

**Government Relations Committee Meeting  
Boise Centre – Waters Room  
Boise, Idaho  
May 18, 2009**

**A. ATTENDING**

Ronald Acarregui, Kodiak Electric  
Steven Anderson, Kootenai Electric Co-op  
Eric Anderson, Northern Lights Inc.  
David Baker, Columbia River PUD  
Ed Bangle, Lane Electric Co-op  
Carl Beach, Salem Electric  
Donna Boekel, Kootenai Electric Co-op  
Ernie Bolz, Okanogan County PUD  
Paul Brachvogel, Cowlitz PUD  
Trish Butler, Okanogan Co. PUD  
Michelle Caird, Inland Power & Light  
Jane Cirrincione, NCPA  
Rick Coleman, Trinity PUD  
Randy Cornelius, Orcas Power & Light  
Paul Davies, Central Lincoln PUD  
Jeff Davis, Wasco Electric Co-op  
Jim Dyer, Salem Electric  
Pat Dymock, Lane Electric Co-op  
Doug Elliott, Kootenai Electric  
Paul Ennor, Salem Electric  
Clay Fitch, Wells Rural Electric Cooperative  
Merle Gillespie, Clatskanie PUD  
Ron Gold, Mason County PUD No. 1  
Howard Gonser, N. Wasco PUD  
Ed Gossett, Kootenai Electric Co-op  
Linda Gott, Mason County PUD No. 3  
Gordon Gould, Kodiak Electric  
John Grubich, Okanogan Co. PUD  
Jeff Hall, Benton PUD  
Neal Harth, Wasco Electric Co-op  
Brad Hawkins, Douglas PUD  
Harry Hewitt, Tillamook PUD  
Grant Holman, Oregon Trail Electric Consumers Cooperative  
Wally Jacobson, Kootenai Electric Co-op

Jack Janda, Mason County PUD No. 1  
Edwin Jenkins, Tillamook PUD  
Mark Johnson, Parkland Light & Water  
Meera Kohler, Alaska Village Electric Co-op  
Valarie Koss, Columbia River PUD  
Orin LaRitchie, Northern Lights Inc.  
Judy Matheny, Central Lincoln PUD  
Gary Miller, Oregon Trail Electric Consumers Co-op  
Ray Mosbrucker, Klickitat PUD  
Barbara Nagle, N. Wasco PUD  
Nate Narrance, Inland Power & Light  
Stu Nelson, Franklin PUD  
Brian Newton, Golden Valley Electric  
Tim Nichols, City of Redding  
Doug Olson, Tillamook PUD  
Bruce Pilling, Emerald PUD  
Jim Posey, Anchorage Municipal Light & Power  
Bill Prentice, Ater Wynne  
Cecil Ranney, Kodiak Electric  
Shiela Rau, Valley Electric Association  
Clint Richardson, Parkland Light & Water  
Paul Rogers, Kittitas County PUD  
Glenn Rohde, Umatilla Electric Co-op  
Gerald Rutledge, Hill County Electric Co-op  
Dave Sabala, Douglas Electric Co-op  
Tim Sheldon, Energy N.W.  
Larry Shipley, Douglas Electric Co-op  
Dick Simpson, Columbia River PUD  
Ted Simpson, Clallam County PUD  
Ron Skagen, Douglas County PUD  
Milt Skov, N. Wasco PUD  
Loy Sparks, Lane Electric Co-op  
Joe Sutton, International Line Builders  
Mike Swanson, Pacific County PUD  
Loren Tarbell, Columbia River PUD  
Diana Thompson, Pacific County PUD  
Buddy Treadway, Benton REA  
Signo Uddenberg, Peninsula Light  
J. W. Hill, Lane Electric Co-op  
Elaine Walter, Parkland Light & Water  
Stan Weishaar, Oregon Trail Electric Consumers Cooperative  
Ethel White, Lincoln Electric  
Bob Wiggins, Clatskanie PUD  
Janet Wiley, Clatskanie PUD

### NWPPA Staff

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

### Others in Attendance

Phillip Moeller, Federal Energy Regulatory Commission (FERC)  
Scott Lindsay, NWPPA GRC Consultant  
Karen Zanoﬀ, Morgan Meguire  
Scott Corwin, Public Power Council  
Liz Loomis, Liz Loomis Public Affairs

GRC Chair Bruce Pilling called the meeting to order at 8:30 a.m. on Monday, May 18, 2009. The meeting was held at The Grove Hotel and Boise Centre in Boise, Idaho. A quorum of the GRC committee was present.

## **B. CONSENT AGENDA**

Neal Harth moved to approve the Minutes from the March 4, 2009 GRC meeting as prepared. With a second the motion to approve the Minutes as presented was approved with none opposed.

## **C. FERC UPDATE**

Phillip Moeller, Commissioner for the Federal Energy Regulatory Commission (FERC), gave his insights for the issues that FERC was currently working on and trends he saw for the energy industry. He reported on several areas:

- Wind power integration into the energy grid is a big issue nationally;
- Challenges to implementing the NERC electric power reliability standards;
- FERC is now a “major league” enforcement agency so expect to see greater authority and a more proactive advancement of its priorities;
- Smart grid innovations are coming but concerns remain about potential cyber security threats; and
- Does not believe that cap and trade will pass as it will be too difficult for the Senate to get 60 votes in support of the complex bill – calling it “the most difficult public policy issue that Congress has ever tried to solve”.

Several members voiced frustration with cap and trade as well as the new reliability standards.

## **D. WASHINGTON DC UPDATE**

Karen Zanoﬀ of Morgan Meguire provided the following Washington DC legislative update:

- There is a lot going on in DC on seemingly every front, and that is due to the fact that the Obama Administration and the Democratically-lead Congress are trying to advance sweeping new policies to transform the entire energy sector.
- Obama believes our country needs to move quickly to increase its use of renewables, modernize the grid, and begin reducing GHG emissions. This will, he believes, decrease U.S. dependence on foreign sources of fuel, create a “green economy,” and slow, then stop, global warming.
- This is why you’re seeing Democratic leaders in both the House and Senate rushing to advance legislation to address climate change, transmission policy and a renewable energy standard, and a lot of other energy initiatives. Everything is very fluid!

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## House

- In the House, the House Energy and Commerce Committee Chairman Henry Waxman (D-CA) announced that they reached agreement with Committee Democrats on changes to the Climate Change and Renewable Electricity Standard (RES) provisions in the comprehensive bill that he and Energy and Environment Subcommittee Chairman Ed Markey (D-MA) circulated a couple of weeks ago.
- The text of the 932 page agreement, HR 2454, was released Friday (5/15) afternoon, with the full Committee beginning mark-up on (5/18), bypassing the subcommittee.
- The compromise plan lowers the bill’s renewable energy standard (RES) requirement from 25% to 20% by 2020, with 15% met with renewables and 5% through efficiency measures. A state governor may petition the Sec. to have the renewable portion lowered to 12%, while the efficiency target would be raised to 8%, keeping the 20% combined level requirement. In addition to hydropower, new nuclear power and coal with carbon, capture and sequestration technology are excluded from the energy baseline against which the RES multiplier is applied. Also of interest, the “placed in service” date for “qualified” hydropower (*i.e.* incremental and new hydro at dams that previously did not have electric generation) eligible for renewable electricity credits has been pushed back from 2001 to 1992. Also expanded the definition of biomass to include certain biomass on federal lands, which members asked for NWPPA’s assistance on when the Association was back in DC for its rally.
- On greenhouse gas (GHG) emissions, the agreement establishes a target reduction of 17% of 2005 levels by 2050. President Obama had suggested a 14% cut, and some Democrats from coal and oil states had suggested 6%.
- With regard to allowances, the electricity sector will receive 35% of the allowances for free. Local electric distribution companies (LDCs) will receive 30% of the allowances and merchant coal and long-term power purchase agreements will receive 5% of the allowances. Although, APPA looked at

legislative language and it actually comes to about 10% based on methodology; APPA opposes it.

- Allowances to LDCs will be distributed based on the Edison Electric Institute's recommendation of 50% based on retail sales and 50% based on historic emissions, and will phase out over a five-year period from 2026 through 2030.
- Fifteen percent of allowances will be auctioned each year and the proceeds of these allowances will be distributed to low- and moderate-income families to protect them from other energy cost increases. These allowances will be distributed through tax credits, direct payments, and electronic benefit payments and will not phase out – like the cap-and-dividend/rebate proposals, which will need approval from the Ways and Means Committee. Some of the unallocated allowances will be auctioned to ensure budget neutrality and the remainder will be used for consumer protection.
- Zanoft also directed members to the section on treatment of states and those regions with existing programs, like WCI and RGGI.
- Though Waxman gained support through these concessions, he also created opposition to the bill from key environmentalists, including Greenpeace, Friends of the Earth, and Public Citizen. The Sierra Club also took issue with Waxman's changes, calling for "greater energy efficiency and a complete auction of the emission credits." The oil and gas and refining industries are also unhappy, as are the industrial emitters.
- There is nearly solid opposition among committee Republicans, with only Rep. Bono Mack "undecided," on the measure, and the GOP strategy is to slow the process down. They are readying more than 400 amendments to offer that would make substantive changes to the Democratic plan, as well as a comprehensive alternative that focuses heavily on increasing domestic energy production. It is not expected to pass.
- Committee Ranking Member Joe Barton's (R-TX) alternative plan, would address climate change through mandatory performance standards for new electric utilities, allowing them to release a set amount of carbon based on energy output. If companies beat the limits, they would get to accelerate depreciation on the new plant and any equipment put into the plant. Barton would also include financial penalties for noncompliance, and would strip EPA of its ability to regulate GHG under the April 2007 Supreme Court decision in *Massachusetts v. EPA*.
- Barton has also threatened to employ a rarely-used procedural move to force a full reading of the bill before amendments can be offered. Usually, there is a unanimous consent request at the beginning of a markup to dispense with the reading of the bill. The revised bill is almost 1,000 pages, so this will clearly take up considerable time. The GOP will consider it a victory, though, if they can slow the process down enough for time to run out and the committee is not able to pass the bill by the Democrats self-imposed Memorial Day recess.
- Barton said he thought "cap and trade was dead" and that "the votes probably weren't there to get it out of committee." However, it is unlikely that Waxman

would bring the bill to a markup if he did not think he had the votes to successfully get it out of committee.

- Once the bill gets *out* of the E&C committee, it might just be enough for this year for the Democrats to say to EPA: stop moving forward on any regulations because we're moving forward; and enough for Obama to take with him to the UN Conference in Denmark and say to the rest of the world the U.S. is on a path forward.
- APPA has said that they do not see a time when they would be able to support this bill, as it does not have a "safety valve" if costs get too high. So they will likely send a letter to the committee saying they appreciate the progress that has been made but can't support it.

### **Senate:**

- The Senate is focused on an energy bill right now and not climate change legislation, and the ENR Chairman Jeff Bingaman (D-NM) is continuing to move forward with marking up his comprehensive energy bill.
- So far, the committee has marked up titles on energy efficiency for manufacturers, appliance standards, workforce development, integrating energy and water policy, authorizing a Department of Energy loan guarantee program, and a clean energy bank.
- Recently the committee marked up a revised **transmission** title, which is one of the more controversial titles, although there was not a final vote on it -- all of the titles are "remaining open," which means, conceivably, they can still be amended until there is a final vote.
- The draft that was considered last week, which was an improvement in many respects to the original proposal, would 1) authorize the Federal Energy Regulatory Commission (FERC) to coordinate regional planning to produce an interconnection-wide plan for high-priority, national transmission projects; 2) enhance FERC's current "backstop" siting authority; and 3) authorize FERC to issue rules for allocation of costs of those projects, and states that costs shall not be allocated to a region or sub-region that are disproportionate to "reasonably anticipated benefits."
- Zanoft flagged the point of cost allocation of the new transmission lines, as an issue that could undermine the title, and is also causing some conflict among public power.
- The large public power utilities would prefer the line-users just pay and that there is no additional FERC jurisdiction over their transmission rates.
- The smaller, transmission dependent utilities want FERC to determine cost/benefits, which would likely lead to slight socialization.
- APPA supports the language that was in the Bingaman bill, which is essentially the position of the smaller utilities.
  
- However, at the markup, an amendment by Sen. Corker was adopted, 13-9, which essentially put a new, higher burden on FERC when determining who pays, and is supported by the larger utilities.

- While APPA believes its policy is clear on this issue, through its Transmission Working Group, it is going to try to come to some sort of resolution on it. EPSA and EEI are conflicted out of this debate.
- Zanoft mentioned that an amendment by Sen. Cantwell was approved at the markup, which requires planning principles to address alternatives to high-priority national transmission projects and determine whether alternative investments (like energy efficiency, distributed generation, and smart grid,) can provide a more expedient means to improve electricity system capacity or reliability or reduced costs for end users.
- An amendment she offered/withdrew would prohibit anything that emits more GHGs than a single-cycle gas fired facility from interconnecting to new transmission lines.
- The committee could take up the **cyber security** and nuclear waste titles this week.
- On cyber security, the Senate ENR committee has a joint staff draft out which is similar to a version they had out last year. The purpose of the bill is to give FERC new, authority to take measures to protect the grid against the threat of imminent cyber attacks and other intentional malicious acts. The Senate bill also gives D.O.E. new emergency authority.
- Last year, a broad, industry trade-association coalition was formed, which included the American Public Power Association, TAPS, LPPC, National Rural Electric Cooperative Association, Edison Electric Institute, Electricity Consumers Resource Council (representing large industrial energy customers), National Association of Regulatory Utility Commissioners and Electric Power Supply Association (representing merchant generators), and others to engage with Congress and FERC and offer the industry perspective, and Morgan Meguire has been in the room with them, too.
- While industry agrees that there is a gap between the NERC standards process and the ability of the FERC to address narrow, emergency situations when there is an imminent cyber threat to the grid, the group has concerns with the scope of the Senate draft. Basically, the coalition believes that the new authority ought to be limited to apply to the users, owners and operators of the bulk power system (not over distribution), FERC should only be given temporary authority over cyber security emergencies and be limited to imminent cyber security threats and not physical threats.
- The coalition actually prefers the House version, H.R. 2165 (Rep. John Barrow (D-GA), along with Markey (D-MA) and Waxman (D-CA), and sees a more favorable reception there. So, the strategy in the Senate is to only offer limited comments to the Senate draft, and the coalition is working to try to get a Senator to at least offer and withdraw amendment(s) with our suggested changes and try to flag for the chairman that there are concerns.
- It is so difficult for Members of Congress to grasp and focus on the industry perspective.

- This bill is one of several cyber security bills being circulated by Congress, including bills by the Chairmen of the Senate and House Homeland Security Committees (H.R. 2195), Chairman of the Senate Commerce Committee (S. 778 and S. 773) and Members of the Energy and Commerce Committee (H.R. 2165).
- Given the interest by the Administration and multiple congressional committees – and the growing media attention over cyber security generally – there is sure to be a jurisdictional battle over which Committees are best equipped to handle the issue and who should be in control. The same will be true of the numerous federal agencies that are likely to be affected by a debate over strengthening U.S. cyber security.
- On **RES**, Morgan Meguire is hearing that Bingaman is still trying to reach a deal in committee, but has not reached on yet. He is floating 15% requirement by 2021, down from his 20%, with 4% from energy efficiency. Murkowksi, though, would only go along with a 15% RES is an "off ramp" from the requirements is included if costs get to high, and if nuclear, coal with CCS and existing hydroelectric power is included in the standard. Bingaman has previously said he would not include nuclear and coal as he would not define them as "renewable."
- There are several moderate Democrats who Bingaman needs to get, and if he can't, he might go the route of just offering it as amendment when the bill gets to the floor.

## **E. JOINT NWPPA/NCPA DC RALLY**

Scott Lindsay reported that NCPA and NWPPA held a joint rally in Washington D.C. the week of April 27. About 60 people total attended with 15 from NWPPA holding roughly 30 meetings with Western Delegation members during the week. Lindsay reported that members were pleasantly surprised with the level of interest and engagement by new Members of Congress on energy issues.

## **F. PEOPLE POWER UPDATE**

Liz Loomis gave a power point presentation that explained how People Power is a grassroots organization working in partnership with NWPPA and PPC. The People Power committee currently participates in conference calls, develops education materials, and works educate the public on public power. Participation has grown 4-7% each year and uses Action Alerts to rally grass roots customer-members to contact their elected representatives on a wide variety of issues.

## **G. 2009 RESOLUTIONS**

### **Resolution Status:**

The ad hoc committee recommends archiving two (2) resolutions and carrying forward six (6) updated active resolutions for 2009 consideration. Additionally, five (5) new resolutions are proposed for GRC consideration.

## **H. PROPOSED EN BLOC RESOLUTIONS**

Valarie Koss moved to recommend carrying forward the following en bloc resolutions. The recommendation was seconded by Neal Harth and the motion carried with none opposed:

Active Resolutions for En Bloc Consideration:

- 3-09 — Energy Resource Development Is a National Security Issue
- 4-09 — Support for the Effective Management and Operation of the Columbia River System While Meeting Fish and Wildlife Obligations
- 5-09 — In Support of the Benefits of Hydropower as a Renewable Resource
- 6-09 — In Support of Local Control of Retail Rate Setting and Conservation and Renewables Programs Including Public Power in Energy Initiatives Discussions
- 7-09 — Improved Agency Cooperation for Utility Rights-Of-Way on Federal Lands
- 9-09 — In Support of the Western Governors Association

New Resolutions for En Bloc Consideration:

- 10-09 — In Support of Cyber Security for Utilities
- 11-09 — Encouraging Congress to Take a Holistic Approach to Energy, Transmission, and Environmental Policy

Active Resolutions Proposed for Archive status under En Bloc:

- 33-09 — Support of Alaska Low Sulfur Fuel Requirements Waiver
- 34-09 — Cost Effective Wildlife Mitigation at Multi-Purpose Dams

## **I. PROPOSED 2009 RESOLUTIONS for Individual Consideration**

### **1-09 — In Support of Regional Transmission Solutions**

Ron Hatfield moved to recommend for adoption to membership at the 2009 Annual Business Meeting. With a second the motion carried with none opposed.

### **2-09 — Support for Energy Efficiency**

An amendment was offered and passed that struck line 31 to 32: "It creates more jobs per dollar invested than any other energy resource." Ed Gossett moved to recommend adoption of the amended resolution to membership at the 2009 Annual Business Meeting. With a second the motion carried with none opposed.

## **8-09 — Principles for Federal Legislation and Regional Initiatives on Climate Change**

Bob Titus, Mary Wright, Michelle Caird, and Paul Rogers moved to approve the following changes to language:

- Redding and Trinity PUD suggested removal of Line 31, change language to so that wood on federal land would be considered a renewable resource;
- Valley Electric suggested removal of line 21 to 23 to remove: “, including, where appropriate, a cap and trade system of allowances, a carbon tax, or an alternative mechanism for addressing climate change”;
- An amendment was also offered to add “,in-stream” to Line 74 between “tidal and wave”;
- Wells Rural Electric moved that the paragraph from lines 120 to 125 be moved up in the resolution to be inserted on line 19 of the resolution and to strike the word “lastly” and change “above” to “following” from line 120; and
- An amendment was made to strike “newer” from line 72 and add “may” after “that” at the end of the line, and to move “biomass” and “geothermal” to the series of bullets in the lines above.

Valarie Koss moved to recommend adoption of the resolution with language changes to membership at 2009 Annual Business Meeting. With a second the motion carried with none opposed.

## **J. OTHER BUSINESS & REPORTS**

### **1. Western Climate Initiative**

Bob Therkelsen – Western Climate Initiative was put together to reduce greenhouse gasses in the Western U.S. and Canada and to use as a tool to influence legislation at the Federal level. He gave an overview of the WCI product.

WCI favors a cap and trade system to reduce greenhouse gasses. WCI is currently gathering information to address possible consumer concerns about a cap and trade mechanism. They already have a working cap and trade model and reporting mechanism outlined. A concern is that power purchased from a non-WCI state requires the purchaser to be responsible for the reporting and the compliance to reducing greenhouse gasses.

WCI is funded by contributions from the 11 member states and provinces.

### **2. Western Renewable Energy Zones (WREZ)**

Bob Therkelsen noted that WREZ was setup by Western Governors Association about one and a half years ago to answer the question, "Is there a need for long-distance transmission lines for renewable power?" The idea is that renewable resources are concentrated in specific zones and transmission lines may be needed to get this power from these zones. They are concentrating on wind, solar, and geo-thermal energy sources in the western United States. The resource must generate at least 1,500 megawatts. The group is currently identifying where the resources are and will then need to identify where to place the transmission lines and what the cost would be.

### **3. Plaque of Appreciation to Bruce Pilling**

Will Lutgen presented a Plaque of Appreciation to Bruce Pilling for his service this past year as the GRC chairman.

With no further business the meeting adjourned at 12:00 p.m.

Respectfully submitted,

*BRUCE PILLING*

Bruce Pilling  
GRC Committee Chair