

Draft
Minutes of the April 18-19, 2005
Meeting of the Western Interstate Energy Board
San Jose, California

Board Chair Joanna Prukop (NM) called the meeting to order and asked members to introduce themselves:

Alberta	Larry Charach
Arizona	Lori Faith
British Columbia	Peter Ostergaard
California	Bill Chamberlain
Colorado	Rick Grice
Idaho	Laura Nelson
Montana	Art Compton
Nebraska	Not present
Nevada	Dick Burdette
New Mexico	Joanna Prukop
Oregon	Phil Carver
Saskatchewan	Bruce Wilhelm
Utah	Not present
Washington	Tony Usibelli
Wyoming	Steve Ellenbecker/Bryce Freeman

Minutes

Chair Prukop (NM) asked for additions and corrections to the minutes of the October 18-19, 2004 Board Meeting in Vancouver. There being no suggested changes, Bill Chamberlain (CA) moved to approve the minutes and Tony Usibelli (WA) seconded the motion. The Board approved the minutes by voice vote.

Budget Report

Doug Larson presented a budget report that raised concern about sustainable funding sources and the implications for future policy priorities. In recent years, WIEB has focused on regional electric power issues that relied heavily on grants from the Department of Energy (DOE) and in-kind support from the Lawrence Berkeley Laboratory. The Board engaged in a discussion of the budget and policy priorities. Marsha Smith (ID), Chair of CREPC, participated in a discussion via teleconference. Dick Burdette moved that the Board approve the following motion:

- 1) Approve the proposed budget and work plan;
- 2) Authorize the acceptance of funds in the areas of radioactive waste, regional electricity cooperation, mine reclamation, transportation (including alternative

- fuels), energy efficiency and renewable energy, fossil energy, and cross-border energy trade;
- 3) Authorize the Executive Committee (Chairman, First Vice Chairman, Second Vice Chairman, and Treasurer) to approve, between meetings of the Board, the acceptance of funds in other areas, upon the written advice of members of the Board;
 - 4) Authorize the Executive Committee to approve in the fall the exact cost-of-living increase for employees based on the increase in the consumer price index for the Denver region; and
 - 5) Adopt, as a target, a fund reserve equal to 2 times the difference between the proposed annual budget for core Board functions and forecasted dues in the year.

Steve Ellenbecker seconded the motion. Tony Usibelli offered an amendment to include a contingency fund of up to \$20,000 to address other projects, such as energy emergencies and petroleum adequacy. The amendment was accepted and the Board approved the amended motion.

Report on Board and Committee Activities

Doug Larson (WIEB) reported on several recent Board activities. WIEB staff developed a roadmap proposal for the Federal Energy Regulatory Commission (FERC) to study historic flows on transmission paths and the Available Transmission Capacity (ATC) and resolve apparent discrepancies between actual flows and posted ATC levels. WIEB has also been working to improve the Seams Steering Group-Western Interconnection (SSG-WI) database on generation, collaborating with the California Energy Commission on a regional natural gas assessment, and supporting the Rocky Mountain Area Transmission Study (RMATS).

Election of Officers

Joanna Prukop asked for nominations for officers for WIEB and the Western Interstate Nuclear Board. Steve Ellenbecker moved and Bill Chanberlain seconded the following slates of officers which were unanimously approved.

- Western Interstate Energy Board:
 - Chair – Joanna Prukop (NM)
 - Vice Chair – Tony Usibelli (WA)
 - Second Vice Chair – Dick Burdette (NV)
 - Treasurer – Lori Faeth (AZ)
- Western Interstate Nuclear Board
 - Chair — Joanna Prukop
 - Vice Chair – Tony Usibelli
 - Treasurer – Lori Faeth

Western Governors' Association

Pam Inmann updated the Board on the Governors' annual meeting June 12-14, 2005 in Breckenridge, CO that will feature at least nine resolutions, including the proposal to finance an enhanced state/provincial regional energy function. She also discussed implementation of the Governors' clean and diversified energy resolution; an Endangered Species Act Executive Summit in San Diego last December 3-4; an Indian Gaming Summit in Denver on March 29-30; and continued efforts to work on drought and federal energy legislation.

Steve Ellenbecker (WY) called for a coordinated effort to provide information and advice for the Governors regarding the proposed resolution to finance an enhanced electricity function.

Lori Faeth (AZ) discussed Governor Janet Napolitano's interests as the incoming chair to the WGA, which will focus on long-term sustainable growth in the West, land use, public lands issues and infrastructure.

Kevin Moran of the WGA's Washington, D.C. office joined the meeting via telephone. Moran reported that the House is close to passing a new energy bill that includes the following features: fewer overall tax incentives relative to the bill from last year; eliminated tax incentives for renewable energy and the production tax credit for wind; a provision to give FERC sole authority to site LNG onshore terminals; and an expenditure cap on electric reliability spending far below current levels.

Collaboration with Pacific Northwest Economic Region

Matt Morrison of the Pacific Northwest Economic Region (PNWER) joined the meeting via teleconference. Morrison described PNWER's activities on energy issues relevant to the Pacific Northwest, Alaska and western Canada, and explored potential areas of collaboration with the Board and CREPC. PNWER received a federal grant of \$800,000 to set up bi-national energy analysis that would entail an assessment of resources, pipelines, and permitting mechanisms across jurisdictions. Tony Usibelli (WA) and Phil Carver (OR) volunteered to be liaisons to PNWER.

Energy Emergency Exercise

Tony Usibelli (WA) presented a proposal to develop a Western energy emergency exercise in coordination with the Department of Energy Office of Energy Assurance. The Board discussed the matter and agreed on next steps. First, the Board will send a representative to observe the emergency exercises being conducted in the Midwest this July 18-19 and report back on these activities and potential applications to the West. Second, the Board will review the findings from the Midwest exercises and input from the work group comprised of representatives from WA, OR, CA, NM, and take actions at the next meeting.

Petroleum Adequacy Study

Tony Usibelli introduced a second proposal to study petroleum adequacy in the West. The discussion identified concern over rising petroleum prices, the importance of refineries on regional markets, supply disruptions in regional markets, the interaction of state and federal rules on petroleum products, efforts to raise ethanol levels in petroleum products, the complexity of the petroleum market, and the desire to better understand this market. The Board agreed to the following next steps:

- (1) Consult with Lynette Evans in Governor Napolitano's office about the Arizona Governor's interest in taking the lead to provide high profile support for a petroleum adequacy study.
- (2) Organize a Board work group that would develop a scoping paper on the potential topics to be studied. The paper would consider regional supply and distribution issues.
- (3) The work group would then consider the strategy for hosting a conference on this topic that would seek to collaborate with industry experts on such an effort.

Recognition of Bill Keese

The Board recognized and presented Bill Keese an award for his years of service on the Board, including his two years as Chair of the Board, and leadership on energy issues.

WGA's Clean and Diversified Energy Initiative

Bill Keese reported on the activities of the WGA's Clean and Diversified Energy Advisory Committee (CDEAC) and the related task forces. CDEAC is charged with developing recommendations for the Governors by June 2006 on implementing the goal of 30,000 MW of clean and diversified energy by 2015 and improving the efficiency of electricity use by 20 percent by 2020. Task forces have been formed to consider the potential contribution and policy recommendations for wind, biomass, solar, geothermal, energy efficiency, coal, natural gas, and transmission. WIEB staff provides direct support for the wind and transmission task forces, and additional indirect support to the other task forces and the full CDEAC committee.

Western Natural Gas Assessment Study

Dave Maul (CEC) reported on the joint WIEB/California Energy Commission natural gas assessment project and observations on the linkages between natural gas and the electric sector. Maul identified accomplishments since the last presentation in Vancouver as follows: the CEC modeling team produced initial strawman model runs; engaged the core team of state and provincial representatives in discussions; completed substantial modifications to the model; hired a consultant to improve the analysis of demand elasticity; developed an extensive data set; initiated discussions with SSG-WI and the CEC's electric sector group to improve the modeling of the electric sector; and produced findings representing the revised strawman case. The next steps in the project are updating the model with new EIA and CEC demand forecasts this summer, conducting

model runs for four scenarios and performing sensitivity analysis. The Board discussed numerous features of the study and expressed continuing support for the project without identifying any mid-course corrections. Maul and his CEC modeling team presented a more detailed update on the natural gas assessment project to a joint WEIB/CREPC workshop after the conclusion of the Board meeting.

STATE/PROVINCIAL ROUNDTABLE

- New Mexico
 - NM signed an MOU with the EPA on the Clean Energy-Environment Partnership Program.
 - The NM legislature passed energy legislation that included an energy efficiency bonding act and utility cost recovery for energy efficiency programs. The proposal for a transmission and storage authority did not pass, but will be introduced again next year.
- Wyoming and Nevada on the Frontier Line
 - Dick Burdette (NV) and Steve Ellenbecker (WY) discussed the proposed Frontier Line as endorsed in an Memorandum of Understanding (MOU) signed by the Governors from WY, NV, UT and CA.
 - The proposed line would link coal and wind generation in northeast WY to the Salt Lake City load area, then split in two directions going west, provide off ramps that tap resources and loads linking NV's northern and southern sections, and deliver energy to load centers in northern and southern CA. The line will predominately use existing right-of-way paths.
 - The Governors will set up task forces to deal with economic modeling, technical issues, and regulatory issues. Efforts are underway to hire a Washington D.C. law firm, a consulting firm, and a public relations firm in the West.
 - Preliminary project costs range from \$12-15 billion consisting of \$3+ billion for primary transmission lines, another \$2+ billion for feeder lines, and the remainder for new generating plants.
- Oregon
 - OR policy seeks to reduce CO2 levels to 10% below 1990s levels.
 - ODOE is considering proposals for three new LNG terminals
- Idaho
 - A potential new IGCC coal plant located in ID has been discussed in the press. This project has not triggered any regulatory review or actions.
 - ID's avoided cost methodology has become a role model.
 - A bill creating a renewable energy equipment sales tax refund is awaiting the Governor's signature. To be eligible for a refund, the equipment must be part of a facility capable of generating at least 25 kW.
- Washington
 - WA is proposing to adopt CA vehicle standards consistent with its global warming initiative.
 - Despite drought conditions in the Northwest, WA does not anticipate power supply problems from the hydro power system.

- California
 - Several new power plants will be coming online this year in CA.
 - The CEC is preparing its integrated energy report for 2005 that will consider the relationship of energy and water issues.
 - CA (and all states) won a significant legal victory in the 9th Circuit Court of Appeals with a decision rejecting industry claims for exclusive federal jurisdiction on appliance energy efficiency database.
- Nevada
 - NV revised its RPS to permit ¼ of the goal to be met by energy conservation.
 - NV continues its temporary renewable energy trust to support renewable projects while the utility resolves financial problems.
 - The PUC is pursuing rate cases and a workshop on transmission planning.
 - New generation in the state includes three new geothermal plants. A new solar plant has arranged funding, and four merchant coal facilities are proposed. NV has permitting applications for 800 MW of wind energy.
- Montana
 - MT adopted a ban on MTBE.
 - The Legislature adopted an RPS and a bill to promote ethanol. It also agreed to reduce the property tax rate on land used for wind energy.
 - The MT PSC approved a 150 MW wind farm that will meet the RPS requirement.
- Colorado
 - CO adopted regulations to implement its RPS initiative and resolve outstanding issues.
 - Progress was reported on development of an in-situ oil shale technology project near Rifle, CO.

The meeting was adjourned.