



Northwest Public Power Association

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**Government Relations Committee Meeting
Hilton Portland & Executive Tower
Portland, Ore.
March 9, 2005**

Minutes of Meeting

A. ATTENDING

Al Aldrich, Snohomish PUD
Tom Blackweasel, Glacier Electric
Robert Davies, Valley Electric
Larry Descheemaeker, Fergus Electric
Jim Dyer, Salem Electric
Jim Feider, Redding Electric Utility
Ed Gossett, Kootenai Electric
Tim Gregori, Southern Montana G&T
Fred Guyer, Benton REA
Neal 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
Bob Linahan, Springfield Utility Board
George Litzenberger, Springfield Utility Board
Pat McGary, Clark Public Utilities
Gary Merrill, Murray City Power
Nate Narrance, Inland Power & Light
Bill Nordmark, Golden Valley Electric
Bruce Pilling, Emerald PUD
Robin Rego, Lakeview Light & Power
Walter Sapp, Kodiak Electric
Karl Schrade, Flathead Electric
Lonny Sheffield, Western States Electric
Bob Speckman, Salem Electric
Bob Titus, City of Ellensburg

Larry Weis, Turlock Irrigation District
Robert Wilkinson, Copper Valley Electric

NWPPA Staff

Will Lutgen, Executive Director
Bryan Case, Deputy Executive Director
Debbie Kuraspediani, Communication Director

Others In Attendance

Scott Lindsay, NWPPA Consultant
Karen Price, Morgan Meguire — Via conference call
Shauna McReynolds, PNUCC — Invited Guest

GRC chair Al Aldrich called the meeting to order at 1:33 p.m. on Wednesday, March 9, 2005. The meeting was held at the Hilton Portland & Executive Suites in Portland, Ore. A quorum of the GRC committee was present.

B. CONSENT AGENDA

Walter Sapp moved to approve the Minutes from the September 9, 2004 meeting as prepared with none opposed.

C. WASHINGTON DC UPDATE

Karen Price provided the following Washington DC update to committee members via conference call:

1. Energy Bill Update

House Action

- Movement in the House on a comprehensive energy bill, which initially was expected to be swift, has slowed somewhat as Members craft a Budget Resolution, which outlines the parameters for all committee spending.
- H.R. 6, the stalled comprehensive energy bill from the 108th Congress, was heavily criticized for its roughly \$30 billion price tag. Moreover, the Administration, in an effort to control spending, has made clear in its Fiscal Year 2006 (FY06) budget that it wants the cost of the energy bill to be slashed significantly to somewhere between \$6 billion and \$8 billion.
- Since most of the cost associated with H.R. 6 was related to energy tax incentives, House Ways and Means Committee Chairman Bill Thomas (R-CA) insisted in early February that the tax committee will not consider an

energy tax title until the House passes its Budget Resolution, thereby slowing the process down. The Budget Committee is expected to consider the measure this week.

- In the House Energy and Commerce Committee, On February 9 Chairman Joe Barton (R-TX) released a “Discussion Draft,” which is virtually identical to the H.R. 6 conference report, but includes a spending cap of \$500 million over ten years in four areas (electric reliability, coastal restoration, energy savings performance contracts, and an “ultra deep” oil drilling research program)...
- In particular, the bill caps at \$50 million the amount a proposed electric reliability organization could spend on overseeing mandatory electric reliability standards over a ten-year period, to which NERC and APPA sent a letter of opposition.
- The House Energy and Air Quality Subcommittee has held two legislative hearings on Chairman Barton’s Discussion Draft. A mark-up may occur in Committee in early April, and/or the bill may go directly to the House floor for consideration.
- Key staff to Chairman Barton reportedly said that, if there is not a markup, the bill they will bring to the floor will be an updated version of the conference report (HR 6). If there is a markup, there will be incremental changes, and the time frame to figure out what those are will be short.
- Karen thinks it’s important to note, that given the quick pace the House, and the desire of Chairman Barton to simply re-pass last year’s bill, most expect any real negotiations to go on during a House-Senate Conference Committee on the bill.

Senate Action

- In the Senate, the pace on developing an energy bill has been more steady and methodical, with the Senate Energy and Natural Resources Committee holding a series of “conferences” on key issues that will be addressed in energy legislation.
- To date, the conferences have provided an opportunity for Senators to hear from and question experts on natural gas matters and fuel diversity. Later

this week, there will be a coal conference related to the environment, the future use of coal generation, financial and technological improvements for coal markets, and transportation and transmission improvements.

- Senate Energy Committee Chairman Pete Domenici has signaled his desire to develop a bipartisan energy bill, so we do not anticipate any mark-up in committee until late-April or early-May.
- With regard to energy tax provisions, Chairman Domenici has indicated he is confident the Senate energy bill tax package will meet the \$6.7 billion target set by the Administration in its FY06 budget proposal.

FERC

- As an aside, prior to the House hearings on the energy bill, House Energy and Commerce Committee Ranking Democrat John Dingell (D-MI) asked FERC Chairman Pat Wood and his Commissioners to articulate their positions on a number of specific issues addressed in the electricity title of H.R. 6.
- Generally, the commissioners felt that legislation was no longer needed on a number of issues, with regard to their authority to act.
- Specifically, on regional transmission organization (RTOs), standard market design (SMD), native load/service obligation protection, and transmission rate incentives, most, if not all, the Commissioners felt they already had adequate authority. On mandatory reliability standards, federal siting, increased transparency and increased penalties, most agreed an increase in authority was warranted.
- Commissioner Joe Kelliher, in particular, expressed support for “FERC-lite,” but also encouraged Congress to prohibit all forms of “market manipulation” and provide FERC with broader authority over the sale of generation assets. The need for increased merger authority had been one of the issues NWPPA highlighted on the Hill last Congress.

Additional Congressional Action

- While HR 6 continues to be the basis for energy legislation, in an effort to keep the momentum up, several Members have introduced energy-related bills.
- In February, Rep. Dingell and 20 of his colleagues introduced H.R. 878, the *Electric Reliability Improvement Act*, which essentially reflects the reliability title from the energy bill now being debated in Congress. Sen. Maria Cantwell (D-WA) introduced companion legislation in the Senate.
- Though Democrats over the past year and a half have tried to take the electricity reliability provisions and pass them separately from the energy bill, Congressional GOP leaders have insisted the provisions stay part of a comprehensive energy plan.
- In the Senate, last week Sens. Richard Burr (R-NC), Mary Landrieu (D-LA) and Trent Lott (R-MS), introduced the *Interstate Transmission Act of 2005* (S. 498). The bill includes some provisions from the electricity title of HR 6, such as the provision that requires FERC to approve “participant funding” pricing plans for transmission upgrades and a directive to FERC to provide incentives for new transmission facilities.
- It also has some new provisions, such as repeal of FERC’s current merger authority.
- Sens. Burr, Lott and Landrieu apparently believe that the electricity concerns of the Southeast were not adequately reflected in H.R 6 and they introduced this bill to “stake out” an early negotiating position on the electricity title.

2. Power Marketing Administration (PMA) Update

- Included in the White House’s FY06 budget is a plan for the PMAs to raise rates by 20 percent annually until they reach market levels, as a means to close the federal budget deficit and eliminate the alleged “subsidy” to PMA customers.
- Fortunately, this proposal has received strong, bipartisan opposition on Capitol Hill.

- House and Senate members have sent separate letters to both their respective budget and authorizing* committee Chairmen expressing their opposition to the plan, which the Northwest Members of Congress supported. In the Senate, Sens. Gordon Smith was one of the leads on the letter and in the House, Rep. Doc Hastings was a lead.
- *Today (3/9), however, the House parliamentarian ruled that the proposal falls under the jurisdiction of the Energy & Commerce Committee, not the Resources Committee as we had thought. The ruling was based on the fact that the proposal has to do with FERC rate-making authority, despite the fact that the laws that would have to be amended (the Reclamation Act of 1939, the Flood Control Act of 1944 and various specific authorizations like the Hoover Power plant Act of 1984) are under Resources jurisdiction.
- In addition, Administration witnesses at a number of Congressional hearings on the FY06 budget have been “taken to the woodshed” over the proposal.
- This week, the House and Senate Budget Committees will be marking-up their FY06 budget resolutions, which provide the authorizing Committees with spending targets for FY06 and could, potentially, be the legislative vehicle for the Administration’s PMA rate proposal.
- Last week, Senate Budget Committee Chairman Judd Gregg (R-NH) announced that the market-rate plan would not be included in the Senate’s budget resolution. In the House, Chairman Nussle is expected to follow suit, particularly after receiving a letter from 50 House Republicans opposing the plan.

3. Tax Update

- Karen wanted to flag for committee members that as Congress looks for ways to decrease the deficit and pay for big programs, like Social Security reform, often times public power and their tax exempt financing are put in the mix as a way to pay for these programs.
- We’ve seen this recently, so Karen wants to flag for members that there have been two recent reports by CBO and Joint Tax as “possible revenue raisers”

- To limit our ability to do “advanced refunding” (CBO) (refinancing mortgage/refinancing debt to get lower interest rates; Congress would say couldn’t do it anymore).
- Place an income tax on revenue generated by public power systems (Jt. Tax)

4. Renewable Incentives

- This is a good segue to our efforts on incentives for public power to build renewable facilities.
- Morgan Meguire continues to work on permanent, automatic incentives in the tax code. Our champions in the Senate, Finance Committee Chairman Grassley and Ranking Member Baucus, are putting the finishing touches on the “tax credit bond” legislation.
- Once they introduce the bill, it will need to be scored and then it will take the place of the tradable tax credit in the energy bill tax title.
- Morgan Meguire is continuing to push for REPI reauthorization and adequate funding.

5. Hours of Service

- A one-year extension of the exemption of the Hours of Service regulation for utility vehicle drivers (through Dec. 31, 2005) was included in the FY05 omnibus appropriations bill, which passed in early December before Congress adjourned.
- On a dual track, the permanent exemption got bogged down in the Transportation Reauthorization bill last year, which never made it out of the conference committee for unrelated reasons.
- In good news, however, this afternoon the House is considering the Transportation Reauthorization bill, which includes the Hours of Service exemption. A vote by the House is expected tomorrow.

- The Senate could start taking up the bill later this month and the exemption is expected to remain in the bill as well.
- Once again, the fate of the exemption is tied to the politics of the larger bill, but fortunately, we are at least covered by the exemption under the appropriations bill.

6. Other Bits of Interest

- Chairman Wood is Said to be Leaving FERC: *Energy Daily* reported last week that Federal Energy Regulatory Commission (FERC) Chairman Pat Wood, whose term ends this June, has notified the White House that he does not want to be re-nominated to his position. However, he has not publicly made an announcement. Wood is said to be facing a tough confirmation fight from Senators unhappy with his transmission restructuring policies.
- Clay Sell has been nominated to be Deputy Secretary of Energy. Sell must be confirmed by the U.S. Senate before ascending to the position, and currently Sen. Ron Wyden (D-OR) has a “hold” on Sell’s confirmation unless Sell is able to testify that the Bush Administration is willing to consider dropping its plans to privatize the Bonneville Power Administration (BPA).
- While Sec. Bodman says he does not support privatizing the PMAs the President’s subsequently released FY2006 budget proposes to change BPA’s current cost-based power rates to a market-based rate is seen by Wyden as a switch in policy and clearly a move toward privatization.

D. AD HOC RESOLUTION RETIREMENT COMMITTEE REPORT

The committee had a meeting via conference call on January 28, 2005. The following individuals were on the conference call: Neal Harth, Fred Guyer, Gary Merrill, Bob Titus, Scott Lindsay and Will Lutgen. The committee proposes the retirement of resolution 04-6 and making four (4) resolutions inactive: 04-17, 04-18, 04-22 and 04-29.

Neal Harth moved to have the resolution process categorize resolutions as active or archive and each year the GRC would decide on the active resolutions for that year depending on what is going on in Congress. With a second the motion carried with none opposed.

Bruce Pilling suggested instead of updating inactive resolutions they should be rewritten.

Meera Kohler requested staff develop guidelines/policy on resolutions to submit to the Board and the membership at the May meeting.

E. 2005 RESOLUTION REVIEW

En Bloc Resolution Consideration

Larry Weis moved to approve the en bloc resolutions as submitted. A friendly amendment was made to pull out resolutions 05-8, 05-9, and 05-15 and move them to individual consideration. With a second the motion carried with none opposed.

Individual Resolution Consideration

05-1 — The ad hoc committee recommends leaving as is. Neal Harth moved to retain 05-1 as is. With a second the motion carried with none opposed.

05-2 — The ad hoc committee recommends minor changes to language suggested and prepared by NWPPA staff. Larry Weis moved to approve resolution 05-2 with line 17 changed to: Pacific Northwest by members of NWPPA. With a second the motion carried with none opposed.

05-6 — Meera Kohler moved to archive resolution 05-6. With a second the motion carried with none opposed.

05-8 — Bob Titus moved to archive 05-8 and develop a new resolution or to include elements still current into an existing resolution that is active. With a second the motion carried with none opposed.

05-9 — Bruce Pilling moved to archive resolution 05-9. With no second the motion to archive this resolution failed.

Bob Titus moved to approve resolution 05-9 as submitted. With a second the motion carried with one opposed (Bruce Pilling).

05-11 — Neal Harth moved to approve 05-11 as an active resolution. With a second the motion carried with none opposed.

05-12 — Neal Harth moved to approve 05-12 as presented. With a second the motion carried with none opposed.

05-13 — Bob Titus moved to approve 05-13 as presented. With a second the motion carried with none opposed.

05-15 — Bob Titus moved to have staff update/rework this resolution. With a second the motion carried with none opposed. The following individuals will work with Scott Lindsay to rework this resolution: Bruce Pilling, Nate Narrance, Jim Hubenthal, Bob Titus, and Tim Gregori.

05-17 — Neal Harth moved to archive this resolution. With a second the motion carried with none opposed.

05-18 — Nate Narrance moved to archive this resolution. With a second the motion carried with none opposed.

05-19 — Fred Guyer moved to modify this resolution by removing lines 54-56. With a second the motion fails with only one (1) yes vote.

Meera Kohler moved to approve resolution 05-19 with wording changes to lines 55-56. With a second the motion carries with none opposed.

05-22 — Bruce Pilling moved to archive this resolution. With a second the motion carried with none opposed.

05-29 — Meera Kohler moved to archive this resolution. With a second the motion carried with none opposed.

05-30 — This resolution is to be merged with 05-8 and rewritten. The following individuals will work with Scott Lindsay on this: Bruce Pilling, Bob Titus, and Fred Guyer. Larry Weis moved to direct staff to update resolution with the work group. With a second the motion carried with none opposed.

05-32 — Fred Guyer moved to adopt 05-32 as modified in the resolution packet with additional wording changes. With a second the motion carried with two (2) abstentions (Jim Feider and Bob Titus).

05-33 — Bruce Pilling moved to adopt 05-33 as presented. With a second the motion carried with none opposed.

05-34 — Jim Feider moved to adopt 05-34 as presented. With a second the motion carried with none opposed.

05-35 — Larry Weis moved to adopt 05-35 with changes submitted. A friendly amendment was submitted to include grammar changes in the resolution language. With a second the motion carried with none opposed.

F. STATE & REGIONAL ISSUES UPDATES

Shauna McReynolds from PNUCC was a guest speaker. She addressed the GRC about PNUCC work with the Coalition for Smart Salmon Recovery and discussed the 2004 BiOp and resulting legal action. She encouraged GRC members to visit their state governor and staff and support the BiOp in the next month. Will Lutgen encouraged members to support the Smart Salmon efforts with monetary contributions.

G. TIG/TANC/GRID WEST UPDATE

Jim Feider reported the transmission grid group in Northern California is pushing the transmission model to include WECC to get more active in transmission issues and reestablish resource planning criteria.

H. TIG UPDATE

Will Lutgen reported that TIG has received some committee personnel and financial support from BPA recently. The group plans four deliverables: (1) Reliability Coordination (2) Security Coordination (3) Market Monitor and (4) Central Scheduling or a Common OASIS.

I. STATE LEGISLATIVE REPORTS

Alaska — Meera Kohler reported that Governor Murkowski has not softened his feelings about public power. Two (2) initiatives are floating around to develop a unified system operator. They are in the process of getting a permit from NERC to run a 10 megawatt nuclear facility in the interior of Alaska.

California — Jim Feider reported on the renewable portfolio standard and its move from 2017 to 2010. The governor wants to put in over a million solar rooftops in the next few years.

Idaho — Ed Gossett reported that the Idaho Energy Resources Act (Bonds to buy transmission or generation) has passed.

Montana — Tim Gregori reported on the following items:

- Universal system benefits program (SB-34)
- Environment — Montana renewable resource portfolio (Wind power relief act of 2005)
- Public power issue — HB 642 has been defeated and is not good for Montana utilities
- Regulation — No bills went into effect
- Bill to create a Transmission Authority
- Net Metering

Oregon — Jim Dyer reported about a bill on net metering — 250 kilowatts and all utilities to pay for excess at retail price. Telecommunication & broadband —

There are bills on limits on what public utilities can do. Jim reviewed the status on the purchase of PGE by the Texas group.

Washington — Al Aldrich reported that the state has a two (2) billion budget deficit. He touched upon the following four bills:

- Substitute HB 1010 — This bill would require many utilities to prepare integrated resource plans. Al thinks it will pass in a modified form.
- Substitute HB 1011 — This bill creates standards for generation interconnection up to 10 megawatts.
- Substitute HB 2179 — Resolves service area disputes.
- HB 1059 — This bill would have created resource portfolio standards, but it has been killed.

J. PEOPLE POWER REPORT

Scott Lindsay provided a People Power update. He reported:

- There are 96 utilities participating
- 260 utility staff are currently using the information pieces People Power provides
- The most recent information item is a People Power Action Alert on the Bush Administrations plan to increase PMA electric rates to market levels.

K. PAC REPORT

Scott Lindsay reported that the Association has determined that idea of setting up a Political Action Committee is not appropriate at this time and that the Association may revisit this at a later date if the need or request arises again.

L. OTHER BUSINESS & REPORTS

Will Lutgen thanked the GRC for sending individuals to attend the RTO Forum to help make it a success.

NCPA/NWPPA Legislative Rally — Will be held April 24-27, 2005 and so far NWPPA has 12 members that have identified themselves as wanting to attend. We still need a couple of participants from Alaska to participate.

The next GRC Meeting will be May 23, 2005 during the NWPPA Annual Meeting in Palm Springs, Calif.

With no further business George Litzenberger moved to adjourn the meeting at 4:28 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Al Aldrich". The signature is written in a cursive, slightly slanted style.

Al Aldrich, Committee Chair