



Northwest Public Power Association

9817 N.E. 54th Street Vancouver, Washington 98662-0576
(360) 254-0109 FAX (360) 254-5731
E-mail: nwppa@nwppa.org
Web Site: www.nwppa.org

**Government Relations Committee Meeting
Holiday Inn Capitol Plaza
Sacramento, Calif.
Sept. 6, 2007**

Minutes of Meeting

A. ATTENDING

Theresa Boucher, Lassen Municipal Utility District
Frank Cady, Lassen Municipal Utility District
Michelle Caird, Inland Power & Light
Ralph Carmona, Sacramento Municipal Utility District
Jim Dyer, Salem Electric
Paul Elias, McMinnville Power & Light
Jim Feider, Redding Electric Utility
Ed Gossett, Kootenai Electric
Suzanne Grassell, Chelan County PUD
Fred Guyer, Benton REA
Byron Hanke, Clark Public Utilities
Neal Harth, Wasco Electric
Ron Hatfield, Pacific County PUD
Brad Hawkins, Douglas PUD
Jim Hubenthal, Lewis County PUD
Valarie Koss, Columbia River PUD
Tom Kuckertz, Copper Valley Electric
Stu Nelson, Franklin PUD
Bill Nordmark, Golden Valley Electric
Scott Odegard, Sun River Electric Cooperative
Kevin Owens, Columbia River PUD
Bruce Pilling, Emerald PUD
Paul Rogers, Kittitas County PUD
Marianne Roose, Lincoln Electric Cooperative
Rob Sirvaitis, The Energy Authority
Jennifer Stone, Turlock Irrigation District
Bob Titus, City of Ellensburg
Bob Walker, Beartooth Electric

Kenneth Weiss, Clearwater Power
Ralph Williams, United Electric Cooperative

NWPPA Staff

Bryan Case, Deputy Executive Director
Debbie Kuraspediani, Communication Director
Will Lutgen, Executive Director
Cathy Wilson, Member Relations Manager
Arnie Winkler, Director of Training & Education

Others in Attendance

Bill Carnahan, SCPPA
Jane Cirrincione, NCPA
Jerry Jordan, CMUA
Scott Lindsay, NWPPA GRC Consultant
Tom O'Connor, Oregon Municipal Electric Utilities (OMEU)
Deborah Sliz, Morgan Meguire — Via conference call
Karen Zanoﬀ, Morgan Meguire — Via conference call
Al Zepp, Northern California Power Association

GRC Chair Jim Dyer called the meeting to order at 8:30 a.m. on Thursday, Sept. 6, 2007. The meeting was held at The Holiday Inn Capitol Plaza in Sacramento, Calif. A quorum of the GRC committee was present.

B. CONSENT AGENDA

Bob Titus moved to add Ed Gossett to the May 2007 GRC Minutes list of attendees and approve the minutes with this addition as submitted. With a second the motion carried with none opposed.

C. WASHINGTON DC UPDATE

Karen Zanoﬀ & Deborah Sliz of Morgan Meguire gave the following Washington DC legislative update:

1. Congressional Schedule Overview

- Congress reconvened this week, after a month-long August recess and faces a busy legislative agenda.
- In addition to energy legislation, Congress plans to address a number of other issues this Fall, including finishing all 12 appropriations bills to fund

federal agencies and programs, passing supplemental funding for the Iraq war, confirming a new Attorney General, overhauling a student loan bill (H.R. 2669), considering legislation to reauthorize and expand the State Children's Health Insurance Program (S-CHIP) and taking on the climate change debate.

- Finding time to reconcile the House and Senate “energy independence” bills may be difficult, since it is anticipated to be an acrimonious conference.

2. Energy Independence Bill Conference

- While the House and Senate swiftly approved differing versions of an “energy independence” bill earlier this summer, reconciling differences in the bills may be more difficult than initially anticipated.
- There are both procedural and substantive differences that will prove contentious, and given the number of issues just mentioned on the Congressional schedule for the next five weeks, it is unclear when a House-Senate conference committee would complete its work.
- Procedurally, before a conference committee can be convened, both chambers must formally consider the same legislation. Therefore, the Senate will have to take up the House passed bill (H.R. 3221), amend it with their bill (H.R. 6) and officially request a conference.
- Since the Senate failed to get the votes needed to include the Finance Committee-approved energy tax title as part of its overall bill, Morgan Meguire anticipates that Finance Committee leaders will make another run at adding a revised tax title to the energy bill before requesting a conference. In fact, Finance Committee Chairman Max Baucus (D-MT) has indicated he is currently looking to modify the \$29 billion tax package — possibly by adding some coal-to-liquids incentives and making other changes — to garner the 60 votes needed to add a tax title to the Senate energy bill.
- According to Senate sources, Sen. Jim Bunning (R-KY) is working to add favorable coal-related provisions if the opportunity presents itself in the Senate.

- Once the conference has actually begun, conferees will have to reconcile a number of thorny substantive differences between the House and Senate bills.
- For example, the Senate bill would increase auto efficiency standards to 36 mpg, and expand the mandate for production of ethanol and other alternative transportation fuels mandate, while the House bill does neither.
- The House-passed bill would mandate a 15 percent national renewable portfolio standard, which is not part of the Senate bill. In addition, the House bill contains \$16 billion in renewable, energy efficiency and conservation incentives, which, at the moment, do not have counterparts in the Senate bill.
- The White House has threatened to veto the legislation if certain provisions that “lead to less domestic oil and gas production” are in the final conference bill. Both the House and Senate bills would roll back certain oil and gas tax incentives in order to pay for incentives for renewables and other measures.
- For all these reasons, what was once considered a bill that addressed only “low hanging fruit” has escalated into a more controversial measure and it is unclear if the leadership can get the energy bill over the finish line as quickly as hoped.

3. Climate Update

- November 2006 elections gave Democrats control of House and Senate, which led to change in the legislative agenda:
 - Reid/Pelosi re-issue “Six in ‘06” campaign initiative;
 - Revived discussion of Renewable Portfolio Standard, increase in CAFE standards, tax incentives, CO₂ emissions controls.
- New leadership moved to capitalize on signs of support for climate change action in polls, state and local actions:
 - Shifting American attitudes per polls;
 - Intergovernmental Panel on Climate Change report;
 - “An Inconvenient Truth”;
 - California, New England emissions initiatives;
 - Western Governors accord;
 - Response from business community (e.g. State Farm decision not to issue insurance in coastal areas).

- Initial Flurry of Legislative Activity
 - Reorganization of committees, multiple bills introduced, numerous hearings;
 - Issue of science no longer part of debate;
 - Interest groups scrambled to position selves to be part of debate (e.g. US CAP, IPPs, AFL-CIO, etc);
 - Pelosi prods committees to deliver bill by July 4 recess by creating a Select Committee on Energy Independence and Climate Change.

- Reality Sets In
 - Recognition that proven, commercial scale technology does not exist;
 - Realization that “cap and trade” program will create winners and losers;
 - Concerns about impact on US economy, particularly vis-à-vis China, India and developing world;
 - President still opposes mandatory GHG emissions controls (although slight shift lately: calling for consultation with other nations).

- Leadership Decision to Take Smaller Steps First
 - House and Senate just passed “energy independence” bills as just discussed;
 - Bills would take a number of smaller steps to increase energy efficiency and reduce GHG emissions:
 - More research on carbon sequestration technologies and storage;
 - Increase efficiency standards for more large appliances (e.g. furnace fans, other kinds of motors, and buildings);
 - Increase production mandates for ethanol and other biofuels;
 - Provide financial incentives (loan guarantees) for advanced vehicle battery technology and expand development of hybrid and plug-in electric vehicles;

- What Next for Climate Change Legislation?
 - In House, Energy and Commerce Chairman John Dingell plans to begin work on emissions bill in the fall; will be a struggle to find a

compromise that Dingell and Subcommittee Chairman Rick Boucher (D-VA) can support and that Speaker can endorse.

- Second flurry of bills in Senate:
 - Second Bingaman (D-NM) and Specter (R-PA) economy-wide bill that would reduce GHG emissions to 2006 levels by 2020; to 1990 levels by 2030 and at least 60 percent below current levels by 2050; also has “safety valve” that allows emitters to purchase credits at relatively low cost in beginning and that economists say will reduce volatility.
 - New outline of Lieberman (D-CT) and Warner (R-VA) bill just released, require reduction of GHG to 2005 levels beginning in 2012; then cut another 10 percent by 2020 with end target of 70 percent reduction by 2050; would also auction off allowances and use proceeds to advance power sector technologies, reduce emissions in transportation sector, encourage commercialization of sequestration of CO₂.
- Seems to be consensus on “cap-and-trade” model; little support for carbon tax despite enthusiasm of economists; beyond that, however, most in Congress are still at the 30,000 foot level in terms of understanding what a cap and trade program would look like, let alone other details;
- Over rest of 110th Congress, we are likely to see “push and pull” on climate change legislation, with Speaker Pelosi and Select Committee Chairman Ed Markey (D-MA) pushing for swift action and Chairman Dingell wanting to proceed at slower pace.
- Interestingly, Energy and Air Quality Subcommittee Chairman Boucher has argued that Congress should produce a bill this year, as the current Administration will be easier to deal with than possible future administrations (from coal state perspective).
- The bottom line, in terms of our best guess: no emissions control legislation will be enacted in rest of 110th Congress; possible approval of bill by House committee; issue will be part of 2008 Presidential campaign and whoever is next President will be a major determiner of how quickly a bill is passed and signed into law.
- House NW Energy Caucus co-chairs (DeFazio, Walden and Hastings) are circulating a letter among the delegation to Reps. Dingell and Markey that asks that regional distinctions be carefully

considered, that prior NW investments in conservation and renewables be recognized, and that any cap-and-trade allocation issues with respect to BPA be discussed with the NW delegation.

4. Inslee Bill

- Many might have read in Morgan Meguire's article in last month's NWPPA *Bulletin* magazine, Rep. Jay Inslee (D-WA) is poised to introduce a bill supported by the American Wind Energy Association (AWEA) in concert with PPM Energy Inc. that would help renewable energy gain access to the US transmission grid. The legislation would make significant changes to current federal transmission policy, including policies of the Bonneville Power Administration and Western Area Power Administration.
- As a member of both the House Energy and Commerce and the Natural Resources Committees, Rep. Inslee is in a good position to advance the bill. During energy committee consideration of several energy titles, Inslee discussed his wish to have his transmission bill included, but did not push for an immediate vote. Nevertheless, he is committed to having a debate on the merits of his bill, although it is unclear at this point what the vehicle would be.
- On the Senate side, during debate on the energy bill, Majority Leader Harry Reid (D-NV) filed an amendment with provisions similar to those in the Inslee bill. While Sen. Reid did not offer the amendment at that time, he has indicated interest in pursuing new policies to promote transmission expansion for renewable energy projects.
- The Inslee bill would authorize the President to designate areas that meet certain criteria as "National Renewable Energy Zones" and allow a surcharge to be levied on all transmission users in the region to up-front pay the costs of connecting renewable projects in those zones to the grid. According to supporters of the bill, this would help deal with a "chicken and egg" problem that renewables developers now face: it is difficult to get financing for projects if the developer cannot show that transmission is available to deliver the energy to load; on the other hand, they say, transmission owners are not willing to build transmission lines "on spec" to remote areas where many renewable resources are located.
- Many in the utility industry, including public power systems, respond to this argument by stating that current federal policy requires all generators to pay the cost of connecting to the grid. Why, they ask, should an exception to this rule be made for renewable projects alone? With 24 jurisdictions having endorsed an RPS, renewable energy projects are more viable than ever and

there is no sound policy reason to depart from this policy, those observers say.

- The Inslee bill also authorizes significant new duties for BPA, the other federal power marketing administrations (PMAs) and the Tennessee Valley Authority. Specifically, the bill would:
 - Direct the federal PMAs and TVA to identify needed high-voltage transmission projects and, if no private entity commits to fund them within one year, direct the PMAs or TVA to fund the facilities using funds generated by the sale of federal bonds;
 - Provide that, if a PMA or TVA determines that revenues from users of the high-voltage transmission facilities are not sufficient to recover costs, it may set a transmission rate for its use separate from the rates the federal utility charges for use of its other transmission facilities;
 - Require that not less than 75 percent of the capacity of any high-voltage transmission line constructed by a PMA or TVA be used to transmit electricity from a renewable resource; and
 - Direct the PMAs and TVA to take steps to promote energy conservation and renewable energy resource development in their service territories.

- Public power advocates have expressed concern to Rep. Inslee about the expansion of the mission of the PMAs and about possible adverse financial impacts on federal power customers. They have also expressed concern that the new authorities may conflict with existing statutes that govern PMA operations.

- For example, BPA currently has the authority to use its borrowing authority to build needed transmission and to accept third-party financing for transmission in specific instances. BPA also follows the Federal Energy Regulatory Commission's Open Access Transmission Tariff (OATT) for interconnections of facilities. BPA has interconnected over 750 MW of wind generation to its grid, and recently, with the Northwest Power and Conservation Council, determined that the planned wind development (about 6000 MW over 20 or so years) can be integrated into the grid pursuant to actions laid out in the Wind Integration Action Plan.

- Historically, public power in the Northwest has promoted, and been successful, in a regional approach to transmission planning and development (e.g. ColumbiaGrid). The provisions of the Inslee bill may conflict with, or compromise, not only this regional approach, but BPA's ability to carry out its intended renewable energy policies in ways that were unintended.

- According to staff, Inslee's response to these new authorities to the PMAs is that he is aware of this, but believes that development of renewable resources is imperative to enable the US to become energy independent and address climate change and PMAs are federal assets that should be utilized to achieve these goals.
- The Inslee initiative, and Senate Majority Leader Reid's statement of interest, signals that these far-reaching transmission proposals may find considerable support in the 110th Congress.
- Morgan Meguire and others will continue to follow this important issue.

D. CALIFORNIA POWER UPDATE

Bill Carnahan, Executive Director of Southern California Public Power Association (SCPPA) and Jerry Jordan, Executive Director of California Municipal Utilities Association (CMUA) provided a California power update to GRC members.

E. RESOLUTIONS

Existing resolution changes:

Scott Lindsay explained NWPPA's active slate of 11 resolutions. Bruce Pilling reviewed Emerald PUD's proposed changes to resolution 07-10:

NORTHWEST PUBLIC POWER ASSOCIATION 07-10 Resolution (Revised)

IMPROVED AGENCY COOPERATION FOR UTILITY RIGHTS-OF-WAY ON FEDERAL LANDS

Northwest Public Power Association (NWPPA) members take the reliability and safety of their transmission and distribution system seriously. 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, they are also required to work with federal agencies such as the:

- Department of the Interior (including the National Park Service, U.S. Fish and Wildlife Service, 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 experience policies that prohibit or delay access to federal lands, ***(Deleted: as well as)*** add excessive costs to perform the work to obtain the required permits, ***and create adverse impacts to public health and safety — including damage to electric 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 resisting utility's ability to minimize such liability by clearing dry brush from forest floors or trimming and topping trees. Such a standard holds the utility responsible for all fires regardless of the cause; and
- Forbidding or delaying the extension of service to private property or adding unreasonable conditions to such extensions.

(Deleted: These policies have resulted in adverse impacts to public health and safety, including damage to electric lines and forest lands.)

NWPPA therefore requests the heads of the federal agencies named above work with NWPPA member utilities to (1) enhance the right for utilities to operate and maintain facilities and rights-of-way; (2) 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; and (3) assist NWPPA members in obtaining Congressional support to ***(Deleted: consider ways 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, Changes suggested by EPUD 9-6-07

Proposed new resolutions:

- **WGA Resolution** — Scott Lindsay explained the purpose of the proposed draft WGA resolution provided to the GRC for consideration.
- **Green Dams, Blue Skies Resolution & Pledge** — Scott Lindsay explained that NWPPA already has an active resolution on dams.

Staff recommends utility members sending a letter of support with a copy of NWPPA resolution 07-7.

F. WESTERN ENERGY RESOURCES COMMITTEE (WERC) REPORT

Bob Titus reported on the August 15, 2007 WERC conference call and reviewed the minutes from that meeting with the GRC. There were 18 participants on the conference call and the committee identified the following as purposes/goals of the committee:

- To influence WGA work products
- To build relationships
- To establish public power as a sought after resource
- To communicate WGA activities to NWPPA members in a timely manner

Titus indicated that the WERC committee felt that it was important to have a large delegation of members attend WGA meetings. The ideal would be to have one representative from each state in the NWPPA membership area. He indicated that NWPPA was looking for individuals who could attend the November 7 & 8, 2007 meeting and the 2008 WGA Annual Meeting.

Ralph Carmona, Sacramento Municipal Utility District, volunteered to be the vice chair of the WERC committee.

The next meeting of the WERC committee will be Sept. 24, 2007 via conference call.

G. STATE AND REGIONAL REPORTS

The committee heard reports from the following individuals:

State Reports:

Alaska — Bill Nordmark, Golden Valley Electric and Tom Kuckertz, Copper Valley Electric

California — Ralph Carmona, Sacramento Municipal Utility District

Idaho — Ralph Williams, United Electric and Ed Gossett, Kootenai Electric

Montana — Bob Walker, Beartooth Electric

Oregon — Tom O'Connor, Oregon Municipal Electric Utilities (OMEU)

Washington — Bob Titus, City of Ellensburg

H. OTHER BUSINESS

WGA Resolution — Scott Lindsay explained the resolution process and WGA activities in this area (clean coal and carbon sequestration). Lindsay asked interested parties in developing a new resolution in these areas to contact him with comments and changes.

The GRC provided a “nod of heads” for permitting staff flexibility in addressing fast moving legislative issues as the need arises.

I. NEXT MEETING DATE AND LOCATION

Jim Dyer announced the next GRC meeting is scheduled for March 5, 2008 at The Grove Hotel in Boise, Idaho.

With no further business the meeting adjourned at 11:20 a.m.

Respectfully submitted,



Jim Dyer, Salem Electric
Government Relations Committee Chair