



Northwest Public Power Association

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**Government Relations Committee Meeting
Coeur d'Alene Inn
Coeur d'Alene, Idaho
March 11, 2010**

Minutes of Meeting

A. ATTENDING

Jeff Baker, Platt Electric Supply
Paul Brachvogel, Cowlitz Co. PUD
Michelle Caird, Inland Power & Light
Frank Corbin, Nushagak Cooperative
Randy Cornelius, Orcas Power & Light
Stewart Cox, Waukesha Electric
Jim Dyer, Salem Electric
Doug Elliott, Kootenai Electric
Ron Farmer, Eugene Water & Electric Board
Ed Gossett, Kootenai Electric
Doug Hardy, Central Montana Electric Power, Parliamentarian
Neal Harth, Wasco Electric
Brad Hawkins, Douglas PUD
Harry Hewitt, Tillamook PUD
Michael Howe, Oregon Trail Electric Cooperative
Meera Kohler, Alaska Village Electric Co-op
Mick Lloyd, Lincoln County Power District
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
Jim Posey, Anchorage Municipal Light & Power
Paul Rogers, Kittitas County PUD
Marianne Roose, Lincoln Electric Co-op
Gerald Rutledge, Hill County Electric
Dave Sabala, Douglas Electric Co-op
Gary Saleba, EES Consulting

Bob Speckman, Salem Electric
Bill Swick, Kootenai Electric
Bob Titus, City of Ellensburg
Buddy Treadway, Benton REA
Ken Weiss, Clearwater Power
Marty Whiteman, Chelan PUD
Ralph Williams, United Electric, Chair
Bob Wiggins, Clatskanie PUD
Bob Wittenberg, Skamania PUD

By Phone

Elizabeth Hadley, City of Redding
Bob Therkelsen
Stosh Anderson, Kodiak Electric Association
Deborah Sliz, Morgan Meguire

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
Brent tenPas, Northern California Power Agency
Scott Tomashefsky, Northern California Power Agency
Dave Warren, Washington PUD Association

Ralph Williams called the meeting to order at 2:00 p.m. on Thursday, March 11, 2009. The meeting was held at the Coeur d'Alene Inn in Coeur d'Alene, Idaho. A quorum of the GRC committee was present. Doug Hardy was introduced as the meeting parliamentarian.

B. REVIEW & APPROVE MINUTES OF PREVIOUS MEETING

Ed Gossett moved to accept the minutes from the Sept. 10, 2009 meeting as presented. With a second the motion carried with none opposed.

C. SELECTION OF VICE CHAIR

Jim Posey moved to nominate Doug Hardy as GRC vice chair. Meera Kohler moved to close nominations and select Doug Hardy, Central Montana Electric Power as vice chair. With a second the motion carried with none opposed.

D. WASHINGTON DC REPORT

Deborah Sliz, Morgan Meguire provided a federal legislative report via conference call. Highlights from Sliz's report are:

I. Climate Change Legislation

- Kerry-Boxer bill is dead in Senate; too many moderate Democrats object;
- Sens. Kerry-Graham-Lieberman are working on an alternative approach to combine energy security provisions (e.g. open more domestic areas for oil and gas drilling; expanded loan guarantees for nuclear plants; money for R&D on clean coal technologies) and greenhouse gas (GHG) emissions reduction;
- Majority Leader Reid has asked Senators to give him a draft bill shortly after Easter recess;
- There is no bill text available yet but details are leaking out. Senators plan a cap-and-trade approach for utilities, delaying cap-and-trade for large industrial sources and "carbon tax" for transportation fuels;
- Morgan Meguire's prediction is that it will not happen this year. Most republican senators think their "cap-and-tax" message resonates with voters and they will win seats in the November, 2010 elections, strengthening their hand to have more input in 2011.

II. Cyber Security Legislation

- The House Energy and Environment Subcommittee is pushing hard to approve modified version of Barrow-Waxman-Markey bill (H.R. 2165) before Easter recess;
- The revised bill is not supported by industry coalition, which includes virtually all electricity organizations, including NRECA and APPA;
- The biggest concerns are that the bill gives FERC new authority over: 1) cyber "vulnerabilities," taking that away from NERC; 2) cyber security matters at distribution level for top 100 military facilities; imminent cyber *and* physical threats; and 3) over transformer availability programs for the entire bulk power system;
- This is a FERC power grab that undermines the collaborative NERC process, where utilities are involved in developing reliability standards, which are then approved by FERC. FERC's notice and opportunity for comment process will not

give industry the same kind and level of opportunity to contribute its technical expertise;

III. Derivatives

- House financial services reform legislation essentially exempted derivatives transactions entered into by “end users” of commodities hedged, because they do not pose threat to stability of U.S. financial system;
- These provisions were supported by energy trade organizations, including APPA and NRECA, to ensure that utilities retain the right to use hedges without having to post collateral;
- The bill approved by Senate Banking, Housing and Urban Affairs Committee just before the Easter recess had a “placeholder” for derivatives language because it is a controversial subject on which Senators have not reached agreement;
- The end-user coalition (including APPA and NRECA) is working to win Senate exemption for issuers that actually use the products hedged, as it did in the House;
- One complicating factor is that Sens. Maria Cantwell (D-WA), Dianne Feinstein (D-CA), Olympia Snowe (R-ME) and Byron Dorgan (D-ND) are opposed to exempting energy derivatives, claiming that unregulated energy derivatives issued by Enron led to California and Western energy crisis of 2000-2001;
- Morgan Meguire will keep NWPPA posted on developments relating to the Senate bill.

E. 2010 RESOLUTION REVIEW

Scott Lindsay provided an overview of the new resolution format and explained the process used to reformat existing resolutions and for any new resolutions submitted for consideration. Brad Hawkins thanked all individuals that worked on the resolution ad hoc committee revising the resolution format.

The Government Relations Committee was reminded that each utility has only one vote during the meeting and members were asked to confer with others present from their utility to decide who would be the voting delegate for the meeting.

En Bloc Resolution Review — Neal Harth moved to approve the En Bloc resolutions (2010-06, 2010-07, 2010-09, 2010-10, 2010-11, 35-10 archive, 36-10 archive) submitted. With a second the motion to approve the En Bloc resolutions as submitted carried with none opposed.

Individual Resolution Consideration

2010-01 — Motion to approve the resolution with changes submitted and the new bullet added onto the end was made by Neal Harth. With a second the motion carried with none opposed. (Resolution with final language approved attached to minutes)

2010-02 — Neal Harth made a motion to approve the changes to paragraph one. With a second the motion to approve paragraph one carried with none opposed.

Doug Hardy made a motion to approve resolution with changes and remand the wording of the last two bullets back to an ad hoc committee for GRC consideration at its May 24 meeting. With a second the motion to approve the resolution with continued work to the wording on the last two bullets carried with none opposed. (Resolution with final language approved attached to minutes)

The following individuals were recruited to serve on an Energy Efficiency resolution ad hoc committee and work with Scott Lindsay to refine the wording of the last two bullets on the resolution:

Harry Hewitt
Doug Hardy
Jessica Matlock
Marty Whiteman
Elizabeth Hadley
Scott Tomashefsky
Brad Hawkins

2010-05 — Jim Posey made a motion to approve the resolution with changes. With a second the motion to approve was carried with none opposed. (Resolution with final language approved attached to minutes)

2010-08 — Stosh Anderson of Kodiak Electric Association offered amended language to this resolution. Jim Dyer made a motion to take the last two bullets of resolution 2010-08 (c) and add them to resolution 2010-08 (b) at the end of the bullets. Motion died with no second.

Bob Titus made a motion to approve resolution 2010-08 (b) as presented with wording changes made. With a second the motion to approve the resolution carried with none opposed. (Resolution with final language approved attached to minutes)

2010-12 — Neal Harth made a motion to approve this resolution as presented. With a second the motion to approve was carried with none opposed. (Resolution with final language approved attached to minutes)

F. REGIONAL INITIATIVES

WECC — Will Lutgen provided a report on NWPPA's activities on Western Electricity Coordinating Council (WECC) Reliability Standards.

Lutgen reported that NWPPA is continuing its work with Bill Dearing to lead an effort helping re-defining the Bulk Electricity System (BES). NWPPA working with PPC, PNGC, NRU, WPAG and members of these organizations, has provided group comments on four (4) WECC proposals or solicitations on this subject to date. These group comments are made available to individual members to use as they please and to submit their own comments to WECC on the BES. This format seems to be working well for the members of all of the participating organizations.

There are two parts of the BES proposal in play: (1) the development of criteria for something called a Mitigation Impact Assessment (MIA); and (2) encouraging another WECC committee, the Technical Systems Services Committee (TSS), to review and favorably recommend to WECC's Board that it adopt an MIA process. Utilities could use the MIA process to prove they don't have a material impact on the reliability of the BES. Lutgen asked members who may have representatives on the WECC Board to encourage the TSS to take up this matter soon.

WCI — Bob Therkelsen gave the following report on WCI activities via conference call:

Overview

WCI's initial focus was on developing a regional cap-and-trade program involving all 11 states and provinces. Last year, as the likely participation in the program fell and probability of a national program increased, WCI focused more on influencing a national program resulting from legislation or regulation by the U.S. EPA. With less possibility of a national program, WCI is again actively working toward implementation of its program, starting with four to five participants in 2012 and adding more over time. The Essential Elements for the program are to be released this summer and reporting beginning in January 2011.

Recent and Expected Products

- Historical and forecasted emissions data for each capped source (3/10)
- Offset limits (3/10)
- Recommendation on market oversight (3/10)
- Electricity sector competitiveness analysis - Impact of program on price, exchange, and production of electricity (3/10)
- Electricity import emissions calculator and reporting (3/10)
- Treatment of renewable energy credits (3/10)
- Administrative option to First Jurisdictional Deliverer (Draft 3/10, Final 6/10)
- Updated economic modeling analysis (3/10)
- Treatment of voluntary renewable energy (4/10)
- "EPA harmonized" reporting requirements (Draft 3/10, Final 4/10)
- Criteria for "one-time budget adjustments" (Draft – 3/10, Final – 5/10)
- Criteria and process for early reduction allowances (Draft 3/10, Final 6/10)
- Offset definitions, criteria, and process (4/10)
- Partner allowance budgets (Draft 6/10, Final 10/11)
- Essential Elements for cap-and-trade implementation (Draft 6/10)
- Complimentary policies (Draft 6/10)
- Offset protocols (12/10)

Anticipated WCI Activities

- Monthly partners meetings until the Essential Elements are drafted.
- Close coordination with the U.S. EPA on any proposed rulemaking.
- Coordination with the two other regional GHG initiatives.
- Comment on U.S. EPA reporting rule in 4/10.

Observations

- The primary leaders of the effort are California and British Columbia.
- In general, the states support a "strong national program" but believe it is in the regions interest to position itself in the national debate.
- Some states are concerned about impacts of the program on the economy.

G. LEGISLATIVE RALLY

The NCPA/NWPPA DC Rally will be held April 25-29, 2010 at the Hotel Monaco. More information will be coming out soon from NCPA & NWPPA.

Brent tenPas gave a report on the speakers that will be there at the April NCPA/NWPPA Legislative Rally. Scott Lindsay outlined the trip and how the group selection process goes. GRC members that indicated they want to go during the meeting were:

Harry Hewitt, Tillamook PUD
Doug Hardy, Central Montana Electric Power
Brad Hawkins, Douglas PUD

Lindsay explained that NWPPA would like to have a representative from each state on the trip. Members were asked to contact Scott Lindsay if they would like to participate in the trip.

H. OTHER BUSINESS

Technical Response Team (TRT) Initiative – Will Lutgen outlined why the board set this technical response initiative up and what they would do. The TRT was set up to respond to questions from Congress. The team will only reply to questions based upon existing NWPPA resolutions passed by the membership. This allows for a streamlined process for answering questions from congressional delegates in a timely manner based upon resolutions passed by the entire NWPPA membership.

I. NEXT MEETING

The next GRC meeting is scheduled for May 24, 2010 in conjunction with the NWPPA Annual Conference & Membership Meeting at the Hyatt Regency Sacramento at Capitol Park Hotel in Sacramento, Calif. The meeting will run from 8:30 a.m. to noon in the Regency Room AB.

With no further business the meeting be adjourned at 4:58 p.m.

Respectfully submitted,



Ralph Williams, United Electric
2009-2010 Government Relations Committee Chair

**Northwest Public Power Association
Resolution 2010-01
Regional Transmission Solutions**

Background

NWPPA recognizes transmission solutions are important to the region. NWPPA believes the transmission planning process in the Northwest is effective and working well. NWPPA members already benefit from a reliable, low-cost power and transmission system. 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 cautiously approached, as misguided changes to the fundamental operating procedures of the transmission grid have had devastating consequences for consumers in other regions.

NWPPA's Position

- Policymakers should encourage sub-regional planning groups like the ColumbiaGrid, the Northern Tier Transmission Group and the Transmission Agency of Northern California to continue to develop, fund and implement regional solutions to transmission problems.
- NWPPA supports efforts to advance cost effective proposals to solve recognized transmission problems including those arising from the integration of variable generation resources. Any effort to modify the transmission system should not result in the creation of new institutions that would lessen regional input and control.
- NWPPA opposes efforts by the Federal Energy Regulatory Commission (FERC) to encourage the formation of a Regional Transmission Organization (RTO) in the West. Past RTO proposals have produced ill-defined governance, excessive costs, loss of regional accountability and greater federal regulation.
- NWPPA opposes efforts by Congress to direct the construction of transmission.
- In order to maintain a reliable and stable power supply, NWPPA supports transmission access for all types of generating resources and beneficiary financing of transmission lines to serve those resources.
- Policymakers should support a measured approach to addressing regional transmission problems that encourages regional collaboration rather than imposing a one-size fits all system that is costly and ill-suited for the Western region.

Origination Date: 2005. Revised in 2010.

**Northwest Public Power Association
Resolution 2010-02
Energy Efficiency**

Background

NWPPA believes that energy efficiency can assist members to meet challenges in the years ahead due to increased energy demand, costs and regulation. Energy efficiency gains can help offset costs associated with the Bonneville Power Administration's tiered rate structure, market power purchases, construction or acquisition of additional generating resources and increased costs related to compliance with regulations, state and federal renewable portfolio standards, and potential impacts of climate change legislation. Cost effective energy efficiency can build upon the strong foundation of low-cost hydroelectric generation in the West. Energy efficiency technologies and applications can help create jobs which benefit local economies. New investments and incentives for energy efficiency will help to raise awareness of the benefits of energy efficiency, help to create demand for and development of additional technologies and promote energy independence.

NWPPA's Position

- NWPPA urges Congress to promote all technically feasible, cost-effective and achievable energy efficiency measures including increased funding for the development of demand side management technologies and services.
- NWPPA supports tax credits and incentives for residential, commercial industrial, agricultural and public facilities and processes to install energy efficiency measures which mitigate consumer energy costs
- NWPPA supports increased funding for energy efficiency programs.
- NWPPA supports training programs that help build an energy efficiency workforce of the future.
- NWPPA supports a coordinated effort at all levels of government to help inform the public about the benefits of energy efficiency including a comparison to the total costs of the alternatives.
- NWPPA supports economically feasible energy efficiency building codes that result in significant energy use reductions over the life of the building and energy efficiency equipment standards that reduce the amount of energy required to power amenities.
- NWPPA supports establishing benchmarking of energy use in existing buildings (residential and commercial) using weather normalization for

HVAC loads as an important indicator to assist in identifying conservation opportunities.

Origination Date: 2009. Revised in 2010. (Bullet tweak under revision by ad hoc committee)

**Northwest Public Power Association
Resolution 2010-05
Improved Agency Cooperation for Utility
Rights-of-Way on Federal Lands**

Background

NWPPA members have an obligation to provide dependable electric service to their customers. This requires a reliable and safe transmission and distribution system. In operating and maintaining these systems on or near federal lands, consumer-owned utilities require timely and economical access to these lands for the purpose of construction, maintenance, relocation, and repairs of electric utility facilities and rights-of-way. To gain access to federal lands, these utilities are required to work with numerous federal agencies, such as the U.S. Department of the Interior (including the National Park Service, U.S. Fish and Wildlife Service, U.S. Bureau of Land Management and Bureau of Indian Affairs), Department of Defense (U.S. Army Corps of Engineers), and U.S. Department of Agriculture (including the U.S. Forest Service).

In working with these agencies, utilities often encounter policies that prohibit or delay access to federal lands, add excessive costs to perform the work to obtain the required permits, and create adverse impacts to public health and safety including damage to electrical lines and forest lands. These policies include: forbidding or delaying development, maintenance and use of roads in national forests; imposing a strict liability clause for fire suppression in utility easement agreements, while restricting a utility's ability to minimize such liability by clearing brush from forest floors or trimming and topping trees; and forbidding or delaying the extension of service to private property or adding unreasonable conditions to such extensions.

NWPPA's Position

- NWPPA believes Congress should propose the creation of an interagency review committee with the authority to revise and streamline all policies that can adversely impact a utility's ability to obtain timely access to federal lands for the purposes of maintaining safe and reliable operations.
- Federal agencies should work with NWPPA members to enhance the utility's rights to operate and maintain facilities and rights-of-way.
- Federal agencies should assist NWPPA members in obtaining Congressional support to revise the current strict liability clause statute

and other laws that restrict timely access to federal lands for the purposes of construction, maintenance, relocation and repairs of electric utility facilities and rights-of-way located on federal lands.

Origination Date: 2006. Revised in 2008 and 2010.



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Resolution 2010-08

Protecting the Bulk Power System from Cyber Attacks

Background

NWPPA supports protecting its infrastructure from cyber attacks. In 2007, the North American Electric Reliability Council (NERC), acting as the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) for the U.S. Department of Homeland Security (DHS), distributed a cyber-vulnerability alert developed by DHS to selected entities in the electric power sector. The DHS “Aurora” alert was not subject to mandatory compliance under Federal Power Act (FPA) Section 215, which mandates reliability standards for certain electric utilities. The alert was intended to caution the industry to secure remotely accessible transmission relays and other devices from cyber attack, based on simulations conducted at the Idaho National Lab which demonstrated that remote access to bulk power system (BPS) relays could be used to damage rotating machines—such as generators, pumps or motors— that are connected to the power grid. The electric utility industry voluntarily complied with this alert.

Following the release of the DHS Aurora alert, in 2008 Congress conducted hearings to consider the Federal Energy Regulatory Commission’s (FERC), NERC’s and industry’s response to the alert and other related issues. FERC’s Chair argued at a congressional hearing that the Commission needs additional authority, to supplement FPA Section 215, authorizing FERC to impose interim reliability standards on an emergency basis when national security or intelligence agencies identify an imminent cyber threat to the bulk-power system. NERC’s CEO agreed. Many in Congress also agreed, resulting in House legislation giving FERC limited authority to direct the electric utility industry to take certain steps in the event of a cyber-security emergency. The Senate also drafted legislation that gave the Department of Energy a greater role.

NWPPA’s Position

- Should Congress consider legislation, NWPPA would encourage policymakers to focus on legislation that is narrowly crafted and targeted to address the issues involving cyber security without placing an unnecessary burden on the electricity industry that may produce only limited results.
- NWPPA opposes legislation to grant FERC broader powers to develop and implement standards during an emergency.
- NWPPA supports a method that relies on electric industry developed actions that facilitate expedient identification and understanding of electric

system vulnerabilities, with standardized procedures for disseminating information to utilities.

Origination Date: 2009. Revised in 2010.

**Northwest Public Power Association
Resolution 2010-12 (NEW)
Reliability Standards and Enforcement Reform**

Background

The Energy Policy Act of 2005 directed the Federal Energy Regulatory Commission (FERC) to establish new rules regarding the creation of an Electric Reliability Organization to develop and enforce Electric Reliability Standards. The mandatory reliability standards and associated compliance criteria, as they are currently being deployed, processed, and interpreted by FERC, the Regional Entities (RE), the North American Electric Reliability Corporation (NERC), have placed significant additional burdens on NWPPA members. NERC oversight relies on detailed reporting documentation that consumes resources and diverts utility engineering and operations personnel from actually maintaining and operating their system reliably. Additionally, NWPPA members are exposed to uncertain financial penalties that do not bear a reasonable relationship to the seriousness of violations and their potential consequences to Bulk Electric System reliability. While many mandatory standards benefit customers, the inordinate emphasis in the current standards documentation is costly, often does not have a direct and demonstrable positive impact on reliability, and may divert resources from activities that have a more direct positive effect on system reliability.

NWPPA's Position

- NWPPA supports efforts to reform existing standards, and to focus the development of new standards, on results-based requirements and metrics that address actual threats to system reliability rather than documentation or administrative requirements.
- NWPPA supports efforts to clarify existing mandatory reliability standards to the extent feasible, and to include measurable requirements in these standards to the extent feasible, to help registered entities prioritize resources to satisfy compliance requirements.
- NWPPA urges reforming NERC sanction guidelines to narrow the range of potential penalties, limit the application of daily penalties, and require more empirical rigor in the application of mitigating and aggravating factors relevant to the applications of penalties.
- NWPPA urges development of rules for enforcement of standards violations which call for a more direct relationship between potential penalties and the impact of violations on the Bulk Electric System.
- NWPPA supports efforts to provide greater transparency and consistency within and between regions in the enforcement and auditing processes.

- NWPPA urges adoption of procedures enabling utilities to seek informal advice from the REs outside the enforcement process, and procedures that enable the REs to provide consistent advice through real-time coordination with NERC.
- NWPPA urges adoption of procedures that facilitate informal resolution without resort to Notices of Alleged Violation.
- NWPPA urges FERC, NERC, and the REs to give the views expressed in self-reports by registered entities their due weight, and foster collaborative problem solving by allowing self-reports to facilitate informal communications between registered entities without penalizing registered entities.
- NWPPA urges FERC, NERC, and the REs to employ procedures for education, cooperation, and informal resolution as primary resources in the effort to enhance system reliability, with the assessment of penalties undertaken where essential and after other efforts have failed.

Origination Date: 2010.