on consumers from their regions.
- It doesn't seem that Bingaman has the committee votes right now, so it is possible that it gets added as an amendment on the floor.

- In the House, Rep. Ed Markey (D-MA), the Chairman of the Energy and Environment Subcommittee of the House Energy and Commerce Committee, introduced a 25% by 2025 federal Renewable Electricity Standard (RES) bill (HR 890) that is more stringent than the Bingaman draft in the Senate.
- The Markey bill would apply to all retail distribution utilities that sell more than one million MW hours of energy/year; eliminate the exemption for federal, municipal and cooperative utilities that was in last year's House-passed bill; and require higher percentages of renewables on an earlier schedule than the Senate draft bill.
- While the Senate plans to advance the RPS bill in the context of the energy bill, full House Energy and Committee Chairman Waxman plans to advance it as part of a climate bill. So, it is unclear what the final end-game will be, although we are likely to see the final RES look a little more like the Bingaman bill than the more aggressive Markey one to get the votes in the Senate. Although Sen. Reid said he too wants to advance a "one bill strategy" (to include climate, RPS and transmission).
- Congress is also very interested in transmission policy and efforts to develop new transmission to deliver renewables to load. This issue could further complicate the prospects of swift enactment of an RPS in the Senate.
- A number of proposals by the American Wind Energy Association (AWEA), transmission owners and others to expand the grid are now being discussed and may advance.
- Many of these proposals call for full federal siting authority, interconnection-wide planning, and interconnection-wide cost allocation.
- One idea circulating by Energy Future Coalition is for the federal government to undertake the construction of a "backbone," or "Extra High Voltage" (EHV) transmission system grid to move renewable energy from source to load. This would likely require full federal siting authority and, possibly, legislated cost allocations.
- Another idea being discussed is to have the federal government fund construction of needed transmission, either through private parties or through the federal utilities, such as the Bonneville Power Administration and the Tennessee Valley Authority.
- Sen. Reid is expected to introduce a bill shortly that is similar to his Renewable Energy Zone bill from the last Congress but also incorporate

some of the EFC ideas, as well. Rep. Inslee is also expected to introduce something similar.

- On March 12 the Senate ENR committee held a hearing on transmission policy and EFT, AWEA and others testified.
- Morgan Meguire expects Chairman Bingaman to introduce his own transmission bill, which will likely be a little broader than Reid's and not so focused on renewables.
- Right now, it is unclear how Majority Leader Reid's transmission bill will interface with Bingaman's. We do anticipate markup of an energy bill in the ENR committee is the next 4-6 weeks and that will address cyber security, smart grid, R&D, and energy efficiency building code standards, among other things. The big question will be how the more controversial RPS and transmission pieces will play into this, and Zanoff thinks at this point, no one really knows.

D. NW PRISM STUDY

Cowlitz PUD's Brian Skeahan provided an overview and PowerPoint presentation of the NW Prism Study. A short question and answer period was conducted at the conclusion of Skeahan's presentation.

E. WERC REPORT

The WERC Committee met prior to the GRC meeting on March 5, 2009. Bob Titus explained how members can get onto the WERC basecamp list to view materials on WCI & WERC activities. For more details, the WERC minutes are available upon request.

F. 2009 RESOLUTION REVIEW

Bruce Pilling suggested moving resolution 1-09 to being considered for archive status. Resolution 1-09 is ten years old and was revised four years ago. According to Pilling resolution 5-09 covers the same basic information. Resolution 5-09 is three years old and more detailed in some respects. Paul Rogers moved to move resolution 1-09 to archive status. With a second from Valarie Koss the motion to recommend archive status to the Board of Trustees and then to the full membership at the May Annual Business Meeting was approved with none opposed.

En Bloc Resolution Review

The GRC heard an update from Karen Zanoft on resolution 6-09 and status on the government's consideration of hydro as a renewable resource. Marianne Roose moved to archive resolutions **33-09** and **1-09** and approve all En Bloc resolutions submitted. With a second from Ed Gossett the motion to approve all En Bloc resolutions and archive two resolutions carried with none opposed.

Individual Resolution Consideration

Resolution 2-09 – Elizabeth Hadley explained the City of Redding's suggested wording changes submitted in the handout. The first sentence in the fourth paragraph was moved down. Hadley explained that Redding tried to put a little more emphasis on regional. Brent ten Pas recommended clarifying what we want to oppose and be more specific in language in resolution 2-09. John DiStasio recommended a friendly amendment to the resolution to acknowledge WAPA's \$3.2 billion of additional authority provided it does not undermine our existing rights and that we wouldn't directly oppose that authority. Meera Kohler moved to approve resolution 2-09 as presented and have staff work with members to clarify the language and bring back wording clarifications to the May GRC meeting for final approval and submission to the full membership at the May Annual Business Meeting. With a second from Bob Titus the motion to approve and clarify language was carried with none opposed. Volunteers for the resolution 2-09 work group were Elizabeth Hadley, Steve Eldrige, Brent ten Pas and Marty Whiteman.

Resolution 3-09 – Meera Kohler moved to approve resolution 3-09 with the following wording changes, line 6 delete the word "purchase" and replace with "**develop**", line 18 move the apostrophe to after the "s" in the word "**ratepayers**", line 24 replace the word "which" with "**whose need**", line 56 after the word "future" add and "**retrofits**", line 58 add "**and retrofitting**" after construction. With a second from Steve Eldrige the motion to approve the wording changes carried with none opposed. Marianne Roose moved to approve the resolution and with a second the motion carried with none opposed.

Resolution 9-09 – John DiStasio explained the need for this resolution and the way it is used on Capitol Hill. The resolution was developed out of the September Climate Change Workshop. DiStasio recommended passing the resolution presented with any language changes and using a subcommittee of 8 to 10 people to draft talking points on the resolution to use when lobbying on Capitol Hill. Bob Titus recommended on focusing on reliability, affordability, and the local control issue as the filter for the resolution. Titus moved to refine the resolution down to something more succinct and usable during the April D.C. visitation. Something about a page and a half would be best. With a second from Neal Harth the motion to use a group of 8 to 10 members to refine the

resolution and develop talking points carried with none opposed. Subcommittee volunteers were:

Bob Titus, City of Ellensburg
Meera Kohler, Alaska Village Electric Co-op
Elizabeth Hadley, Redding Electric Utility
Michelle Caird, Inland Power & Light
John DiStasio, SMUD
Mardy Whiteman, Chelan PUD
Scott Tomashefsky, NCPA
Marianne Roose, Lincoln Electric Co-op
Greg Booth, Clatskanie PUD

Passage of the resolution and proposed changes were temporarily put on hold.

NWPPA Straw Man Position Paper on Climate Change/Cap-and-Trade Initiatives – Will Lutgen and Scott Lindsay provided a review of how and why this position paper was assembled. It was noted that the predominance of NWPPA members support most of the positions. Roughly five percent of NWPPA members are open to or supportive of a Cap-and-Trade greenhouse gas reduction. While those members in the minority may support most of the positions of this position paper, there may be exceptions to those points surrounding Cap-and-Trade. Areas of potential disagreement were reviewed and indicated on the handout provided to GRC members.

Discussion and revision of the resolution was continued. John DiStasio reported that this is a fairly significant issue in California relative to the starting place of different systems depending on their fuel mix. DiStasio and Tomashefsky explained their amendment to line 106 in the resolution. According to both, we are supportive that we need to get to a retail load-based emissions allocation system but be careful in how we communicate as to not divide public power systems because of regional issues they may have. Both suggested getting away from sales emissions and focus on recognition of generation. Their suggested language changes included: lines 106-108 “**Provide free allowances for the electric sector that maximize the recognition of clean generation from the onset of the program but not via an auction**”. Elizabeth Hadley moved to approve the amendment to line 106. With a second from Valarie Koss the motion carried with none opposed.

Ed Gossett moved to approve resolution 9-09 with changes submitted & approved. With a second from Valarie Koss the motion carried with none opposed.

Resolution 11-09 – Valarie Koss moved to approve the resolution as presented. With a second from Ed Gossett the motion carried with none opposed.

Resolution 12-09 – Scott Lindsay explained the resolution and how and why it came about. Byron Hanke moved to approve the resolution. Meera Kohler moved to delete the words “As such” on line 27. With a second from Neal Harth the motion carried with none opposed.

Ed Gossett moved to approve the resolution with changes submitted from Meera Kohler. With a second from Neal Harth the motion carried with none opposed.

G. ETF REPORT

Pat Durham, NWPPA’s Environmental Task Force (ETF) chair, participated via conference call and provided a report on ETF activities and encouraged member participation in the task force.

H. RPS TALKING POINTS

Karen Zanoft explained the talking points. In the past NWPPA has opposed an RPS. The proposed message will be: NWPPA opposes an RPS mandate. If Congress passes an RPS it should consider: 1) The effect on existing state RPSs. Many NWPPA members already comply with state RPSs and should not be subject to redundant or conflicting requirements, which would result in higher prices for our consumers; 2) That hydropower should be treated as the renewable that it is. All hydropower is a renewable energy resource and should be treated as such, not just “incremental hydropower”; 3) Exempting small utilities from the mandate, as in the Bingaman RPS bill.

I. HRA RULING

Will Lutgen explained the legislation passed and asked if this is something NWPPA should develop a resolution on and address when NWPPA goes back to D.C. in April. Valarie Koss indicated that the issue was not as critical as originally thought. The GRC determined that NWPPA does not need to be involved in the development of a resolution and talking about this on their trip to D.C. in April. The issue is to be put on hold for now.

J. OTHER BUSINESS

GRC Chair & Vice-chair Elections – Bob Speckman moved to nominate Brad Hawkins, Douglas County PUD as 2009-2010 GRC vice chair. Michelle Caird seconded the motion. Bob Titus suggested a friendly motion to add the recommendation of moving Ralph Williams up from vice chair to 2009-2010 GRC

chair. Ron Hatfield moved to accept the chair and vice chair candidates. With a second the motion carried with none opposed.

NWPPA/NCPA Legislative Rally – Scott Lindsay announced that the legislative rally is set for April 26-30, 2009 and that NWPPA has room for 15 member spots on the rally team. Bruce Pilling asked those wanting to go to talk with NWPPA staff. Will Lutgen said we still need representatives from Alaska, Montana and Nevada. Lutgen reminded the GRC that members participating in the Rally would be asked to adhere NWPPA Resolutions and Talking Points during their visit to Washington D.C. and that members would be asked to refrain from presenting their own utility's views or personal views on the issues unless specifically asked for their utility/individual views by Members of Congress and their staffs.

Western Business Roundtable – Will Lutgen indicated that the information/handout provided is for information purposes only and that it appears we may have some allies there.

DOE Information Request – Karen Zanoff outlined the request and responses received that were forwarded to DOE.

People Power Update – Scott Lindsay outlined current participation statistics on the handout provided.

PPC Position Papers & WCI – Will Lutgen referred to handouts and indicated they were provided for informational purposes only.

K. NEXT MEETING

The next GRC meeting is scheduled for May 18, 2009 in conjunction with the NWPPA Annual Conference & Membership Meeting at the Boise Convention Centre & Grove Hotel in Boise, Idaho. Meera Kohler recommends moving the meeting to the afternoon instead of morning to allow for people traveling that morning. Will Lutgen said NWPPA would try to accommodate this change of meeting time to the afternoon.

With no further business Neal Harth moved that the meeting be adjourned at 5:20 p.m.

Respectfully submitted,

BRUCE PILLING

Bruce Pilling, Emerald PUD
Government Relations Committee Chair