

Draft
Minutes of the September 22, 2005
Meeting of the Western Interstate Energy Board
San Diego, California

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

Alberta	Kellan Fluckiger
Arizona	Lori Faith
British Columbia	Not present
California	Bill Chamberlain
Colorado	Not present
Idaho	Marsha Smith
Montana	Paul Cartwright (for Art Compton)
Nebraska	Not present
Nevada	Rebecca Wagner
New Mexico	Joanna Prukop
Oregon	Mike Graine
Saskatchewan	Not present
Utah	Laura Nelson by phone
Washington	Tony Usibelli
Wyoming	Bryce Freeman (for Steve Ellenbecker)
Federal Representative	Jim Geringer

Minutes

Chair Prukop (NM) asked for additions and corrections to the minutes of the April 18-19, 2005, Board Meeting in San Jose. There being no suggested changes, Tony Usibelli (WA) moved to approve the minutes and Mike Graine (OR) seconded the motion. The Board approved the minutes by voice vote.

Report on the Budget, Board and Committee Activities

Doug Larson presented a report on the budget and recent Board activities. Tony Usibelli (WA) inquired about the budget and Doug Larson confirmed that WIEB remain on a sound footing.

Federal Representative Report

Federal Representative Jim Geringer provided an update on the Department of Energy's actions in preparation for Hurricane Rita's impact on the energy sector and reported on key provisions of the Energy Policy Act of 2005 (EPAct). Geringer noted that EPAct included an Indian energy section and suggested that the Board consider a Tribal representative be added to the Board. Board members discussed the issue of

obtaining a single representative among the different Tribes. The Board agreed to consider inviting to its next meeting a representative from DOE's Office of Indian Energy Policy and Programs and another appropriate tribal representative. It was also suggested that each state conduct an informal survey addressing energy tribal issues.

Western Governors' Association

Pam Inman provided an update on the WGA's Clean and Diversified Energy Initiative. The Clean and Diversified Advisory Committee (CDEAC) and the related task forces are developing recommendations for the Governors by June 2006 on implementing the goal of adding 30,000 MW of clean and diversified energy by 2015 and improving energy efficiency 20 percent by 2020. Task forces have been meeting and produced draft reports which are currently posted on the WGA website for public comment. The first reports posted were from the Wind, Biomass, and Geothermal Task Forces. WIEB staff provides direct support for the wind and transmission task forces.

Lori Faeth discussed the next WGA meeting in Scottsdale, AZ on November 7, 2005. The November meeting will take a long-term view of factors contributing to a sustainable world, including: training the work force in the West, Tribes, the elderly, transportation, trade, and emergency preparedness.

Doug Larson reported on Western Governors' Association (WGA) activities involving the Board, including WGA resolutions on energy policy and anticipated the need to deliver a status report on the western transmission permitting protocol.

Energy Bill Update

Kevin Moran (WGA) reviewed key provisions of EPAct and discussed issues concerning DOE implementation and the adoption of reliability standards for electricity. Moran observed that the West faces an uphill battle on transmission siting and reliability issues. The ensuing discussion focused on provisions regarding transmission and reliability.

EPAct requires DOE to study transmission congestion and identify national interest transmission corridors. It also requires DOE and four other federal agencies to designate energy corridors on federal land corridors. DOE must consult with regional entities in identifying national interest transmission corridors. Developers of projects in a national interest transmission corridor can seek FERC preemption of state siting authority after one year and obtain eminent domain powers. States that do not have transmission authority may be subject to immediate federal preemption.

Reliability provisions in EPAct call for the establishment of new reliability standards that will be set by FERC and the electric reliability organization (ERO). The new law extends FERC jurisdiction over non-jurisdictional entities on reliability issues. If the western states and provinces form a Regional Advisory Board (RAB) across the Western Interconnection, FERC may exercise deference to the RAB in setting reliability

standards. Several participants anticipated that FERC and the ERO would not be receptive to claims of western deference on reliability standards. Board members expressed the need to improve and coordinate efforts with the Western Electricity Coordinating Council, and the Canadian and Mexican partners who participate in the Western Interconnection.

Pacific Northwest Economic Region (PNWER) Update

Tony Usibelli (WA) reported on his contacts and meetings with PNWER since April. PNWER has received DOE support and it serves as a good forum to coordinate state legislatures on energy issues. At this stage, however, PNWER has not developed an agenda that provides an obvious complementary fit with WIEB priorities. No further Board action was recommended at this time.

Petroleum Emergency Exercise / Adequacy Project / State Responses

Tony Usibelli reported on his efforts to develop an emergency energy exercise and to study petroleum adequacy. Usibelli proposed holding an emergency petroleum exercise in western states in coordination with DOE's Office of Energy Assurance. Usibelli envisioned a two-day exercise this spring that would focus on petroleum and be held in the central west. The first day would involve information and education about the petroleum market. The second day would consist of a table top exercise with a hypothetical scenario such as a disruption in regional petroleum supplies. Experts in petroleum distribution would be involved in the process. The objective of this effort would be to improve western state knowledge of the petroleum market, identify key issues that would improve emergency response, and develop communication links among state staff on such emergencies. A report would be produced that assesses the lessons learned from the emergency exercise. The petroleum adequacy project discussed at the last meeting would become integrated into the emergency exercise project.

A discussion of the proposal yielded the following comments. The emergency exercise could contemplate a natural disaster or sabotage incident that prompts a petroleum disruption. The linkage between natural gas supplies and electricity are becoming more important and could be a relevant supply disruption issue. The informational day and table top exercise could be reversed in order to have time to consider the lessons of the exercise. Civil defense officials could play an important role in this exercise. Mark Anderson from Usibelli's WA office will be the lead person organizing this project. CA, NV and OR expressed interest in assisting WA on this project.

A brief round table was conducted on state responses to higher gasoline and petroleum product prices. WA, AZ, and NV all reported that there were proposals to eliminate or lower gasoline taxes but that these proposals were not enacted. NM held hearings on price gouging and OR coordinated press releases to discourage price gouging. WA does not have a price gouging law but may consider it in the future. AZ took steps to relax air quality requirements to increase the availability of petroleum

products. CA held a web-based press conference in response to rising petroleum prices. MT suggested instituting a windfall profits tax on the refining industry and rebating gasoline taxes into tax relief in other areas. AB noted that it provides natural gas rebates to ratepayers and suggested policies to provide incentives for increases in refining capacity.

CREPC Work Plan

Marsh Smith (ID) presented an overview of the CREPC Work Plan and the structure of the document. The Work Plan contains a budget for 2006 with planned expenditures for three funding levels (full, partial and low). During the CREPC business meeting on September 21, 2005, CREPC agreed that a Work Plan is needed and the category of tasks was appropriate. CREPC adopted several changes to the draft Work Plan including renaming the “half budget” term to a “partial budget,” increasing funding for the interstate compact (Task 7.3) in the partial budget and aggregating proposed task-by-task state travel funds into a state hardship travel fund, and ensuring consistent terminology of both states and provinces in the document.

Board members agreed that highest high priority should be given to tasks that overlap with EPCRA implementation topics.

Lori Faeth (AZ) raised concerns that the Work Plan resource adequacy tasks might be duplicative of tasks that are being done or should be done by WECC. Marsha Smith agreed that WECC pursues resource adequacy, but that CREPC’s West-wide Resource Assessment Team has worked hard over the past 2 years to encourage WECC to make improvements, and motivate the creation of a new WECC subcommittee to focus on this topic. Kellan Fluckiger (AB) noted that improved assumptions and data are critical for resource adequacy, and raised concern about WECC’s ability and motivation to perform resource adequacy. The Work Plan would continue to push for a public database on generation and loads, and obtain technical expertise to assist in performing other important functions.

Several Board members raised concerns about the funding mechanism and whether the voluntary fees would yield adequate revenues. If funds were raised through WECC, there was concern how to allocate partial control area payments among WECC dues and CREPC contributions. It was also noted that Governors could play an important role in explaining to control areas the important benefits of CREPC’s tasks. The Board agreed to solicit contributions and collect fees through the WGA rather than WECC.

Upon a motion to adopt by Mike Grainey and a second by Marsha Smith, the Board unanimously passed the CREPC Work Plan as amended.

Option Paper for Regional Advisory Body

Doug Larson outlined the issues and recommendations for creating a Western Interconnection Regional Advisory Body (WIRAB). The staff options paper recommended: (1) create the WIRAB and encourage AB and BC to join; (2) establish a WIRAB mandate to provide continual advice to relevant reliability entities such as WECC, FERC and the ERO, (3) adopt a voting rule requiring approval by one-half of the participating states/provinces that represent at least one-half of the electric load of the participating states/provinces; (4) designate representatives of the WIEB within the western interconnection as the designees to the WIRAB; (5) provide sufficient staff and resources to the WIRAB to undertake studies and provide convincing analysis to support WIRAB recommendations; (6) require that WIRAB be funded from revenues for reliability activities under the new Section 215 of the Federal Power Act.

Bill Chamberlain (CA), Kellan Flickiger (AB), Tony Usibelli (WA) and Jim Geringer all voiced support for creating a strong WIRAB to react to the critical EPAct implementation issues facing the West such as deference and delegation on reliability and the designation of national interest corridors.

In considering the organizational home for WIRAB, Mike Grainey and Lori Faeth expressed a preference to use WIEB as the existing entity to organize WIRAB in order to facilitate the fastest response and tap close ties with the WIEB Board and CREPC.

Upon a motion by Lori Faeth, the Board endorsed the option paper recommendations to the Governors for creation of a WIRAB.

State/Provincial Roundtable:

- Montana
 - Montana will be hosting an Energy Future Symposium in Bozeman on October 18-19. The conference will focus on coal and liquid fuels, and coalbed methane. Eight governors will be attending.
- California
 - The CEC recently released an energy report that covers natural gas, climate change, nuclear energy, and water issues. A draft of the report is available on the CEC website.
 - Joe Desmond has been named as the CA representative to the Board.
 - The court case against CA CO2 limits on automobiles will be heard in early 2007. WA has adopted the CA standards and OR will adopt by the end of the year.
- Idaho
 - The ID PUC recently halted the practice of new wind development contracts obtaining ID avoided cost rates under PURPA in order to review potential problems created by this practice.
 - ID is in the seventh year of drought.
- Washington

- Energy Northwest announced a proposal to build a new 600 MW IGCC coal plant in western WA. More information is expected once the petition is filed this spring. The plant might participate in the Big Sky partnership sequestration project and would be subject to WA requirements to attain CO2 emissions 20% below the best available technology standard.
- WA adopted CA vehicle emission standards which become effective if adopted by OR. Also, WA adopted CA electrical appliance efficiency standards.
- Arizona
 - AZ is considering a proposed refinery located near Yuma that would utilize crude oil from Mexico. The project received an air permit but still needs to obtain financing. A new coal power plant has been proposed near the Black Mesa Peabody mine. It is assumed that once the Mohave plant in southern NV shuts down on Dec. 31 it will not start again. For one reason, the tribes are reluctant to continue shipping coal by water slurry. A new coal plant would keep the Black Mesa mines open. A second biomass plant is due online in the next calendar year.
- Oregon
 - OR increased its solar residential tax credit from \$1500 to \$6000 for PV systems, and adopted appliance efficiency standards. A summary of other bills passed by the legislature was provided in a handout.
- Alberta
 - AB is moving forward on developing resource adequacy standards and currently tracking the capacity in the system.
 - AB adopted a uniform policy that requires generators to pay a direct interconnection fee plus an additional charge based on system requirements and distance of transmission.

Concluding Business

Adopted a motion to send a letter from the Board to thank Marsha Smith for her years of work as Chair of CREPC.

Meeting was adjourned.