

**Government Relations Committee Meeting
Heathman Lodge
Vancouver, Wash.
September 4, 2008**

Minutes of Meeting

A. ATTENDING

Debbie Bone-Harris, Franklin PUD
Michelle Caird, Inland Power & Light
Chris Chandler, Central Lincoln PUD
Randy Cornelius, Orcas Power & Light Co.
Brent Crowther, Valley Electric
Karl Denison, Mason PUD No. 1
John DiStasio, SMUD
David Dover, Fergus Electric Co-op
Jim Dyer, Salem Electric
Paul Elias, McMinnville Water & Light
Jim Feider, Redding Electric Utility
Michael Gianunzio, SMUD
Ed Gossett, Kootenai Electric
Linda Gott, Mason PUD No. 3
Neal Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Brad Hawkins, Douglas PUD
Terry Holzer, Yellowstone Valley Electric Cooperative
Jim Hubenthal, Lewis County PUD
Meera Kohler, Alaska Village Electric
Valarie Koss, Columbia River PUD
Jeff Lipscomb, Chugach Electric
Jessica Matlock, Snohomish PUD
Pat McGary, Clark PUD
Doug Miller, Pacific County PUD
Dick Morris, Trinity PUD
Stu Nelson, Franklin PUD
Bill Nordmark, Golden Valley Electric
Scott Odegard, Sun River Electric
Kevin Owens, Columbia River PUD
Dan Peterson, Pend Oreille PUD
Bruce Pilling, Emerald PUD

Robin Rego, Lakeview Light & Power
Paul Rogers, Kittitas County PUD
Gerald Rutledge, Hill County Electric
Tony Sinclair, Missoula Electric
Bob Speckman, Salem Electric
Dean Sutherland, Clark PUD
Bob Titus, City of Ellensburg
Buddy Treadway, Benton REA
Ken Weiss, Clearwater Power
Ralph Williams, United Electric
Mary Wright, Wells Rural Electric

NWPPA Staff

Bryan Case, Deputy Executive Director
Debbie Kuraspediani, Communication Director
Will Lutgen, Executive Director
Cathy Wilson, Member Relations Manager
Arnie Winkler, Director of Training & Education

Others in Attendance

Jane Cirrincione, NCPA
Marty Kanner, Kanner & Associates
Scott Lindsay, NWPPA GRC Consultant
Kent Lopez, WRECA
Tom O'Conner, OMEUA
Brent ten Pas, NCPA
Deborah Sliz, Morgan Meguire (via conference call)
Bob Therkelsen, Consultant
Dave Warren, WPUA
Karen Zanoft, Morgan Meguire (via conference call)

Bruce Pilling called the meeting to order at 8:00 a.m. on Thursday, September 4, 2008. The meeting was held at the Heathman Lodge in Vancouver, Wash. A quorum of the GRC committee was present.

B. REVIEW & APPROVE MINUTES

Neal Harth moved to accept the minutes from the May 19, 2008 meeting as presented. With a second from Michelle Caird the motion carried with none opposed.

C. WASHINGTON DC UPDATE

Deborah Sliz and Karen Zanoft from Morgan Meguire joined the meeting via conference call and provided the following federal legislative update:

Morgan Meguire started off with some positive news on...

Hydropower Caucus

- At the end of July, House Water and Power Ranking Member Cathy McMorris Rodgers (R-WA) and Chairwoman Grace Napolitano (D-CA), along with Reps. Jim Costa (D-CA) and Adrian Smith (R-NE), formed the bipartisan Congressional Hydropower Caucus.
- The Caucus aims to educate Congressional colleagues and their staff about the many benefits of renewable, clean, and emissions-free hydropower. In addition to education, the goals of the Caucus include:
 - Promoting hydropower as a clean, renewable, emissions-free and low-cost resource, especially in the context of energy supply, reliability and climate change legislation;
 - Recognizing the value that hydropower provides as a firming resource for intermittent renewable electricity generation, including wind and solar;
 - Protecting current conventional hydropower generation facilities and promote conventional hydropower expansion, where appropriate;
 - Advocating for pump storage and low-head hydro (on canals and pipelines), where feasible, and emerging technologies (ocean wave, tidal and hydrokinetic);
 - Holding briefings and other activities to facilitate greater awareness of hydropower.
- Morgan Meguire, on behalf of NWPPA, has attended small water and power stakeholder meetings hosted by McMorris Rogers, and it was at one of these meetings that she discussed the formation of the new caucus and sought input on its makeup and purpose.
- Morgan Meguire has reached out to the Northwest House congressional delegation on behalf of NWPPA and has asked them to join the Caucus.
- This is really a significant accomplishment that, in such a partisan environment, McMorris Rodgers was able to form the group with two Democrats, particularly with Napolitano, as she chairs the House Water and Power Subcommittee. She also stressed that she wants this to be an active Caucus, and not just one in name only.

Site Security

- On another somewhat positive note, earlier this year, public power was successful in getting the dam security costs legislation approved and signed into law.
- Karen provided the following reminder, the *Bureau of Reclamation Site Security Act of 2007*:
 - Caps the customers' cost-share for additional security at Reclamation dams for water and power customers at \$18.9 million annually;

- Requires Reclamation to consult with customers on the implementation of site security measures; and
- Requires an annual report to Congress by Reclamation on site security program expenditures, as well as a five-year spending plan for the program.
- The timing of the bill's passage couldn't have been better. On August 18, a Bureau of Reclamation-requested report came out that sharply criticized the state of U.S. dam security, saying that a terrorist attack on a major dam could bring major devastation.
- The Bureau will be under enormous pressure to increase its funding on security measures. Because of the bill public power was able to get through, the water and power customers will only have to pay their fair share and not be stuck with the whole bill.

Energy Tax Incentives

- Karen reported on the status of the energy tax incentives extenders bill and indicated that Congress remains in deadlock.
- Right before adjourning for the August recess (July 30), the Senate again failed, by a largely party-line vote of 51-43, to advance a package of renewable energy tax-credit extensions, and other tax extenders (S. 3335, the *Jobs, Energy, Families, and Disaster Relief Act*). Sixty votes were needed on a procedural motion ("cloture") to consider the merits of the bill.
- The Senate has tried unsuccessfully about half a dozen times this year to move an energy tax extenders package, despite repeated efforts to modify earlier versions of the bill to pick up the requisite votes. The only Republicans to vote with Democrats in this last attempt were Sens. Gordon Smith (OR), Elizabeth Dole (NC), Norm Coleman (WI), Olympia Snowe (ME) and Susan Collins (ME).
- To date, most Republicans have opposed any "offsets" to pay for the extensions. The White House has issued veto threats for various reasons on each version that has been brought to the floor.
- Of interest to NWPPA members, included in the latest Senate extenders bill (S. 3335) were a number of renewable and energy efficiency tax incentives, including \$2 billion in additional Clean Renewable Energy Bonds (CREBs) authority *and* technical fixes to the program, extensions of the production tax credit for renewables and investment tax credit for solar.
- Following the failed vote on the extenders package, and failed votes on other energy-related measures, small groups in both the House and Senate unveiled bipartisan "compromise" measures in the hopes the stalemate could be broken and energy legislation passed when members return in September. The energy tax extenders package has, unfortunately, become linked with the larger energy policy bill, which includes debate on offshore oil and gas drilling, among other measures.

- Sens. Kent Conrad (D-ND) and Saxby Chambliss (R-GA) are leading the effort in the Senate, with eight other Senators – called the “Group of 10.” Legislative text of their *New Energy Reform Act of 2008* is not yet available, but according to the summary, the bill contains three main components: 1) An intensive effort to transition vehicles to non-petroleum based fuels; 2) a robust federal commitment to conservation and energy efficiency; and 3) targeted, responsible domestic production of energy resources (e.g. drilling for oil and gas). There was no specific mention of CREBs, or other energy tax incentives in the summary, but Morgan Meguire continues to monitor developments.
- Senate Energy and Natural Resources Committee (ENR) Chairman Jeff Bingaman (D-NM) has agreed to help lead an “energy summit” when Members return in September. The summit was requested by Majority Leader Harry Reid (D-NV), who also asked Minority Leader Mitch McConnell (R-KY) to cosponsor it. No date has been announced yet.
- In the House, the “House Energy Working Group” effort is spearheaded by Reps. Neil Abercrombie (D-OH) and John Peterson (R-PA). Their bill, the *National Conservation, Environment and Energy Independence Act*, would open up the Outer Continental Shelf (OCS) to oil and gas development, while designating hundreds of billions of dollars for conservation, renewable energy development, various environmental restorations, carbon capturing technology and the Low Income Home Energy Assistance (LIHEAP) Program; and would release 10 percent (70 million barrels of oil) from the Strategic Petroleum Reserve. It includes a straight, five-year extension of the Clean Renewable Energy Bond (CREB) program, *without* additional funds or needed technical changes.
- Karen reminded, in May, the House passed the \$57 billion *Renewable Energy and Job Creation Act* (H.R. 6049), that would have extended the authorization of a package of energy tax incentives. H.R. 6049 included the CREB language that NWPPA supports.
- Also in the House, after initially saying she would not allow a House vote on legislation to expand oil and gas drilling, House Speaker Nancy Pelosi (D-CA) recently changed course, saying she would bring a package with drilling provisions to the House floor in September – along with certain Democrat priorities, such as a Renewable Portfolio Standards (RPS) and repeal of oil and gas tax incentives. Given that the House has twice passed an RPS measure, it makes sense that the package could include that version of an RPS. The House-passed version, authored by Rep. Tom Udall (D-NM), would have applied only to private utilities, exempting federal, municipal and cooperative utilities. Reaction from Republicans to the Pelosi announcement has not been positive, so Morgan Meguire expects this to be more of a messaging exercise than anything else.
- Given Pelosi’s move, as well as some behind the scenes rumors on the Senate side, Morgan Meguire doesn’t see any real reaching across the aisle efforts, and are not optimistic this can come together in the next few weeks.

Climate

- In the Senate, the Boxer-Lieberman-Warner comprehensive climate change bill was filibustered on the Senate floor this year, so it is essentially dead. The bill featured a cap-and-trade system of emissions allowances and would have set an aggressive target of reducing greenhouse gas (GHG) emissions by almost 80percent by 2050.
- Next year, climate change proponents will begin the debate again and likely a number of bills will be introduced in the House and Senate.
- There is significant support for a cap-and-trade program – which means that emitters will have the choice of either reducing their emissions to meet specific targets (by installing technology, if available or by fuel switching or other means) OR they can purchase allowances from another source.
- Many key legislators, and the two presidential candidates have endorsed a cap-and-trade program. But there are many, many issues relating to cap-and-trade that Morgan Meguire believes are still very much up for debate and on which there is no consensus yet. And, the idea of some kind of carbon tax is still of interest to some members.
- One example is the so-called “safety valve” – whether there should be a price cap on the cost of allowances or not?
- Another is the auction – if there should be an auction and if so, what percentage of allowances would be auctioned?
- Should the legislation focus on reducing emissions or should it try to create and fund a wide range of other programs (mass transit, weatherization, environmental mitigation etc)?
- What kind of incentives do emitting industries need to encourage emissions reductions – what is an appropriate balance between “carrots” and “sticks”?
- What kind of incentives are needed to ensure the right technology is available to meet the emissions goals?
- Morgan Meguire also believes that with the economy in the shape it is today, that many Members of Congress, on both sides of the aisle, are backing away from anything that would have a dramatic effect on the cost of electricity to consumers.
- In addition, as we started seeing the last couple of months, more committees in the House and the Senate are starting to take a bigger interest in engaging in the debate.
- For example, in the House, in June, 17 Members introduced a bill that was referred to the House Ways & Means Committee and NOT the Energy & Commerce Committee (HR 6316, “To reduce global greenhouse gas emissions through the creation of a domestic carbon market and international trade measures, and to direct the revenue there from to public interests.”)
- In the Senate, Energy and Natural Resources Committee Chairman recently came out with ten moderate principles that he believes ought to be part of a cap-and-trade bill. For example he said legislation:

- Should be focused on the effort to reduce greenhouse gas emissions;
- Avoid making climate change legislation excessively complicated; and
- Provide assurances that the costs of a cap-and-trade system will not go out of control, either through excessive prices for emission allowances or excessive volatility.
- He has indicated that he and his committee – which have primary jurisdiction over electricity and energy issues - intend to be more active in the next Congress, which, heretofore, he has let Environment and Public Works Committee Chairman Boxer take the lead on.
- Another example that there is still a lot of room for discussion on climate change legislation is the “10 Senators letter.” Following the failed vote on the Boxer-Lieberman-Warner bill, 10 Democratic Senators from mostly industrial states sent a letter to Senate Majority Leader Harry Reid (D-NV) explaining why they could not support the bill. Among them was that any bill should include cost containments and avoid harm to the economy and it should treat states equally.
- In Morgan Meguire’s view, the debate is by no means over and is still very open on a wide range of issues that could be part of a climate change debate. Morgan Meguire encourages NWPPA members to help think of ways to make a climate change program more workable and affordable.

D. WERC UPDATE

Bob Titus discussed the focus of the WCI draft paper. Nine utilities submitted comments. The committee has developed a working relationship with NWPPA’s Environmental Task Force so the groups can coordinate efforts on GHG recommendations. WERC wants to meet with all NWPPA member states’ energy staff before the end of the year.

E. WCI UPDATE

Bob Therkelsen, NWPPA’s WCI consultant, provided an update of recent WCI activities.

According to Therkelsen, public power is a voice WCI wants to hear from. They want to hear how activities and ideas in this area will affect utility consumers. WCI is way behind schedule in what they set out to do. Bob passed out a summary sheet of key issues/goals and objectives. A status report of each activity was also included.

Eleven states and provinces are now WCI members. Western states are not signators of the WCI effort. WCI is still working on the general structure and has not determined how many allowances each sector will get. General guidelines will be given but details will be left to states on how to allocate allowances.

Opposition to offsets is something that is real strong. The cap-n-trade program itself will not meet its goal. Complimentary programs will be needed. Enforcement is something WCI has recognized they need to do. Every state except California will need some type of legislation to put this into effect. California is going to design a cap-n-trade program and implement. January 1 is the deadline for the California plan.

WCI really wants to affect the program. WCI probably will not meet the schedule as resources are very limited.

F. WESTWIDE MODEL UPDATE

Will Lutgen gave a status report on the Model. The model, developed by RW Beck for NCPA and modified for Northwest utilities into a "Westwide" resource, has undergone a thorough technical vetting by Public Generating Pool member utilities. The Public Power Council's Mike Deen is responsible for coordinating requests from utilities and trade associations to produce output scenarios. It is important that scenarios be cleared through PPC to ensure the integrity of the data in the model and output of any particular scenario. Will demonstrated the model during the GRC break for those that were interested.

G. WREZ UPDATE

Will Lutgen provided an overview of the effort. The overall goal of the project is to develop a consensus proposal among 11 major states, areas of Mexico and two Canadian provinces in the western interconnection on how to best develop and deliver energy from renewable energy resource areas throughout the region to load centers. There are four objectives to the Western Governors' Association Western Renewable Energy Zones project: (1) to identify commercial renewable energy zones throughout the western interconnect; (2) identify conceptual transmission corridors for these zones; (3) bring state utility commissions, load serving entities and generators together to develop "mechanisms" for coordinating the timing and regulatory approval of procurement across state jurisdictional line; (4) engage political, industry and stakeholder participation to build interstate cooperation necessary to facilitate the permitting of multi-state generation-transmission projects and resolve cost allocation issues. The WREZ plans to present a draft recommendation for public input during the early part of 2009.

H. 2009 RESOLUTIONS

Bruce Pilling called for new resolutions to be submitted as soon as possible.

Scott Lindsay advised the GRC that the WGA has passed 29 resolutions. Lindsay reviewed resolution 08-8. NWPPA currently has a resolution that deals

with this resolution so NWPPA does not need to develop further resolutions to respond to this.

08-9 — NWPPA currently does not have a resolution that addresses this. NWPPA supports regional transmission proposals. Chelan PUD provided suggested language changes.

08-10 — NWPPA has a policy position paper and resolution to address this resolution. Scott Lindsay suggests no further action.

08-20 — Scott Lindsay thinks we are covered with existing resolutions. No further action is recommended.

Resolution 09-2 — Jessica Wilcox suggested the following language changes (changes in red text):

NORTHWEST PUBLIC POWER ASSOCIATION

RESOLUTION 09-2

IN SUPPORT OF REGIONAL TRANSMISSION SOLUTIONS

The vast majority of electric utilities operating in the West are dependent on the regional transmission system for access to Power Marketing Administration (PMA) power and the wholesale power market. Any proposal aimed at modifying the operating characteristics of the Western regional transmission system must be approached with caution. As we have seen in other regions, misguided changes to the fundamental operating procedures of the transmission grid have had devastating consequences for consumers in these regions.

Recognizing that efforts to address specific transmission problems are important to the region, NWPPA encourages groups like ColumbiaGrid, the Northern Tier Transmission Group (NTTG) and the Transmission Agency of Northern California (TANC) to develop, fund and implement regional solutions to recognized transmission problems.

However, efforts by the Federal Energy Regulatory Commission (FERC) to encourage the formation of a Region Transmission Organization (RTO) in the West are objectionable. NWPPA members already benefit from a reliable, low-cost power and transmission system and believe that little has been done to prove that the region will benefit from a RTO. Past efforts, as with the failed Grid West proposal, have produced ill-defined governance, excessive costs, loss of regional accountability and greater federal regulation, which remain issues of great concern to the NWPPA membership.

NWPPA also opposes efforts by Congress to direct the construction of transmission or expand the authority of PMAs to mandate transmission construction.. Instead, NWPPA continues to

support efforts to advance proposals that are centered on low-cost solutions to recognized transmission problems. **This may include consideration of a Western Governors Association recommendation (Policy Resolution 08-9) to provide tax-exempt status for transmission authority revenue bonds. State transmission authorities with the ability to issue tax-exempt bonds for new transmission construction can provide financial incentives needed to attract new transmission investment.** However, any effort to modify the existing transmission system should not result in the creation of new institutions that would lessen regional input and control. Future **state transmission authorities or** on-going regional discussions by entities such as ColumbiaGrid, NTTG and TANC may provide needed answers to Western transmission issues and demonstrate that there is no need for a RTO.

NWPPA appreciates the Western delegation's support for regional customers' perspective on the future development of regional transmission improvements. As discussions continue, NWPPA urges the delegation to support a measured approach toward addressing regional transmission problems rather than impose a system that is costly and ill-suited for the Northwest region.

Origination Date: 2005 by NWPPA Staff at direction of GRC – with Edits from Chelan Co. PUD

I. NEXT MEETING DATE

The next meeting of the GRC is scheduled for March 5, 2009 in Reno, Nevada.

With no further business the meeting adjourned at 9:55 a.m.

Respectfully submitted,

BRUCE PILLING

Bruce Pilling, Emerald PUD
Government Relations Committee Chair