

Summary of May 1-2, 2002 Western Interstate Energy Board Meeting

With eight states (AZ, CA, ID, NV, NM, OR, UT, WY) and three provinces (BC, AB, SK) present, the Board:

- Approved with minor changes the minutes from the October 29-30 meeting of the Board.
- Elected the following officers for the coming year -- John Savage, Chair, Bill Keese, 1st Vice Chair, Jeff Burks, 2nd Vice Chair, and Bill Eastlake, Treasurer.
- Approved the proposed budget and work plan; authorized the acceptance of funds in the areas of radioactive waste, regional electricity cooperation, mine reclamation, transportation (including alternative fuels), and energy efficiency and renewable energy; authorized 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; authorized the Executive Committee to approve the exact cost-of-living increase for employees based on the increase in the consumer price index for the Denver region; and adopted, as a target, a fund reserve equal to 2 times the difference between the proposed annual budget and forecasted dues in the year. The adopted budget for fiscal year 2002-2003 is \$382,000, slightly lower than the budget approved a year ago. There is no increase in dues.
- Discussed with Jim Souby, WGA Executive Director, the governors' energy priorities, including the outcomes from the WGA Environmental Summit the week before.
- Discussed federal energy legislation, including the upcoming conference committee. Don Crane, WGA Washington, D.C. office, joined the discussion via teleconference.
- Directed staff to convey to Jennifer Salisbury, former Board member from New Mexico, the Board's appreciation for her outstanding work on behalf of the organization.
- Received a report from Kathy Iverson (DOE-Denver) on a Clean Energy Study for the Interior West being conducted by the Land and Water Fund of the Rockies.
- Set the next meeting for the first week of October, preferably in Vancouver, B.C.

In addition, the Board held a roundtable discussion on recent developments and a joint workshop with WGA on North American energy trade.

Roundtable

Idaho

- - There was increased interest in renewable energy in the legislature, which was exemplified by PURPA contracts being lengthened to 20 years and the size of allowable projects being increased from 1 to 5 MW. A Renewable Portfolio Standard is likely to be discussed by the legislature this summer.

- Idaho Power delayed a 250 MW gas turbine project a year and the PUC ordered the company to reinstate DSM programs.
- PacifiCorp filed a \$40 million extraordinary power costs filing, and the settlement being proposed will give the company about 60 percent of this.

New Mexico

- - The governor's term expires this year, and the general expectation in the state is that former Secretary of Energy Bill Richardson will assume the governorship. New Mexico continues with frozen rates, and high gas prices are causing problems for some utilities.
 - 3 out of 5 Public Regulation Commissioners are running for re-election.

Arizona

- - The Arizona Corporation Commission is expanding from 3 to 5 commissioners, and Jim Irvin's term is up, but he is expected to run for reelection. There will also be a new governor this fall, with viable candidates on both sides.
 - Projects totaling 16,000 MW, which exceeds total state demand, have been approved, with the expectation of 10,000 MW being operational by summer of 2003. One power plant was denied based on environmental reasons, marking only the second denial in the history of the state siting process. Transmission for the new generation remains a concern, particularly transmission to move power out of the state. New in-state transmission is expected to be on-line in 2006-2008. All projects are fueled by natural gas. One new natural gas pipeline has been announced, running from near Las Vegas south to western Arizona. There is concern that action by FERC to reallocate capacity on natural gas pipelines east of the Colorado River may not allow all new generation to operate.
 - The Commission is likely to resolve the direction it is heading with respect to retail competition by the end of the summer.
 - Significant growth, and the lack of any refineries being built since 1981, has resulted in substantial concern over gasoline supply. A new product pipeline line is expected to be constructed from Texas to Arizona and possibly California. There is substantial interest in a petroleum supply study underway at the California Energy Commission. Based on the discussion, it was agreed that gasoline supplies should be on the agenda for the next Board meeting.

Wyoming

- - Deregulation in the retail gas market is in place, and has resulted in a 55 percent increase in natural gas rates.
 - There will be a new governor next year, and the outcome of the election might affect the state energy policy, which is currently being written.
 - Coal-bed methane continues to dominate the energy arena in Wyoming. Until environmental and technological concerns are resolved, the production of CBM may be slowed.

- In anticipation of MTBE phase-out, Wyoming is developing a product called Ecoline (similar to ethanol), using CBM gas, as a replacement, with the intention of marketing to California.
- There remains significant interest in wind generation; however, transmission constraints out of the state are prohibiting the full development of this resource.
- Finally, Composite Power Technology Corporation has introduced a cable comprised of carbon fiber composites, which has the potential to reduce transmission line weight by 30 percent.

Nevada

- - The state is currently coming out of a rate freeze.
 - The PUC voted to allow Nevada Power to recover about half (\$485 million of \$922 million) of its deferred energy costs. This substantial loss by Nevada Power has caused widespread ramifications throughout the company as well as the Nevada economy and is still in the process of being resolved. Contracts entered into by the utility during the period when FERC found the Western electricity market not competitive are reason for the disallowance. Sierra Pacific has \$205 million in a deferred energy recovery filing. The PUC expects to issue an order on Sierra's request by May 29.
 - A \$10 million DSM proposal has been made by Nevada Power.
 - The Mojave power plant has until 2006 to install new pollution controls or shut down.
 - A comprehensive state energy policy is being written, and just like in Arizona, gasoline supply is a major concern.
 - An RFP has been issued under the new Renewable Portfolio Standard. There were 48 responses totaling 6,000 MW.

California

- - A bill has passed the state legislature limiting the CO₂ that mobile sources can produce.
 - Settlements on electricity contracts have been reached with two companies and the state has ended litigation against those companies.
 - Mike Peevy was appointed to the California PUC.
 - A bill is currently being considered that would raise the Renewable Portfolio Standard from 12 percent to 20 percent by 2010.
 - The state has adopted a policy not to use freshwater for cooling power plants.
 - Tribes are claiming exemption from all California environmental regulations. This issue continues to develop.

Utah

- - Governor Leavitt's term is over in 2004. He has developed a 1,000 day plan for the remainder of his term that includes: the Power Forward program; focus on

sustaining investment in energy efficiency; a DSM tariff; and net metering legislation.

- Generation located near load is a continued problem along the Wasatch front, where NOx and ozone exceed limits.
- There will be an Energy Roundtable in May.
- A study shows that Utah will be constrained for all petroleum fuels by 2004.

Washington

- - Legislation is being considered to update the state electricity strategy, including taking a look at resource planning to ensure last year's crisis does not happen again.
 - Utilities are implementing a requirement to offer "green" energy programs.
 - The state is facilitating a process where Western states might develop a central information system to track generation, fuel mix disclosures, and tradable credits.

Oregon

- - There will be a new Governor at the beginning of the year.

Alberta

- There are 6,000 MW of projects on the books, and a hearing underway on congestion pricing.
- There is robust electricity competition in the industrial sector (80 percent have switched suppliers), but little competition in the residential sector. Consideration is being given to revising the model for small retail markets (e.g., pool price pass through, long-term contract).
- The government is thinking about have the Electric Utilities Board regulate municipal utilities. Consideration is also being given to merging the Transmission Administrator and the Alberta Power Pool.

Saskatchewan

- - There are four major projects underway: 1) an international CO2 monitoring program; 2) a greenhouse gas technology center; 3) a petroleum technology research center; and 4) a petroleum well conference (May 5-7).

British Columbia

- Fundamental government restructuring is taking place to address the deficit and to balance the budget.
- A December interim energy policy report was focused on electricity, including recommendations on separating BC Hydro into three units, answering the supply problem, addressing new transmission, and increasing the development of energy

efficiency and renewable energy. In mid-June a broad framework for action will be released following by specific implementation measures.

- There will be a National Energy Board hearing on a pipeline crossing through Washington State, that will provide fuel to natural gas power plants on Vancouver Island.
- A report on offshore oil development will be released shortly.
- An offshore wind project, consisting of 700 MW, is being proposed in collaboration with a German company. The federal government announced a wind production incentive program that would provide \$12 MW/hour.
- B.C. will double their gas production within the next few years.

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Workshop on North American Energy Trade

A joint WIEB/Western Governors' Association workshop was held on North American Energy Trade, involving several industry participants and officials from the federal and state governments of Mexico. Presentations by the following people can be found on the WIEB website:

- Dr. Armando Jimenez – General Director for Energy Policy, Ministry of Energy, Mexico
- Doug Thierwechter - Manager of Governmental Affairs, Marathon Oil
- Mark Nelson – Director of Local Government Affairs, Sempra Energy
- Paul Hudson – Assistant Director of Policy, Office of the Governor, Texas
- Mike Tollstrup – Project Assessment Branch Chief, California Air Resources Board
- Carlos Rincon – Air Quality Project Director, Environmental Defense
- Paul Miller – Air Quality Director, Commission for Environmental Cooperation
- Ed Beck – Tucson Electric
- Larry Charach – Alberta Department of Energy
- Denise Mullen Dalmer – B.C. Ministry of Energy and Mines
- Trevor Dark – Saskatchewan Ministry of Industry and Resources

Discussion and presentations encompassed a wide variety of topics including: U.S. and Mexican federal and state energy policy (siting, permitting, environmental regulatory process, major obstacles); past energy history between countries; and a variety of issues involved with proposed cross-border energy projects. No formal recommendations resulted from the workshop however a major theme resulting from the discussions was the need for further work to identify those groups in all three countries that are working on cross-border energy issues so that any work that proceeds will not overlap with work that has already been done. Additionally, all parties agreed that continued discussion among stakeholders in all countries and a better understanding of the environmental and regulatory processes in each country, were important steps in moving forward.