



Northwest Public Power Association

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**Government Relations Committee (GRC) Meeting
Embassy Suites Convention Center
Las Vegas, NV
Sept. 9, 2004**

Minutes of Meeting

A. ATTENDING

Al Aldrich, Snohomish County PUD
Ron Benfield, Central Lincoln PUD
Tom Blackweasel, Glacier Electric
Larry Descheemaeker, Fergus Electric Cooperative
Jim Feider, Redding Electric Utilities
Ken Gates, Cordova Electric
Ed Gossett, Kootenai Electric
Linda Gott, Mason County PUD #3
Fred Guyer, Benton REA
Byron Hanke, Clark Public Utilities
Nealth Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Terry Holzer, Yellowstone Valley Electric
Jim Hubenthal, Lewis County PUD
Sandy Huling, Clearwater Power
Meera Kohler, Alaska Village Electric
Russ Leslie, Nelson Hydro
Gary Merrill, Murray City Power
Nate Narrance, Inland Power & Light
Bill Nordmark, Golden Valley Electric
Bruce Pilling, Emerald PUD
Robin Rego, Lakeview Light & Power
Marianne Roose, Lincoln Electric Cooperative
Lonny Sheffield, Western States Electric
Bob Speckman Salem Electric
Mary Wright, Wells Rural Electric

NWPPA Staff

Will Lutgen, Executive Director
Bryan Case, Deputy Executive Director
Debbie Kuraspediani, Communication Director
Dave Bouchard, Member Relations Manager

Others In Attendance

Scott Lindsay, NWPPA Consultant
Paulette Simpson, U.S. Senator John Ensign
Joann Schoch, U.S. Congressman Jon Porter
Judy Ray, U.S. Congressman Jim Gibbons

Government Relations Chair Al Aldrich called the meeting to order at 8:45 a.m. on Thursday, Sept. 9, 2004. The meeting was held at the Embassy Suites Convention Center in Las Vegas, NV. A quorum of the committee was present.

B. REVIEW & APPROVE MINUTES

The Minutes from the May 17, 2004 Government Relations Committee meeting was approved by the committee as submitted with none opposed.

C. 2004 PRESIDENTIAL ELECTION: NEVADA REPUBLICAN & DEMOCRATIC CAMPAIGN REPRESENTATIVES

Chair of the Northwest States Molly Bordonaro (Bush/Cheney Campaign Representative) addressed the GRC along with Nevada Assembly Speaker Richard Perkins (Kerry/Edwards Campaign Representative).

D. WASHINGTON D.C. UPDATE

Karen Price, Morgan Meguire gave the following report via conference call:

Congress Returns from Summer Recess

- On Tuesday (Sept. 7) the House and Senate returned to Washington, DC, from a six-week summer recess. Topping the congressional agenda for the next month or so will be homeland security, the Iraq war and appropriations measures.

- Final passage of other critical legislation, such as the FSC/ETI corporate tax bill (the Senate version of which contains the \$19 billion energy tax package), the transportation reauthorization bill (which contains an “hours of service” exemption for utility vehicles, both of which I’ll come back to in a minute) and the comprehensive energy bill are less certain.
- With regard to the energy bill, contrary to reports that Sen. Ted Stevens (R-AK) had reached a compromise with House and Senate Republicans on the controversial MTBE issue – the primary reason the energy bill is stalled in the Senate – the latest reports indicate that this is not the case. Speculation is that Stevens’ motivation in continuing to keep the pressure on is his desire to see the Alaskan pipe line provisions enacted.
- The official Congressional target-adjournment date is October 1, but this week Senate Majority Leader Bill Frist (R-TN) said that he is now aiming for October 8. House Majority Leader Tom DeLay (R-Texas) has said that the House could be in as late as October 15. Given the short time left between adjournment and the already heavy agenda, it is not likely that the energy bill will resurface before the November elections.

Appropriations Update

- The House has passed ten of the 13 Fiscal Year 2005 (FY05) appropriations measures and is considering an 11th (Labor-Education-HHS) this week. To date, the Senate has only passed one spending bill, for the Department of Defense and it is scheduled to begin debate on the Homeland Security bill today (9/9/04).

- The Senate Appropriations Committee was scheduled to mark-up the energy and water spending bill yesterday (Sept. 9) -- which contains funding for the Renewable Energy Production Incentive (REPI) program -- but the session was postponed because Chairman Pete Domenici (R-NM) and Ranking Member Harry Reid (D-NV) continue to be unable to resolve the Yucca Mountain funding issue. A new date has not yet been announced and it does not look like they are close to resolving the issue.
- The House passed its energy and water bill in July and included \$5 million for REPI. While it's clearly not as much as we had been advocating for, given the extremely tight budget, House members/staff tell us this is a feat.
- Also tied up in the energy & water bill is the issue of security costs at federal multipurpose dams. If you recall, following September 11, 2001, security measures at all federal multi-purpose projects have had to be increased substantially.
- This year, the bureau changed its policy from the previous two years and decided that "Operations and Maintenance funding for guard activities will be treated as project costs and are subject to be reimbursable in FY 2005". This means that the costs will be passed thru to customers.
- The Corps, on the other had, has been including costs of increased security in its charges to power customers.
- APPA and others, particularly Western public power folks, are trying to get language added in the energy & water bill to make all such costs non-reimbursable.

- Currently, however, committee staff are struggling and can't get their hands around what the numbers will look like for Bureau and Corps going forward.
- That all said, clearly, Congress has much more work to do on the appropriations bills before the fiscal year runs out on Sept. 30th and the new one begins on Oct. 1st; therefore, a Continuing Resolution (CR), which funds those agencies that do not have FY05 spending bills approval at existing, FY04 levels, is all but certain.
- In addition, while it is still possible more appropriations bills could be passed individually, it is expected that House and Senate leaders will wrap-up up all unfinished bills and pass one large omnibus bill. It is too early to tell if Congress will be able to complete an omnibus bill before adjourning next month, if legislators will need to come back for a "lame-duck" session after the November elections or if Members will just pass a long-term CR and take it up next year.

Utility Hours of Service Exemption

- With regard to the "hours of service" exemption for utility drivers contained in the transportation reauthorization bill that many of you are interested in, as I mentioned, that bill seems unlikely to reach the President's desk before the elections. However, a one-year HOS exemption was included in last year's (FY04) transportation appropriations bill, and it is again included in this year's FY05 House bill.
- The Senate is set to act on its version today and key staff that have been spoken with seem confident that it will be included as well. (Apparently, Sen. Richard Shelby (R-AL), an influential member of the Senate Appropriations

Committee, has been championing this issue on behalf of the Southern Company.)

- Therefore, if Congress is unable to complete its appropriations work before adjourning for the year and, instead, passes CR we are in good shape because the FY04 exemption would be extended until action on the FY05 bill is complete.
- If Congress is able to pass the FY 05 transportation appropriations bill before adjourning – either as a stand-alone measure or in one large omnibus bill – then, again, we are in good shape because a one-year extension is included in the House version and the Senate supports it.
- So, “Plan A” is to see that the permanent HOS exemption is included in any transportation reauthorization bill. This effort is likely to extend into the next Congress. The short-term “Plan B” is inclusion of a one-year exemption in the appropriations bill, which seems the most probable at this time.

Renewable Incentives

- As I mentioned, the Senate version of the corporate tax bill (FSC/ETI) contains a \$19 billion energy tax package.
- Of particular interest to NWPPA members is that it also contains the tradable tax credit for public power utilities that build new, renewable energy facilities as a “place-holder.”

- Because of the insurmountable opposition by House leaders and the Administration, APPA and NRECA are working to develop a more acceptable alternative that they hope will be included in the final FSC/ETI bill.
- The alternative being discussed, but not yet finalized, is a “*tax credit bond*” to help subsidize the capital costs of building renewable energy generation. It is tailored after an existing, albeit small, tax credit bond program, so it will hopefully prove more acceptable to legislators. APPA, NRECA, Morgan Meguire and other public power representatives continue to meet with the Senate Finance and Joint Tax Committees to try to iron out a final plan.
- It still remains unclear, however, whether there will be a legislative vehicle this year to move the proposal.
- Finally, there are letters circulating in the House and Senate regarding Production Tax Credits and comparability for public power.
- In the Senate, Sens. Larry Craig (R-ID) and Harry Reid (D-NV) are circulating a bipartisan letter to Senate Finance Committee Chairman Chuck Grassley (R-IA) and Ranking Member Max Baucus (D-MT) urging them to adopt provisions in the final corporate tax bill that expand and extend the Section 45 Production Tax Credit for renewable energy resources and encourages the inclusion of “comparable tax incentives for cooperatives and municipal utilities.” In addition to Craig and Reid, there are about 13 signatories from the NW. (Including: Sens. Patty Murray (D-WA), Maria Cantwell (D-WA), Dianne Feinstein (D-CA), Mike Crapo (R-ID), Norm Coleman (R-MN), Pete Domenici (R-NM), Lisa Murkowski (R-AK), Tim Johnson (D-SD), Byron Dorgan (D-ND), Daniel Akaka (D-HI), Ron Wyden (D-OR), Daniel Inouye (D-HI).)

- In the House, Reps. Cannon (R-UT) and Lee Terry (R-NE) are circulating a similar version. The letter does not specifically reference “comparability for not-for-profit utilities,” but we’re still encouraging folks to support it nevertheless. The letter originates with the Western Caucus Current so most co-signers are from the region. (Reps. George Nethercutt (R-WA), Denny Rehberg (R-MT), Tom Tancredo (R-CO), Mike Simpson (R-ID), George Radanovich (R-CA), John Peterson (R-PA), Rob Bishop (R-UT), Rick Renzi (R-AZ), Charles Stenholm (D-TX), Butch Otter (R-ID), Jim Matheson (D-UT), Doug Bereuter (R-NE), Tom Osborne (R-NE), and Mark Green (R-WI).)

Endangered Species Reform

- Rep. Pombo’s Resources Committee passed out two ESA bills recently. The Walden (R-OR) bill and the Cardozo (D-CA) bill.
- Rep. Walden’s bill, H.R. 1662, the *Sound Science for Endangered Species Act Planning Act of 2003*, endorsed by the Bush Administration, focuses on the concept of “sound science” and peer review. The bill would require the Fish and Wildlife Service to: set specific standards in the analysis of scientific and commercial data; require peer review of the analysis as well as of the related listing and recovery plan; accept and include in the public record data collected by landowners; allow a discussion of “reasonable alternatives” prior to the release of a biological opinion, which is part of a listing determination and; broaden the consultation process to include information provided by state government. Sen. Gordon Smith (R-OR) introduced a companion to the Walden bill (S. 2009) in the Senate in January 2004.

- The Cardozo bill, H.R. 2933, the *Critical Habitat Reform Act*, would amend the ESA by changing the process for designating a “critical habitat.” It would require the consideration of economic impacts on landowners and input from state and local governments in the decision. The bill would also prohibit those areas already protected under other federal; state or local conservation plans from being designated as “critical habitat.” H.R. 2933 would also require approval of a recovery plan before a species could be listed as “threatened.”
- Pombo knew that he wasn’t going to get these bills passed this year, but he wanted to create some momentum for when they return next year, so look for action in the next Congress.
- Also, APPA has created an ESA Task Force, and will meet in November.

E. PAC COMMITTEE REPORT

All Congressional representatives were excused from the meeting at this time and the committee thanked them for attending.

Al Aldrich, GRC Chair summarized the September 3, 2004 PAC Committee conference call meeting. The following individuals participated in that meeting:

Ed Gossett
 Linda Gott
 Meera Kohler
 Marianne Roose
 Bob Titus
 Al Aldrich
 Scott Lindsay
 Will Lutgen

The PAC committee asked that NWPPA talk with a variety of statewide associations to determine additional support for an NWPPA PAC and the dollars available. NWPPA will develop a short white paper on PACs for distribution and review. Meera Kohler explained how the Alaska PAC worked and shared that NWPPA’s PAC would be on the federal level and not a state level. Marianne Roose reiterated the need for a common voice of all members in any type of PAC developed. Ed Gossett encouraged the group to support the idea of an NWPPA

PAC and continue to look into its development. Al Aldrich indicated the PAC Committee and NWPPA staff would continue to contact statewides and determine an interest in a PAC, finish a white paper on PACs and bring back a report at the next GRC meeting in March 2005.

F. CALL FOR 2005 RESOLUTIONS

Al Aldrich encouraged members to send draft resolutions to Scott Lindsay or Will Lutgen before the March 2005 meeting.

G. PEOPLE POWER UPDATE

Scott Lindsay reported that there are 97 participating utilities in the People Power program currently. Three new utilities have been added over this past year. There are 33,000 grassroots members between the 97 participating utilities. Alaska is working with Liz Loomis and People Power on possibly developing their own People Power type campaign. More to come if that campaign develops in 2005.

H. STATE/REGIONAL ISSUES DISCUSSION

RTO/Grid West — Al Aldrich provided an update on the RTO/Grid West issue. There is a scheduled vote on developmental bylaws on November 3 & 4. An RTO Executive Summary is due out on Monday, September 13. Al reviewed the preliminary findings of the Henwood Report. Additional RTO issues need to be identified as well as GTA issues.

BPA Rates — Al Aldrich reported that while BPA's power rates are likely to go down slightly in the coming year, BPA is proposing to raise its overall transmission rates approximately 15% to 20%, with significant variations among specific BPA transmission products and services. Currently, there is talk among most parties about a potential settlement on the transmission rates, partly because it will reduce demands on BPA and utility staff, and partly because for many parties it will reduce uncertainty and likely be cheaper than if a transmission rate case went forward.

Al also mentioned that BPA has plans for an aggressive capital spending program over the next 5 to 10 years, and approximately 2/3 of the capital spending will be on transmission infrastructure. Utilities generally want more review and input into BPA's planned capital spending program, and this topic is also being discussed in the settlement discussions.

Federal Control Area — Jim Feider reported that the expansion of the existing SMUD control area to include WAPA's Northern California Central Valley Project facilities was going forward on Jan 1, 2005. This would expand the Control Area footprint from to Shasta Dam (Redding area) in the north and to Tracy in the central part of California. A second expansion would occur in October of 2005 when the California Oregon Transmission Project (COTP) is moved from the California Independent System Operator's (CAISO's) control area to the SMUD/WAPA control area. The COTP is one of three 500kV intertie lines between the Pacific Northwest and California. The reason for the later date for COTP is that BPA needed additional time to make the transition. Jim thanked NWPPA for its support in helping to accomplish the control area objectives of the California Members involved in this effort.

TIG — Will Lutgen reviewed a handout that was passed out to the group on recommended improvements to the Northwest Transmission System sponsored by the "Transmission Issues Group (TIG) from July 2004. Highlights from the handout:

For almost ten years, the Northwest has debated the development of a Regional Transmission Organization (RTO), now known as Grid West. It is not clear whether Grid West will actually be formed. In the meantime, real problems face the region that should be addressed. Several concrete but incremental steps can and should be taken to improve access to and the efficiency of the region's transmission system. Several utilities and agencies in the region that support near-term improvements have come together as the "Transmission Issues Group" and have developed a package of practical, cost-effective, and incremental changes that the region can implement in the next two to three years. These changes are based on the premise that an evolutionary and adaptive approach is the best way to solve regional transmission problems. Although each part of the package requires additional work, all can reach full implementation in the near term.

The following entities support this package of near-term improvements:

- Grant County PUD (Co-Chair of TIG)
- Portland General Electric (Co-Chair of TIG)
- Avista Corporation
- Douglas County PUD
- Franklin County PUD
- Northwest Public Power Association

- Okanogan County PUD
- Puget Sound Energy
- Snohomish County PUD
- Springfield Utility Board
- Tacoma Power
- Thurston County PUD
- Washington PUD Association
- Washington Utilities & Transportation Commission

Common OASIS

Our goal is that all regional transmission owners, or holders of assignable rights, join wesTTrans.net, a common OASIS site operated by OATi. This common OASIS already has membership reaching from El Paso, Texas to Bellevue, Washington. If all regional transmission providers joined this common OASIS, the site could provide sufficient information on pricing and Available Transmission Capacity (ATC) such that any transmission customer could determine the availability and full cost of transmission service from the point of injection of power onto the grid to the point where power is taken off the grid to serve load (POR to POD). Participants should work with each other and OATi to develop a standard methodology for calculating and releasing ATC on a short-term basis, as well as achieve such other standardization of terms and conditions as is practicable. Participants also develop a common methodology to support price discounting and revenue sharing via the common OASIS to make better use of the grid both for pre-schedule (day-ahead) and in real-time. Eventually, the site should support bidding up for short-term ATC, to send price signals regarding congestion. All regional transmission owners should modify their Open Access Transmission Tariffs (OATTs) to provide, and offer through the OASIS, new standard transmission products and practices, such as partial year service and firm redirected service. Eventually, all transmission access (short-term and long-term) should occur through the common OASIS, but transmission service would continue to be provided under OATTs (suitably modified). This transmission improvement requires no new entity or multilateral agreement because each participant will sign a separate contract with, and make payment directly to, OATi.

Regional transmission planning and expansion

Northwest transmission owners have already established the Northwest Transmission Assessment Committee (NTAC), a subcommittee of the Transmission Planning Committee of the Northwest Power Pool (NWPP). NTAC will perform commercial transmission planning for the Northwest, complementing the NWPP's responsibilities for reliability planning. NTAC

membership is open to all interested entities. The Seams Steering Group-Western Interconnection (SSG-WI) is engaged in similar commercial planning efforts for the entire Western Electricity Coordinating Council (WECC), complementing WECC's reliability planning responsibilities. Our goal is to develop and implement long-term funding for both NTAC and SSG-WI planning work, including funding for an oversight committee comprised (at least) of state regulators, Governor's offices, and other state agencies involved in transmission siting or approval. In addition, all application queues for new transmission service should be merged into a single regional queue, accessed through the common OASIS and administered by NTAC. Ultimately, NTAC should evaluate all individual requests for service and develop a regional transmission expansion plan, including non-wires alternatives. NTAC should also develop and implement an open-season process for commercial transmission expansion. Relying on NTAC and other regional commercial planning organizations, SSG-WI should coordinate a WECC-wide plan, focusing on seams between the regions and cross-regional projects. NTAC and SSG-WI should provide widely-accepted and understood information on the technical and economic effects of projects, while decision-making and capital commitments should remain with the transmission owner(s) and state(s) involved in particular projects.

Reliability and security

The Pacific Northwest Security Coordinator (PNSC) has been operating since the late 1990s. The Director of the PNSC constantly assesses future needs and works with existing control areas in the region to add personnel as necessary. Our goal is to ensure that the existing PNSC can continue to evolve over time to ensure reliable transmission system operations under changing conditions. In addition, our expectation is that existing control areas will continue to evaluate the costs and benefits of consolidation on a voluntary basis. Finally, control area operators should explore the expansion of the existing Northwest Reserve Sharing Agreement to include load regulation services.

Market monitoring

Our goal is to establish a new non-profit corporation to provide market monitoring in the Northwest, complementing the WECC-wide market monitoring efforts underway at SSG-WI. Transmission owners should fund the new entity through a very small surcharge on their existing Scheduling and System Dispatch ancillary service charge. Specific authorities of the Northwest Market Monitor are under development, in concert with other efforts throughout the WECC. The Northwest Market Monitor should work with existing state and federal authorities to look for and remedy any abuses of market power or manipulation of markets.

Other Issues Identified by Committee Members —

- Robin Rego heard there were **federal monies available to NW utilities** that have had large rate increases and asked if others had received any letters regarding this topic.
- Meera Kohler & Ken Gates reported that Alaska is struggling with **high fuel costs** and they don't see any solutions in the near future.
- **ANWR** — Ken Gates asked the group to keep this issue in their thoughts in the future.
- **Reliability (RP3)** — Gary Merrill reported that he is working with an APPA group to define a certifiable level of reliability.

Future Issues — The GRC committee needs to realign their activities based on post-election outcomes. NWPPA will ask Deborah Sliz & Karen Price to provide a wrap-up of “hot topic” issues once the November election is over.

I. OTHER BUSINESS & REPORTS

Al Aldrich alerted the GRC Committee to several new NWPPA initiatives:

- An additional opportunity to make a fall D.C. visitation trip;
 - Forming a new sub-committee to help identify NWPPA resolutions that may need to be retired. He asked for volunteers to serve on this new committee. The following people volunteered to serve on this committee:
 - Gary Merrill
 - Linda Gott
 - Ken Gates
- Potential committee members identified:
- Fred Guyer
 - Bob Titus

J. NEXT MEETING DATE & LOCATION

The next GRC meeting date will be March 9, 2005 and the meeting will be held at the Portland, Ore. Hilton Hotel & Executive Suites in downtown Portland. Reservation information can be found on NWPPA's GRC Web page.

With no further business the meeting adjourned at 11:50 a.m.

Respectfully submitted,

Al Aldrich

Al Aldrich, Snohomish County PUD
2004/2005 GRC Chair