



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
Hyatt Regency Capitol Park
Sacramento, CA
May 24, 2010**

A. ATTENDING

Mary Ann Hanson, Anchorage ML&P
Diane Ashley, Lockhead Martin
Doug Aubertin, Ferry County PUD
Jeff Baker, Platt Electric
Dave Baker, Columbia River PUD
Nancy Barnes, Clark Public Utilities
Carl Beach, Salem Electric
Ron Benfield, Central Lincoln PUD
Ernie Bolz, Okanogan PUD
Debbie Bone-Harris, Franklin PUD
Greg Booth, Clatskanie PUD
Paul Brachvogel, Cowlitz PUD
David Breninger, Placer County Water Agency
Dan Brooks, Elmhurst Mutual
Shirley Cairns, Douglas Electric Cooperative
Ann Congdon, Chelan PUD
Vernon Dalton, Wells Rural Electric
Karl Denison, Mason PUD
Jim Dyer, Salem Electric
Carol Everman, Columbia River PUD
Clay Fitch, Wells Rural Electric
Dennis Gale, Skamania PUD
Mike Gianunzio, SMUD
Merle Gillespie, Clatskanie PUD
Ron Gold, Mason PUD No. 1
Howard Gonser, N. Wasco PUD
John Grubich, Okanogan PUD
Ron Hatfield, Pacific County PUD #2
Lynn Heminger, Douglas County PUD
Harry Hewitt, Tillamook PUD
John Hossack, Lincoln Electric Cooperative
Dwight Langer, N. Wasco PUD
Mick Lloyd, Lincoln Co. Power District



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Larry Luong, SMUD
Kathleen Munteer, LEC
Barbara Nagle, N. Wasco PUD
Tim Nichols, Redding Electric Utility
Doug Olson, Tillamook PUD
Dan Osborne, Golden Valley Electric
Jim Posey, Anchorage ML&P
Will Purser, Clallam PUD
Robin Rego, Lakeview Light & Power
Paul Rogers, Kittitas County PUD
Dick Simpson, Columbia River PUD
Ted Simpson, Clallam County PUD
Ron Skagan, Douglas County PUD
Milton Skov, N. Wasco PUD
Loy Sparks, Lane Electric Cooperative
Ron Summerfeldt, Midstate Electric
Mike Swanson, Pacific County PUD
Loren Tarbell, Columbia River PUD
Steve Taylor, Mason PUD No. 1
Renee Taylor, SMUD
Diana Thompson, Pacific County PUD #2
Buddy Treadway, Benton REA
Tim Tutt, SMUD
Tom Tymchuk, Central Lincoln PUD
Bill Ward, N. Wasco PUD
Linda Wyman, Seattle City Light

NWPPA Staff

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

Others in Attendance

Gerry Cauley, NERC
Jane Cirrincione, NCPA
Scott Lindsay, SML Consulting
Kent Lopez, WRECA
Deborah Sliz, Morgan Meguire
Brent ten Pas, NCPA



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Bob Therkelsen, via conf. call
Scott Tomashefsky, NCPA
Dave Warren, WPUA

GRC Chair Ralph Williams called the meeting to order at 8:32 a.m. on Monday, May 24, 2010. The meeting was held at The Hyatt Regency Capitol Park in Sacramento, Calif. A quorum of the GRC committee was present. Williams reminded attendees that each utility has one voting delegate for the meeting.

B. CONSENT AGENDA

Neal Harth moved to approve the Minutes from the March 11, 2010 GRC meeting as prepared. With a second from Ed Gossett the motion to approve the Minutes as presented was approved with none opposed.

C. NERC GRID RELIABILITY UPDATE

Brad Hawkins introduced Gerry Cauley, President & CEO, NERC. Cauley gave an update on NERC's activities. He touched on the following topics:

- Leadership by NERC in bulk power and system reliability
- Reliability — learning industry
- Strong culture of compliance
- Strong enforcement
- Trusted leader and advocate for reliability
- Key drivers:
 - Rebalance NERC
 - Compliance
 - Reliability improvement through learning and risk management
 - ERO Enterprise
- Challenges:
 - Regulatory mandate — Getting standards done
 - 3 year self assessment
 - Critical infrastructure protection expectations
 - Resource constraints and staffing

According to Cauley nearly half of all violations are cyber security and nearly half of all violations are self-reported.



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D. WASHINGTON DC UPDATE

Deborah Sliz of Morgan Meguire provided a summary of federal legislative issues followed by a time of Q&A.

E. JOINT NWPPA/NCPA DC RALLY

Scott Lindsay reported that NCPA and NWPPA held its sixth joint rally in Washington D.C. the week of April 25-29. NWPPA members representing 11 utilities in six states participated in the rally and held roughly 30 meetings with Western Delegation members during two and a half days. Rally participants communicated the Association's concerns about federal climate changes policies, voiced support for federal incentives for renewable, and shared their thoughts on ways to improve a flawed cyber security bill being considered in Congress. Lindsay reported that this arrangement with NCPA allows NWPPA from a west-wide perspective to get a broader base and representation in D.C. and better access to D.C. staff. Ralph Williams expressed thanks to NCPA and NWPPA staff for all the logistics work that goes into setting up the meetings with members of Congress and congressional staff.

F. RESOLUTION PROCESS

Scott Lindsay described the draft protocol for resolutions that was handed out. The draft protocol clearly outlines the resolution process moving forward. Bob Titus moved to adopt the new resolution process and turn final approval of resolution language over to the full Board. With a second from Meera Kohler the motion carried with none opposed.

G. PROPOSED 2010 RESOLUTIONS

En Bloc Resolutions:

Ed Gossett moved to approve resolutions 2010-01-09 except 2010-02 as submitted. With a second from Harry Hewitt the motion carried with none opposed.



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Individual Resolutions for Consideration

2010-02 — Neal Harth moved to approve resolution 2010-02 as submitted. With a second the motion carried with none opposed.

2010-10 — Ed Gossett moved to approve resolution 2010-10 as submitted. With a second the motion carried with none opposed.

Ralph Williams thanked Bob Titus and Brad Hawkins for their extensive work on standardizing the Association resolutions and helping to develop the new resolution process.

Resolutions 35-10 & 36-10 — Meera Kohler moved to remand these resolutions to archive status. With a second from Neal Harth the motion carried with none opposed.

H. WECC UPDATE

Jim Feider provided an update on WECC activities. Feider serves on the WECC Committee. The committee will be developing a comprehensive west-wide transmission plan by the end of 2011 to help facilitate integration of renewable energy power in the west. The committee formed a scenario planning steering group which is made up of 24 people from around the industry representing various renewable energy fields. The WECC committee will be working on a 20-year plan with the assumption recommendations from the scenario planning sub-committee. It will include a 40 percent carbon reduction by 2030, 33 percent renewable portfolio standards, and reducing coal generation in the west by 20 percent. Feider encouraged board members to contact him if they were interested in participating in the sub committees or being added to an e-mail list. The next meeting will be in June in Denver. NWPPA has set up a BaseCamp Web site for WECC for those interested in participating or following the WECC activities.

I. WCI UPDATE

Bob Therkelsen provided the following WCI update:

WCI is continuing to progress toward completing detailed design work for a cap-and-trade program that can be implemented in 2012. Their goal is to complete their detailed design this summer and begin reporting in January 2011.



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MAJOR ACTIVITIES

Detailed Design Summary:

- One-piece summary of the cap-and-trade program, policies, process, and recommendations
- Detailed implementation description and narrative
- Reference for state/provinces in preparing regulation and legislation
- “Operative language” that can be modified by states/provinces as desired
- Not a “model rule”
- Due out this summer

Use of RECs: WCI has announced that renewable energy certificates do not have any role in either the reporting or compliance for the cap-and-trade program. The compliance obligation of electricity deliverers within WCI will be based only on actual emissions associated with the generation.

Reporting: WCI is harmonizing its reporting requirements with the U.S. EPA. Final due on 6/10.

- Single set of monitoring, recordkeeping, and reporting requirements
- Submittal to U.S. EPA with subsequent distribution to WCI states/provinces
- Measurement methods must be adequate for a regulatory program
- Marking up the current EPA rules
- No changes in electricity (FJD) reporting

Auction Design: Draft paper sent out 4/10; final recommendation due summer 2010

- Format – Single round of auction, sealed bids, uniform price
- Unsold allowances – Some will be retired and some will be used by partners
- Vintages – Sale of allowances for future compliance period will be allowed
- Lot size – Allowances will be sold in bundles of 1,000
- Frequency – Quarterly auctions
- Participation – Open to anyone able to meet qualifications (Qualifications TBD)
- Disclosure – Clearing price, winning bidders, number of allowances awarded
- Manipulation – Establish a purchase limit and a reserve price



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Offsets: Draft recommendations sent out 4/10; final recommendations due summer 2010

- Offsets will be treated the same as allowances (1 certificate = 1 metric ton CO₂)
- Point of regulation will be at the facility using offsets for compliance except offsets cannot be carried over from one compliance period to the next (no banking)
- Offsets will be limited – same for each compliance period and same for all partners
- Offsets must be permanent – if reversed, it must be replaced
- Offsets from sequestration must be for at least 100 years
- Offsets are subject to 3rd party verification

Market Oversight: Call on 5/25; final recommendations due summer 2010

- Want market to be efficient and with effective oversight
- Allowances will be treated as commodities for market oversight purposes
- Will track ownership and legal interest in allowances
- Do not limit market participation to entities with compliance obligations
- Do not require registration of all market participants and intermediaries
- Establish limit on how many allowances an entity can hold (limit market power)
- Establish a central tracking system on purchases and exchanges
- Require reporting of “beneficial ownership” (who benefits from owning allowances)
- Use existing regulatory structure for oversight

Complimentary Policies: Focusing on key areas of transportation and electricity.

OTHER WCI ACTIVITIES

- The New Mexico Environment Department has released a preliminary draft rule for a cap-and-trade rule. If approved through the New Mexico Environmental Improvement Board, this rule would allow New Mexico to implement the WCI program in 2012.
- Ongoing coordination with Northeastern and Midwestern states to ensure compatibility and consistency.
- Monitoring and influencing of federal legislation
- Close coordination with the U.S. EPA on regulations
- Market Oversight conference call on 5/25 to discuss “holding limit”



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OBSERVATIONS

- WCI appears committed and united to develop the detailed design document
- All states and provinces are engaged

J. OTHER BUSINESS & REPORTS

1. **State Reports** — The GRC heard state reports from Idaho - Ed Gossett & Ralph Williams; Washington – Brad Hawkins; Oregon – Dave Sabala, Jim Dyer & Marc Farmer; Nevada – Mary Wright & Mick Lloyd; Alaska – Meera Kohler, Marilyn Leland & Bill Nordmark; California – John DiStasio & Tim Tutt; and Montana – Doug Hardy
2. **Plaque of Appreciation to Ralph Williams**

Will Lutgen presented a Plaque of Appreciation to Ralph Williams for his service this past year as the GRC chairman.
3. **Next Meeting Date** — The next GRC meeting will be September 9, 2010 at the DoubleTree Hotel Missoula Edgewater in Missoula, Mont.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ralph Williams", is written over a faint, light blue rectangular stamp or watermark.

Ralph Williams, United Electric
GRC Committee Chair