



Northwest Public Power Association

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**Government Relations Committee Meeting
Snowbird Resort
Snowbird, Utah
Sept. 8, 2005**

Minutes of Meeting

A. ATTENDING

Eric Anderson, Northern Lights
Eon Benfield, Central Lincoln PUD
Randy Cornelius, Orcas Power & Light
Larry Descheemaeker, Fergus Electric
John DiStasio, Sacramento Municipal Utility District
Jim Dyer, Salem Electric
Ken Gates, Cordova Electric
Ed Gossett, Kootenai Electric Co-op
Linda Gott, Mason PUD No. 3
Fred Guyer, Benton REA
Byron Hanke, Clark Public Utilities
Neal Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Jim Hubenthal, Lewis County PUD
Meera Kohler, Alaska Village Electric
Valarie Koss, Columbia River PUD
Russ Leslie, Nelson Hydro
Jeff Lipscomb, Chugach Electric
George Litzenberger, Springfield Utility Board
Pat McGary, Clark Public Utilities
Nate Narrance, Inland Power & Light
Bill Nordmark, Golden Valley Electric
Bruce Pilling, Emerald PUD
Robin Rego, Lakeview Light & Power
Paul Rogers, Kittitas County PUD
Marianne Roose, Lincoln Electric Co-op
Dave Sabala, Douglas Electric Co-op
Walter Sapp, Kodiak Electric
Karl Schrade, Flathead Electric
Lonny Sheffield, Western States Electric
Bob Speckman, Salem Electric

Bob Titus, City of Ellensburg
Ken Weiss, Clearwater Power
Bob Whittenberg, Skamania PUD
Ralph Williams, United Electric Co-op
Mary Wright, Wells Rural Electric

NWPPA Staff

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

Others in Attendance

Michael Brairton, American Public Power Association
Scott Lindsay, NWPPA GRC Consultant
Karen Price, Morgan Meguire — Via Conference Call
Ted Rampton, UAMPS
Deborah Sliz, Morgan Meguire — Via Conference Call

GRC chair Neal Harth called the meeting to order at 9:50 a.m. on Thursday, Sept. 8, 2005. The meeting was held at the Snowbird Resort in Snowbird, Utah. A quorum of the GRC committee was present.

B. CONSENT AGENDA

Robin Rego moved to approve the Minutes from the May 23, 2005 GRC meeting as prepared with the following changes: On page 9 under the Alaska report the word renew in the third sentence should be renewable. On page 10 under the Idaho report the last sentence should read: A committee was formed to come up with suggested names to consider and provide them to the Governor who will appoint a board to oversee the committee that will offer bonds. With a second the motion to approve the minutes with the changes listed was approved with none opposed.

C. WASHINGTON DC UPDATE

Deborah Sliz & Karen Price of Morgan Meguire provided the following Washington DC update to committee via conference call:

Energy Bill

- On August 8, President Bush signed the 1,725 page *Energy Policy Act of 2005* (EPAAct) into law.

- The House of Representatives passed the final conference agreement by a vote of 275-56 on July 28 and the Senate followed suit by passing the legislation by a vote of 74-26 on July 29.
- Positive aspects of the bill for NWPPA members include:
 - Protection of Northwest firm transmission contracts
 - Native load protections, including provisions for long-term transmission contracts
 - Increased consumer protections, including broad market manipulation protections and increased FERC merger review authority, to balance PUHCA-repeal
 - Authorization for FERC, not bankruptcy court, to have jurisdiction to determine whether a provision for termination payments for power not delivered by sellers is unlawful (*i.e.* Northwest contracts with Enron)
 - Mandatory, enforceable reliability standards
 - 2-year, \$800 million Clean Renewable Energy Bond for consumer-owned utilities, which Michael Brairton of APPA spoke about at length afterwards
 - 2-year Production Tax Credit for private utilities
 - Reauthorization of the Renewable Energy Production Incentive (REPI) program for 10 years
 - Authorization of a six-year (2006-2012), \$20 million/year grant program, called the Rural and Remote Community Electrification Grant, to help rural communities (of not more than 10,000 residents) invest in renewable energy resources, increase energy efficiency, siting or upgrading transmission and distribution lines serving rural areas
 - Reauthorization of the Price-Anderson Act (nuclear liability insurance) for 20 years
 - Industry-supported hydroelectric reform relicensing provisions
 - No “thousand year” study of public power’s exemption from the Federal Power Act
 - No federally mandated RPS
- There are several provisions NWPPA would have preferred not be included, such as repeal of the Public Utility Holding Company Act (PUHCA), uniform refund authority, authority for BPA to transfer its assets to an RTO, and increased FERC jurisdiction over public power (FERC-lite).
- Public power in the Northwest fared well in the final conference report — particularly over previous iterations.

- This is due in very large part to the dogged efforts of the Northwest Congressional Delegation who worked hard to protect public power and BPA from detrimental provisions.
- For example, the consumer protections mentioned can be directly attributable to Sen. Maria Cantwell of Washington and the protection of firm transmission contracts was included because of the efforts of Sen. Gordon Smith of Oregon.
- Morgan Meguire is still reviewing the bill and analyzing its impact on public power.

FERC's Role

- One thing Morgan Meguire will be monitoring closely on behalf of NWPPA is the FERC rulemakings directed by Congress in the bill.
- Morgan Meguire thinks it's very telling that FERC Chairman Joe Kelliher said that "the most significant change in the laws that we administer in seventy years. It's really the most important change in federal electricity and gas laws since the 1930s. It does give us some new responsibilities. It gives us new authorities."
- FERC was tasked with completing 15 different rulemakings and various studies and reports in the energy bill. In order to ensure that all the rulemakings and various studies and reports are completed in the short period of time given by Congress, FERC has created a new position, dubbed the "energy law implementation czar." Kelliher put Cynthia Marlette in that role. She is a veteran FERC attorney and former general counsel.
- Members can go to FERC's Web site – www.ferc.gov -- to view their timetable for meeting the deadlines and their revised strategic plan.

Hurricane Katrina Fallout

- Despite the fact that Congress was successful in enacting this comprehensive energy bill, it fell short in a number of areas related to oil and gas — as the recent Hurricane Katrina in the Gulf Coast has brought to immediate light.
- This week, both Senate Energy and Natural Resources Committee Chairman Pete Domenici and House Energy and Commerce Committee Chairman Joe Barton acknowledged that EAct 2005 fell short and indicated that they would

like to pass another energy bill addressing drilling in the outer continental shelf (OCS), increasing corporate average fuel economy standards, and investment in refining capacity.

- All of these issues were rejected during EPA's negotiations.
- The question, however, will be whether or not Hurricane Katrina has significantly altered the "political will" among Members of Congress, and subsequently, if there is time for these issues to be packaged together in one bill or if there will be efforts to add them individually as "riders" to other vehicles, like the appropriations bills or the budget reconciliation.

The DC report concluded with a Clean Renewable Energy Bonds update by special guest Micheal Brairton from APPA.

D. AD HOC COMMITTEE ON RESOLUTION REDUCTION

Neal Harth asked for volunteers to serve on the Ad Hoc Committee on Resolution Reduction. The following individuals volunteered to serve on this ad hoc committee:

Marianne Roose, Lincoln Electric Co-op
Jim Dyer, Salem Electric
Fred Guyer, Benton REA
Bob Titus, City of Ellensburg
Robin Rego, Lakeview Light & Power
Bruce Pilling, Emerald PUD

E. PEOPLE POWER UPDATE

Scott Lindsay gave the following People Power update:

People Power is in its fifth year with 96 consumer-owned utilities participating from Washington, Oregon, Idaho, Montana, California and Nevada. These utilities hold databases of approximately 33,000 consumers. There are 210 general managers, board members, utility communicators and administrative people to whom we send materials and updates; 107 have passwords and user names to access the People Power web site.

People Power has held two conference calls (one in January and another in May) of the Coordinating and Executive Committees to discuss program activities and results.

People Power has issued three action alerts so far in 2005. The Action Alerts issued on the following topics:

- Supporting Senator Maria Cantwell's (D-WA) office in opposing the Bush Administration's efforts to raise BPA rates to market levels earlier this year;
- Supporting the Coalition for Smart Salmon Recovery (now Northwest Rivers Forum) in their efforts to defend the BiOp; and
- Opposing an increase in allocation benefits to the DSIIs from BPA.

People Power has distributed two newsletter articles. The first was on Grid West and the second was on the Energy Policy Act of 2005. It was co-authored by Marilyn Showalter of PPC and Will Lutgen of NWPPA and distributed to participating utilities. It proved to be a popular piece.

The Alaska Power Association spun off its own version of the program called People Power Alaska in 2005. This came about from interest by NWPPA member utilities in Alaska that were looking to increase their advocacy efforts on state and federal issues.

People Power has grown in stature within the Northwest Congressional Delegation as Members of Congress have sought its grassroots support on legislative initiatives this year.

F. STATE ISSUES REPORTS

Alaska — Ken Gates reported in July of 2005, the three largest generation and distribution utilities in the State, Chugach Electric, Golden Valley Electric Association, and Anchorage Municipal Light & Power formed the Alaska Railbelt Energy Authority, a joint action agency. The purpose is to lower risk and obtain economies of scale in new generation and transmission projects.

The Southeast Alaska Intertie System – Because Alaska lacks the power infrastructure that the Federal Government financed years ago in the Tennessee Valley Authority Bonneville Power Administration and other areas, Congress authorized an intertie system to tie southeast Alaska communities. Federal appropriations are necessary to build those interties. Funds are already forthcoming and construction is already underway on the first two legs Juneau-Hoonah and Wrangel/Petersburg-Ketchikan.

Railbelt utilities are considering a 200 megawatt wind project on Fire Island in Cook Inlet just off downtown Anchorage. Even if proven feasible, the project is

probably years off. A 10 megawatt wind farm is already up and running in Kotzebue and wind machines are running in Wales, St. George and several other cultural villages.

Language for the development of ANWAR was not included in the Energy Bill. There will be an effort to get it included in the Budget Reconciliation Bill that hopefully Congress will pass by the time they adjourn this year. This will allow a simple majority for passage and avoid a filibuster.

British Columbia — Russ Leslie reported that the legislature is out and there should be a budget update next week showing an excess budget surplus due to natural gas sales to the U.S.

California — John DiStasio reported on the following items:

Solar Legislation

SB 1 (Murray) would enact the Governor's "Million Solar Roofs Initiative" (MSRI). The goal of the MSRI is to place a million solar energy systems, or the equivalent of 3,000 megawatts of capacity, on new or existing residential and commercial buildings by 2018. Proponents of SB 1 believe that a comprehensive statewide program like the MSRI can achieve its ambitious goals by creating an economic climate for lowering production costs and raising customer interest.

SB 1 is not without its opponents. Large customers believe that costs of the MSRI will fall disproportionately on them. In addition, IBEW wants certain electricians (C-10) to install solar systems and would like prevailing wage for new commercial installations. These issues have created intense opposition to the bill.

Finally, the author recently accepted amendments from SMUD and the California Municipal Utilities Association to: 1) remove language that required a "new" solar surcharge; 2) remove language that may have required we model our program after the IOU program; 3) cap municipal utilities' financial obligation; and 4) clarify we can offer performance-based incentive rates for solar installations. With these amendments, SMUD supported SB 1.

The labor amendments ultimately stalled the bill for this calendar year. The Assembly has the option of taking the bill up next year.

Renewable Portfolio Standard

SB 107 would accelerate the California Renewables Portfolio Standard by requiring investor owned utilities and independent energy providers to procure at least 20% of their retail sales from renewable energy resources by 2010 instead

of 2017. SB 107 also narrows definitions of certain renewable energy resources in terms of their eligibility to count towards the 20% RPS goal.

For public power, there is no RPS mandate but the bill does require municipal utilities to report to the California Energy Commission on RPS efforts and requires the CEC to report back to the Legislature on those efforts.

SMUD staff was concerned that the CEC may not count certain resources we consider eligible because of the new definition of eligible renewable resources. The author recently accepted SMUD amendments to avoid what we believe to be unintended consequences of the current draft.

SB 107 also was delayed for this calendar year. The Assembly has the option of taking the bill up next year.

TURN Initiative

In brief, Proposition 80, *The Repeal of Electricity Deregulation and Blackout Prevention Act* would:

- ✓ Prohibit future direct access contracts
- ✓ Impose CPUC regulatory authority over “electric service providers (ESPs),”
- ✓ Codify the CPUC’s current “loading order” for energy procurement by IOUs,
- ✓ Codify the CPUC’s resource adequacy requirements for IOUs and ESPs,
- ✓ Accelerate the State’s RPS goal to 20% by December 31, 2010; and
- ✓ Prohibit time-differentiated rates (time-of-use) for residential and small commercial customers in buildings built before 2006 without the customer’s consent.

While the initiative affects only IOUs and ESPs, staff remains concerned about the availability and cost of renewable energy should the state accelerate the RPS goal.

In June 2005, the Independent Energy Producers Association (IEPA) petitioned the state Court of Appeal to disqualify Prop 80 from the November 8 ballot. IEPA argues that Prop 80 violates the state Constitution. The Constitution reserves to the Legislature the plenary power to increase the authority of the CPUC over utilities. The California Supreme Court overturned the Appellate Court’s decision, saying that it wasn’t clear that the ballot measure and the Constitution were in conflict and that it was better to defer any legal challenge until after the election. If Prop 80 passes, the issue will almost certainly be back before the Supreme Court.

Idaho — Ed Gossett reported that there has not been much change on legislative issues in Idaho since the last GRC meeting.

Montana — Karl Schrade reported that all is quiet on the legislative front in Montana at this time.

Nevada — Mary Wright reported that Nevada has had a good weather year yet an extreme fire hazard year. Two hundred bills were unaddressed in the legislature. A bill was passed to encourage conservation. Several new coal fired plants are in the works. Two issues before the senate are: 1) capital credits; and 2) municipal bankruptcy bill — which failed. Jon Wellinghoff from Nevada is being considered as a potential FERC commissioner. Term limits are having an affect on the legislature.

Oregon — Jim Dyer reported that the Oregon legislature concluded the 2nd longest session ever. Some items address where: What to do with PGE; a Hydro and salmon petition to encourage the governor to withdraw support and concentrate on renewables; increased tax credit for solar; increased use of solid waste material; and a rural zone. Twelve bills were considered that did not pass. Bruce Pilling offered additional comments on this report.

Washington — Robin Rego reported the following utility items would probably be the focus areas in the next legislative session, which begins in mid-January 2006 and runs for 60 days (a short session):

- Legislation on a Renewable Portfolio Standard (RPS) and/or integrated Resource Portfolio (IRP). Related to this is a decision that will be made during the 4th quarter of 2005 by a number of environmental organizations in the state on whether or not to run an initiative campaign in 2006 (for the November 2006 ballot). Such an initiative would seek to place an RPS in state law through the initiative process, roughly similar to what happened in Colorado recently.
- Generation interconnection standards — Several states have such laws put in place either by the legislature or by a rulemaking process. This was the #1 priority of Rep. Jeff Morris, chair of the House Energy Committee, last year and we expect it to be a top priority again. Public power utilities are working together this summer and fall to see if they can agree on standards.
- Legislation to determine how to sort out service area disputes among utilities. There has been proposed legislation for the past two years at least, and there continues to be a couple of “hot spots” around the state, so we expect a bigger push on this.
- Other legislative topics that may get the attention of at least some utilities includes legislation that could modify the retirement age for

people in the Public Employees Retirement System (PUDs and Muni employees) and legislation that would establish a paid family leave program (only California has such a program now).

Utah — Ted Rampton from UAMPS reported that Utah also had a good water year. Utah does not have a formalized energy policy. The legislature wants to look at this. There is a push for RPS. On the takeover purchase of PacifiCorp by Mid-America, UAMPS has filed an intervention.

G. REVIEW OF COMMITTEE CHAIR ELECTION CRITERIA

Will Lutgen reviewed the document provided to GRC members on the proposed criteria for selecting a committee chair and vice-chair with the inclusion of the words “when possible” to item #3.

Fred Guyer moved to insert the following words to the first paragraph:

*The chair of the government relations committee shall be elected by majority vote **of the delegates present and voting at the GRC at the Association’s spring meeting each year provided a forum is present.***

Under Selecting the Vice Chairman the first paragraph would read:

*The vice chair of the government relations committee shall be elected by majority vote of **the delegates present and voting at the GRC at the Association’s spring meeting each year provided a forum is present.***

With no objection from the GRC committee NWPPA staff will go forward with the proposed guidelines for selecting chair and vice-chair.

H. NEXT MEETING DATE AND LOCATION

Neal Harth announced the next GRC meeting is scheduled for March 8, 2006 at the Mayflower Park Hotel in Seattle, Wash. Additional information can be found on the GRC Web page.

With no further business the meeting adjourned at 11:55 a.m.

Respectfully submitted,



Neal Harth, Committee Chair