

NWPPA Annual Meeting

May 27, 2010
Sacramento, CA

APPA 2010 Priorities

- Climate change
- Restructured wholesale markets
- New infrastructure
- Reliability/Cyber-security
- Work force issues
- Demand-side management

Tackling the Priorities: Climate Change

- CEO Climate Change Task Force (CCTF)
- Last year comprehensive legislation passed House and Senate EPW Committee
- APPA concerns about Cap and Trade (C&T): cost control, adequate allowances, market manipulation, revenue use, and targets/timelines
- Kerry-Graham-Lieberman proposal focus of Senate activity, now minus Graham
- Climate Change legislation unlikely in 2010

Tackling the Priorities: Increased EPA Regulation

- EPA CO-2 Endangerment Finding
- Tailpipe regulations in April, Tailoring Rule for non-mobile sources in May
- CAA not intended to regulate GHGs
- BACT standard can be redefined, creates indefinite planning uncertainty
- Other EPA regulations also pose significant challenges: effluent guidelines, CAIR, mercury/MACT, coal ash

Tackling the Priorities: KL Provisions

- Preemption of the Clean Air Act for GHGs and of state and regional programs
- Cap and Trade for electric utilities only in 2013, with industry phase in six years later
- Firm price collar: \$25/ton ceiling, \$10/ton floor plus escalation @ CPI + 5%
- Significant additional allowances in first 8 years
- Same targets and timelines (17% reduction by 2020)

Tackling the Priorities: If not KL, then what?

- Senate Energy Bill, S. 1462: endorsed by APPA, but no support from Senate leadership to date
- Murkowski Disapproval Resolution: would invalidate EPA's endangerment finding
- EPA Delay Bill: would direct EPA to delay implementation of GHG regs for two years
- CLEAR Act: bipartisan alternative to cap and trade. Cap and dividend proposal from Senators Cantwell and Collins

Tackling the Priorities: New Infrastructure

- Transmission key for reliability and new generation, including renewables
- Issues: siting authority, regional planning, joint ownership, and cost allocation
- APPA conditional support for 15% RES
- Comparable incentives: uncap CREBs allocation and pursue extension of 30% investment grant to public power

Tackling the Priorities: Reliability

- APPA active in developing NERC standards and compliance policy: limited members in registry
- Co-sponsored NERC compliance guide
- New NERC leadership: demonstrate results-based standards; streamline process; prioritize based on reliability; training for drafting teams
- March FERC orders caused industry-wide concern and has led to a “dialogue” with FERC commissioners

Tackling the Priorities: Cybersecurity

- APPA helping to lead an industry coalition on cybersecurity policy development
- Coalition supports additional narrow, targeted FERC authority for cyber threats only
- APPA testified at House hearing in October
- Current House bill problematic: includes distribution, interferes in NERC-FERC process
- Activity also in Senate Intelligence and DHS committees, but legislation more likely in 2011

Tackling the Priorities: Work force Issues

- Careers in public power campaign
www.CareersinPublicPower.com
 - Information on benefits of public power careers
 - Site targets utilities, job seekers, educators, parents
 - New video promoting careers in public power
- Work force survey
- Over 5000 website visits in one year

Tackling the Priorities: Demand Side Management

- Web site and database www.EERCnet.org
- Efficiency and demand side program survey
- Webinars and educational publications
- Tools for all classes of customers

Tackling the Priorities: Demand Side Management, cont.

- EERC Partnerships with 35 state associations and joint action agencies
- APPA provides resources and support
- Partners work with member utilities to implement energy efficiency programs

Tackling the Priorities: Energy Efficiency Power Plant

- Cost-effective EE programs are a “no regrets” strategy and can be an important part of your power supply plan
- Over a multi-year period, EE can not only lower customer bills but also contain power costs
- Helps customers cope with rising power costs and strengthens customer relationships
- If you don't do it, somebody else will, e.g. ARCs, Google, ESCOs, etc.

Tackling the Priorities

Goal: low cost energy services?

- Industry challenge: higher power costs, increased grid automation, entry of third party providers to serve your customers
- Public power's advantage: business model complements energy efficiency, strong customer relationships, strong credit
- Customers will turn to their utility, but you need to be ready with help

Strong Public Power Financial Performance

Public Power S&P credit ratings (1/2010):

- 264 credits rated: 100% investment grade
- Median rating: A+/ 98+% stable or positive
- 92% rated “A-” or higher/27% AA- or higher

IOU Sector credit ratings:

- 96% investment grade, median rating BBB, 82% stable or positive
- Fitch and Moody realignment of public credits

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