



Northwest Public Power Association

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**Government Relations Committee Meeting
Egan Civic Center
Anchorage, Alaska
May 19, 2008**

Minutes of Meeting

A. ATTENDING

Dave Andrew, Cowlitz PUD
Jack Baker, Energy Northwest
Nancy Barnes, Clark Public Utilities
Ed Barry, City of Ellensburg
Ron Benfield, Central Lincoln PUD
Alicia Bonesteele, Salem Electric
Christopher Brewton, Ketchikan Public Utilities
Robert Briggs, Anaheim PUD
Pat Buescher, Snohomish PUD
Michelle Caird, Inland Power & Light
Shirley Cairns, Douglas Electric Cooperative
Chris Chandler DiTorrice, Central Lincoln PUD
Frank Corbin, Nushagak Electric
Randy Cornelius, Orcas Power & Light
David Crocket, Salem Electric
Brent Crowther, Valley Electric
Charlie Curtis, Alaska Village Electric Co-op
Karl Denison, Mason PUD No. 1
Jim Dyer, Salem Electric
Paul Elias, McMinnville Water & Light
Paul Ennor, Salem Electric
Bob Evans, Fergus Electric
Bradley Evans, Chugach Electric
Clay Fitch, Wells Rural Electric Company
Merle Gillespie, Clatskanie PUD
Ron Gold, Mason PUD No. 1
Howard Gonser, N. Wasco County PUD
Ed Gossett, Kootenai Electric
Fred Guyer, Benton REA
Byron Hanke, Clark Public Utilities

David Harris, Waukesha Electric
Neal Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Harry Hewitt, Tillamook PUD
Terry Holzer, Yellowstone Valley Electric
Don Hooper, Clatskanie PUD
Jim Hubenthal, Lewis County PUD
Jack Janda, Mason PUD No. 1
Helena Jones, Alaska Village Electric Co-op
Penny Jordan, Emerald PUD
Meera Kohler, Alaska Village Electric
Tom Kuckertz, Copper Valley Electric
Virginia Lauritsen, Springfield Utility Board
Jeff Lipscomb, Chugach Electric
Judy Matheny, Central Lincoln PUD
Joe Mathieu, Springfield Utility Board
Kelly McGreer, Wasco Electric Cooperative
Jean McKinney, Wasco Electric
Doug Miller, Pacific County PUD
Ray Mosbrucker, Klickitat County PUD
Kathern Munteer, Lincoln Electric
Dennis Munden, Columbia REA
Jeri Nelson, Lane Electric Cooperative
Stu Nelson, Franklin PUD
Tim Nichols, Redding Electric Utility
Bill Nordmark, Golden Valley Electric
Scott Odegard, Sun River Electric
Michael Owens, Snohomish PUD
Kevin Owens, Columbia River PUD
Tim Pettyjohn, Columbia REA
Bruce Pilling, Emerald PUD
Will Purser, Clallam PUD
Shiela Rau, Valley Electric Association
Robin Rego, Lakeview Light & Power
Paul Rogers, Kittitas County PUD
Marianne Roose, Lincoln Electric Co-op
Gerald Rutledge, Hill County Electric
Karl Schrader, Flathead Electric
Ted Simpson, Clallam PUD
Anthony Sinclair, Missoula Electric
Ron Skagen, Douglas County PUD
Clay Smith, N. Wasco County PUD
Randy Smith, Chelan PUD
Loy Sparks, Lane Electric Cooperative

Bob Speckman, Salem Electric
Bill Tanner, Emerald PUD
Steven Taylor, Mason PUD No. 1
Chuck Ten Pas, Lewis County PUD
Jake Thomas, Bear Energy
Diana Thompson, Pacific County PUD
Bob Titus, City of Ellensburg
Barbara Trout, Tillamook PUD
Stanley Weishaar, Oregon Trail Electric
Kenneth Weiss, Clearwater Power
Carla Wheeler, Energy Northwest
Marty Whiteman, Chelan PUD
Bob Wiggins, Clatskanie PUD
Ralph Williams, United Electric Co-op
Mary Wright, Wells Rural Electric

NWPPA Staff

Bryan Case, Deputy Executive Director
Debbie Kuraspediani, Communication Director
Will Lutgen, Executive Director
Arnie Winkler, Director of Training & Education

Others in Attendance

Steve Johnson, Washington PUD Association
Marilyn Leland, Alaska Power Association
Scott Lindsay, NWPPA GRC Consultant
Kent Lopez, WRECA
Deborah Sliz, Morgan Meguire (via conference call)
Brent ten Pas, Northern California Power Agency
Karen Zanoft, Morgan Meguire (via conference call)

Jim Dyer called the meeting to order at 8:37 a.m. on Monday, May 20, 2008. The meeting was held at The Egan Civic Center in Anchorage, Alaska. A quorum of the GRC committee was present.

B. REVIEW & APPROVE MINUTES

Ed Gossett moved to accept the minutes from the March 6, 2008 meeting as presented. With a second the motion carried with none opposed.

C. ELECTION OF 2008 GRC CHAIR/VICE CHAIR

Meera Kohler moved to nominate Bruce Pilling as the 2008 GRC chair. With a second the motion carried with none opposed.

Ed Gossett moved to nominate Ralph Williams as the 2008 GRC vice chair. With a second the motion carried with none opposed.

D. 2008 RESOLUTION CONSIDERATION

En Bloc

Neal Harth moved to approve the following En Bloc resolutions: 08-1, 08-3, 08-4, 08-5, 08-6, 08-7, 08-11 and forward them to the membership for adoption at the May 21 Annual Business Meeting. With a second the motion to forward for adoption carried with none opposed.

Individual Consideration

08-2: Scott Lindsay highlighted changes submitted. Neal Harth moved to accept. With a second the motion carried with none opposed.

08-9: Michelle Caird moved to accept proposed language changes. With a second the motion carried with none opposed.

08-10: Randy Smith, Chelan PUD suggested wording changes and the addition of two new bullets. Jim Hubenthal moved to add the two new bullets. With a second the motion carried with none opposed. Scott Lindsay will work with the resolution sponsor to clarify final changes to language before forwarding the resolution to the membership for adoption at the May 21 Annual Business Meeting.

Ed Gossett moved to approve resolution 08-10 as amended. With a second the motion carried with none opposed.

Archived Resolutions

Neal Harth moved that the following resolution be moved into archived status:

32-08 Reauthorization and Reform of the Endangered Species Act

With a second the motion carried with none opposed.

E. WERC UPDATE

Bob Titus reviewed the purpose of the WERC Committee and how it was formed. The committee was formed one year ago to 1) Follow WGA activities; 2)

Influence the outcome on activities on Western Climate Initiatives; 3) Enhance contacts in the Western Governors' offices.

F. WESTWIDE ECONOMIC ANALYSIS

Will Lutgen explained the purpose of the west-wide economic analysis, how it will be done, and importance of the NCPA model.

G. NERC/WECC STANDARDS & COMPLIANCE

Will Lutgen highlighted how and why NWPPA was asked to get involved. NWPPA hired Bill Dearing to put together a technical argument for delisting certain utilities. It was determined there wasn't any data available to verify delisting. WECC learned there were some reasons for talking to these utilities and possibly reduce the number of compliance standards. A working group was put together and the group has put together a matrix of compliance standards that should apply to utilities and list of those that should not. This has greatly reduced the number of standards utilities have to comply with. A MOA will be circulated among utilities.

H. MAYOR OF ANCHORAGE ADDRESSES GRC

Meera Kohler introduced Joe Balash, Special Assistant to the Governor of Alaska, to address the GRC and share his thoughts on energy issues in the West. He had a focus on the increasing price of natural gas and the importance of developing the Alaska Pipeline.

I. NWPPA/NCPA DC LEGISLATIVE RALLY UPDATE

Scott Lindsay gave an NWPPA/NCPA DC Legislative Rally update. 32 hill visits took place with 17 people from throughout the Northwest. Key issues discussed with congressional staff were: security costs, CREBS, Sea Lions & takings, WGA relationship, and economic analysis model.

J. WASHINGTON DC FEDERAL UPDATE

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

Site Security Bill Signed into Law

- On May 8, the President signed into law the *Bureau of Reclamation Site Security Costs Act of 2007* (HR 1662) as part of a package of lands bills (S. 2739). This effort was due in large part to the leadership of Reps. McMorris Rodgers and Grace Napolitano in the House, and Sens. Cantwell, Smith, Hatch and others in the Senate.
- 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.
- Passage of this bill marks the end of a successful, seven-year effort by a coalition of water and power customers at Bureau of Reclamation dams, including NRECA, APPA, NWPPA and others, to provide a limit on reimbursable costs of guards and patrols.
- NWPPA should be really proud of its efforts here. To highlight some of the good work NWPPA did, NWPPA's Will Lutgen testified at a June 22, 2006, House Resources Water and Power Subcommittee hearing on the Reclamation Site Security Program where he represented the voices of Northwest and Western power users and expressed concern with the current direction of the program, calling on Congress to expressly authorize it and limit reimburseable costs.
- NWPPA also sent numerous letters throughout the years and met with Western congressional delegation members to urge them to take action.

Energy Taxes

- House and Senate continue to look for ways to pass renewable and energy efficiency energy extenders and are working on simultaneous efforts to get it done.
- However, "PayGo" is elephant in living room, resulting in a virtual stalemate in Congress. That is, essentially, they are struggling over the

question of *how* and *whether* to “pay” for extensions of expiring energy tax.

- Extending these incentives *without* any cuts in spending in other areas would be a departure from the “pay-as-you-go” or “paygo” rules that Democrats have been following since becoming the majority party following the 2006 elections.
- Senate Democratic leadership seems to be willing to make exceptions, as evidenced by the energy tax vote on housing bill.
- Last month an amendment was successfully inserted into the Senate housing bill by Sens. Maria Cantwell (D-WA) and John Ensign (R-NV) that provides a one-year extension for the production tax credit (PTC), investment tax credit (ITC) and an additional \$400 million in bonding authorization for Clean Renewable Energy Bonds (CREBs).
- A companion was recently introduced in the House, with one Democrat cosponsor, but indications from staff is that without offsets it’s a non-starter.
- The House isn’t there yet on making exceptions to the PAYGO rule for energy incentives.
- There is an effort to extend these incentives as part of a broader tax “extenders” bill, which includes incentives not only related to energy but dozens of other tax credits that have either expired in 2007 or are set to expire this year.
- In the Senate, last month Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Chuck Grassley (R-IA) introduced their extenders bill, S. 2886, which provides short-term, one-year extensions for a broad range of tax incentives that have expired or are set to expire soon. (It includes \$400 million in new CREB authority, but does not include most of the technical fixes public power is seeking.) It would cost the Treasury more than \$50 billion.
- The “extenders” bill is not yet paid for with offsets in other spending areas, but Baucus and Grassley are working on it.

- In the House, the Ways and Means Committee just marked-up and reported out their version of an extenders bill, HR 6049. The bill *is* paid-for, by non-oil and gas offsets; one that would curtail an offshore deferred-compensation technique often used by hedge-fund managers, and another that would delay rules that give multinational corporations more flexibility in allocating interest expenses.
- The offsets aren't coming from the oil and gas industry, which has been opposed by Republicans and White House, it's still unclear if the Republicans and Administration will support a bill that includes offsets at all.
- The House bill is expected to go to the House floor as early as this week, or could slip to after the Memorial Day recess.
- The Baucus-Grassley bills aren't paid for yet, and there are reports that they will see how the Republicans in the House react to the non-oil and gas offsets as a possible indicator of where the Senate Republicans will be on them.
- As far as CREBs, they are included in each package that comes out; in the Senate, though, each version isn't exactly the language we want, but seems to be more a drafting error than anything else.
- Fortunately, each House version does include the language public power is seeking, thanks to the shepherding of Rep. McDermott.
- Specifically, it includes a \$2 billion extension of CREBs bonding authority, fixes the definitional issue with 1/3 of the \$\$ going to public power with an obligation to serve, 1/3 to coops, and 1/3 to other governmental entities and includes a pro-rata vs. smallest to largest allocation methodology for public power, as well as other technical changes advocated to the CREB program.
- Morgan Meguire is hopeful that in the final analysis, public power will end up with the House language.
- As for outlook, most people think at this point is that there will likely be a one-year extension in lame-duck, but its unsure at that point whether

House leaders let it go without offsets, or Republicans in the Senate and the White House agree to certain offsets so long as not oil/gas related.

Climate – lots going on

- The climate change debate remains a focus for Congress, with the Lieberman-Warner cap-and-trade bill (S. 2191) expected to be considered by the Senate during the first week of June, although Morgan Meguire is now hearing that could slip to mid-June or even July.
- Environment and Public Works (EPW) Committee Chairman Barbara Boxer (D-CA) has been working to gather support for the bill and discouraging others from offering controversial floor amendments, but most still believe it will be difficult for the Senate to pass a comprehensive bill in this election year.
- During debate in subcommittee and in the full EPW Committee, the bill won support from only one Republican: co-sponsor John Warner (R-VA). Given the narrow Democratic majority in the Senate, the bill will need at least 60 votes to block a filibuster.
- And, given the controversy over the bill, as well as its coming to the floor during an economic downturn, it is not likely the Senate will be able to muster the 60-votes needed to pass it.
- But, what utilities who came back to DC last month during NWPPA's Legislative Rally also heard, is that the Senate will likely debate the bill and, possibly, consider a few of the anticipated many amendments, but stop short of actual votes. Nevertheless, the debate on the Lieberman-Warner bill will still be significant, as it will lay the foundation for future Senate action and, likely, reveal where many Senators stand on key issues.
- Morgan Meguire also drew attention to the recently released APPA principles on climate change that will be considered at their National Conference. APPA does intend to use them as a guide during the Lieberman-Warner debate.
- The House continues to move more deliberatively. The Energy and Commerce Committee has released three white papers to date and more

are expected. Chairman Dingell also said he would have a draft bill out last month, but, as expected, nothing has been released yet.

- There still remains considerable concern among Republicans with regard to acting on legislation. Recently, Energy and Air Quality (E&AQ) Subcommittee Chairman Rick Boucher (D-VA) says that he fears they are stuck in gridlock, as climate change legislation is not possible without Republicans.

To give you a sense about what he's referring to, Energy and Commerce Committee Ranking Member Joe Barton (R-TX), who's a skeptic of climate change, has said that a cap-and-trade bill would be "political suicide" in this economy.

K. CAISO

Tim Nichols provided a CAISO update. IBAA (Inter Balancing Authority Area) — ISO is pushing a new tariff to ISO area. The bill takes away transmission rights and ownership. This is not good for public power and could end up being applied to all areas of WECC.

L. ENVIRONMENTAL TASK FORCE

Will Lutgen outlined the change in name from the Hazardous Materials Task Force to the Environmental Task Force last year. The Task Force will now shift scope to focus on green house gases and regulatory rules. Lutgen stressed that this committee would not be making policy in this area.

M. LETTER TO GOVERNORS IN NORTHWEST

Will Lutgen reported that the letter reminds governors that the Northwest is interconnected, to be flexible with natural gas and talks about renewable, and investment in low carbon resources is important.

N. WGA & U.S. DEPARTMENT OF ENERGY

Will Lutgen reported that cooperation among NW public power utilities has been great. Public power has opportunities through WGA to participate on the resource committee. NWPPA has purchased this opportunity through WGA sponsorship and would like to send someone to represent public power on the technical committee. Nancy Baker and Tim Culbertson are names that are being

considered for participation. Lutgen asked that other nominations be submitted to NWPPA or to Scott Lindsay.

O. NEXT MEETING DATE

The next GRC meeting will be September 4, 2008 at the Heathman Lodge in Vancouver, Washington.

P. OTHER BUSINESS

Will Lutgen presented Jim Dyer with a plaque of appreciation for his work as 2007/2008 GRC chairman.

With no further business the meeting adjourned at 11:28 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jim Dyer".

Jim Dyer
Government Relations Committee Chair