

**Minutes of the October 28, 2008
Meeting of the Western Interstate Energy Board
Santa Fe, NM**

Chair Tony Usibelli (WA) called to order the meeting of the Western Interstate Energy Board (Board). The following state/provincial representatives participated in the meeting:

Arizona	Lori Faeth
California	Jackalyne Pfannenstiel / Bill Chamberlain
Colorado	Morey Wolfson
Idaho	Jim Kempton
Montana	Tom Kaiserski
New Mexico	Joanna Prukop
Oregon	Jeff Keto
Saskatchewan	Floyd Wist
Utah	Dianne Nielson
Washington	Tony Usibelli
Wyoming	Steve Ellenbecker

Chair Tony Usibelli welcomed Board members and started the meeting with introductions.

BUSINESS MEETING

Minutes

Tony Usibelli (WA) asked for corrections or additions to the draft minutes of the previous April 1-2, 2008 meeting. Bill Chamberlain (CA) recommended a change on page 2 of the minutes. Joanna Prukop (NM) moved to approve the minutes as amended and Steve Ellenbecker (WY) seconded the motion. The minutes were approved as amended.

Financial Report

Doug Larson reported that the Western Interstate Energy Board was in good financial shape. The Western Conference of Public Service Commissioners contributed \$25,000 to support activities of the Committee on Regional Electric Power Cooperation (CREPC). The Department of Energy (DOE) provided \$30,000 to the High Level Waste (HLW) cooperative agreement. DOE is continuing to fund a grant on wind issues. DOE is also funding the Western Governors' Association (WGA) Western Renewable Energy Zone (WREZ) project and Board activities in the WREZ project receive funding. Larson reported that Board assets were shifted into banks with \$250,000 certificate of deposits covered by FDIC deposit insurance. On September 9, 2008, the Executive Committee of the Board approved an additional \$40,000 allocated to climate change issues.

Lori Faeth inquired whether there are strings to DOE funding of HLW activities. Larson reviewed recent developments regarding WGA policy, DOE's suspension of funding for the cooperative agreement, temporary extensions of the agreement, and potential implications for the WIPP program and WGA's program. Jim Williams, staff on nuclear waste issues, observed that DOE is backing away from other regional groups. Tony Usibelli asked about the potential impact if DOE fails to provide additional funding beyond the current \$30,000. Larson responded that the Board's budgets are structured in core and non-core activities. The HLW project is considered non-core. However, the Board may want to re-visit whether there are HLW core issues for the Board. There was additional discussion on the Western Conference funds for CREPC and DOE's funding for wind integration issues.

Tony Usibelli asked the Board to approve the Executive Committee decision to increase funding for climate change activities. Dianne Nielson (UT) made a motion to approve the allocation of \$40,000 to support staff work on climate change activities as initiated by the Executive Committee. Steve Ellenbecker (WY) seconded the motion. The Board approved the motion.

Board and Committee Activities

Doug Larson reviewed Board activities since last April. Staff is spending a lot of time on the WREZ project. WIEB staff will have a primary role in phase 2 of the WREZ project that involves creating a model to derive the delivered cost of electricity to load zones and developing conceptual transmission plans for identified renewable energy zones. Staff has also been supporting climate change priorities through a request by the Western Interconnection Regional Advisory Body (WIRAB) to WECC's Transmission Expansion Planning Policy Committee (TEPPC) to model 15% renewables penetration in the Western Interconnection, implementation of policies to attain 20% energy efficiency by 2020, and a carbon adder to reduce carbon dioxide emissions by 15%. The hybrid advanced coal and wind project is coming to a close.

The Board discussed the dialogue between the WGA and the Western Electricity Industry Leaders (WEIL) group.

Reclamation Committee. A September meeting of western states and the Office of Surface Mining (OSM) focused on sharing information about uranium mining issues. A second priority is working with Interstate Mining Compact Commission and National Association of Abandoned Mine Land Programs to develop a paper for a new administration's transition team looking at OSM. Tony Usibelli asked if there were any issues for the five states active on the Reclamation Committee. Joanna Prukop identified AML issues.

HLW Committee. Jim Williams (WIEB) gave an overview of committee activities and a summary of the IRRIS project, which would provide a system to assess route conditions and to assess state/local emergency response capabilities and needs for the transportation of HLW waste. Board members discussed emerging issues in the

nuclear sector. Bill Chamberlain noted that California Energy Commission is studying nuclear power and the feasibility of Yucca Mountain. Dianne Nielson observed that the Nuclear Regulatory Commission is not required to determine if there is a place to dispose of spent fuel prior to issuing a license for new powerplants. Unless states take up the question, the federal government will likely dodge the issue and continue to issue licenses. Lori Faeth said that WGA needs to adopt a policy on nuclear power. WIEB could play a role by providing good information to help develop policy for the Governors. Joanna Prukop would like more information on nuclear reprocessing. Tony Usibelli noted the sentiment to look into nuclear issues. It was agreed that WIEB staff would draft an outline for a white paper on the broader nuclear power issues. Board members would review the outline and provide direction on the areas to focus a white paper to be prepared before the next Board meeting.

CREPC. CREPC has been holding monthly calls among western states and FERC's market monitoring staff. There was a request to send notices to Board members about the monthly calls with FERC. CREPC participants worked with WECC as it submitted its Long Term Reliability Assessment (LTRA) request to evaluate the impact of a 15% penetration of renewable energy to the North American Electric Reliability Corporation (NERC). Staff and CREPC participated in DOE's public hearings regarding the 2009 transmission congestion study.

WGA Report

Dianne Nielson briefed the Board on WGA activities. The principal current focus is an energy policy letter to the President-elect. She expects the letter to be released by November 23 and delivered to the new administration by a small group of Governors making a trip to Washington D.C. The WREZ project is another important activity. The WGA is planning an energy efficiency conference in Salt Lake City on December 2-3, 2008. On the topic of nuclear power, Nielson expressed her appreciation for WIEB staff to prepare a white paper. WGA's transportation fuels initiative formed a council and is looking to develop priorities. Governor Huntsman will address global energy markets and climate change in part by developing connections to China. This initiative seeks to advance greenhouse gas reduction objectives with new energy technologies. An energy policy trip to China is proposed for the first quarter of 2009. WGA is planning to host a large Chinese delegation at the 2009 annual WGA meeting.

Shanna Brown of WGA reported on developments from Washington D.C. Congress is scheduled to return in November to address lame duck issues. An economic stimulus package could include infrastructure projects and other spending. WGA is preparing a briefing book of policy papers that should be ready for review by the first week of November and released in December. Among the big issues before Congress will be energy and climate change. Positions are being staked out by leaders in both the House and Senate. The economy will be the largest issue for policy makers followed by the wars in Afghanistan and Iraq. Energy will likely be a third priority. The new administration will likely take 75 days to implement and confirm key people in major positions. In the next Congress there will be new proposals on climate change and modernization of the grid.

Doug Larson observed that the solar and wind community will push for a new policy on transmission expansion and preemption of state siting authority. FERC will call for new cyber security regulations. Senator Reid and Congressman Enslee may again sponsor legislation for an expanded federal role in transmission.

WGA Resolution 08-08

Section 1221. Doug Larson summarized Section 1221 of EPAct 2005 and outlined proposals in the staff briefing paper.

Jim Kempton (ID) expressed concern about conditioning transmission on carbon emissions. Dianne Nielson shared that concern and argued that it would be better to let a market cap and trade system impose a limit on carbon emissions directly. She worried that transmission will face an uphill battle already given NIMBY issues. Failure to make progress on transmission could harm state efforts to support RPS goals.

Steve Ellenbecker called the separation between generation planning and transmission planning as one of the biggest obstacles for transmission. He saw more value in breaking down the barriers between generation and transmission. Lori Faeth endorsed the proposal to repeal Section 1221 and endorsed the principle of limited authority for preemption in only rare cases.

Jeff Keto stated that Oregon has been siting a transmission line from Hemingway to Boardman that goes through five counties. Oregon is generally against preemption but the current siting experience suggests some value of federal preemption to address county level NIMBY resistance. He noted pending litigation in New York on FERC's interpretation of Section 1221. Steve Ellenbecker called for more interstate collaboration and noted the potential use of the WGA siting protocol.

Bill Chamberlain observed that once preemption in place, it is hard to remove it. Fixing the statute is more practical. There are circumstances where it may be helpful. Jackalyne Pfannenstiel agreed that there are positive and negative sides to preemption and that it would be difficult to repeal. She postulated a need for standards and metrics, and raised the question as to the appropriate criteria for preemption.

Jim Kempton stated it was not feasible to repeal Section 1221, but there needs to be more time for states to act before preemption. There is a role for the threat of preemption to mitigate county-level resistance. Tom Kaiserski felt it would be helpful to consider these options with people in his state. He warned that linking carbon emissions to siting would be too stringent. Joanna Prukop encouraged linking transmission planning with generation planning.

Tony Usibelli proposed that Board members take these issues back to their respective state for consideration and provide feedback by December 12. Usibelli also directed that the staff papers be shared with CREPC members and comments solicited.

Section 368. Jeff Keto supported keeping Sections 368 and 1221 separate. Keto supported option 5 (reject current corridors, keep statute and revise corridors with WREZ information). He felt Section 368 is pushing federal agencies in the right direction. In contrast, Dianne Nielson felt that it makes sense to have a combined private land and federal land process. A combined process serves to bring everybody to the table.

Joanna Prukop stated that she testified on Section 368 in Congress. That Subcommittee was taking a hard look at halting the process and looking to energy zones. Steve Ellenbecker raised a cautionary note that delaying Section 368 could hinder the processing of transmission by BLM. He did not want to jeopardize cooperation among federal government agencies. Lori Faeth agreed with Nielson to merge review of the Section 1221 and section 368 corridors.

FERC Issues. Steve Ellenbecker viewed issues related to Order 890 as requiring a more informal approach that should be coordinated with TEPPC when communicating with FERC. Tony Usibelli identified this as a reliability matter that is more closely aligned with WIRAB functions. Joanna Prukop noted that FERC allowed the pilot test in WestConnect to eliminate pancaked tariff rates. Doug Larson described that there are a number of innovations being developed that improve operations and lower the cost of integrating variable generation. Such steps are a positive development. Jeff Keto advised that WIEB needs to be strategic to capitalize on opportunities when they arise. There was Board consensus to move in this direction.

Climate Change Related Priorities

BC Carbon Tax. At the Chairman's request, Ed Higginbottom of BCTC briefed the Board on BC's carbon tax. The BC plan is to harmonize the carbon tax with the WCI cap and trade system.

California. Jackalyne Pfannenstiel discussed California's climate change policy under AB 32. Under AB 32, the PUC and CEC are required to make recommendations to Air Resource Board (ARB). The PUC and CEC held a joint proceeding and both adopted recommendations. A March 2008 Interim opinion endorsed applying all cost-effective energy efficiency measures as the cornerstone of the policy. The Interim opinion embraced increasing the state RPS to 33% and specifying the point of regulation at the delivery of energy. A proposed final opinion will consider the cost impact on consumers, market based strategies, and a target reduction of GHG in the electric sector equal to 40%, and the use of a cap and trade system. The program would be implemented by 2012 with 20% auction and 80% distributed allowances. The allocation of allowances would change over time. The market design envisions a large market with a three year compliance period and flexibility in the system such as offsets. Both the PUC and CEC adopted this policy in October. The ARB will issue final scoping plan in December. Rulemaking will occur over the next two years with a need for further analysis. Electric sector reductions under AB 32 are to lower emissions below 1990 levels with energy efficiency and renewable penetration of 33%. The ARB may have the electric sector strive for 40% GHG reductions.

Colorado. The Governor's climate action plan calls for a 20% GHG reduction by 2020 and 80% reduction by 2050. Most of these reductions (40%) would be attained through energy efficiency. Colorado increased its RPS to 20% by 2020. The state's largest utility, Xcel, filed a resource plan in conformity to the climate action plan. Xcel would attain GHG reductions through additions of new wind and solar, and replace two old coal plants with a gas generation. The Colorado PUC does not regulate rural electric associations (REAs). The Governor's Energy Office is interacting with REAs and municipalities to encourage actions in line with the Governor's climate goals. Colorado will remain an observer to the Western Climate Initiative (WCI).

Washington. Washington formed a climate action team. This group will look at interesting work being done in the agriculture and forestry sectors on storage, state contract impacts on climate, land use decisions impacting the environment, and revise the state environmental policy act to incorporate climate impacts. Washington is a member of WCI and will be preparing legislation to implement WCI actions. The transportation sector in Washington accounts for 50% of GHG emissions. Washington requires its 62 public power entities to file IRP reports to the state Department of Community, Trade and Economic Development.

Oregon. The big legislative issue this year is cap and trade policy. Legislation is also being introduced to attract solar companies and low carbon generation. The Governor outlined energy initiatives stemming from an energy summit. Proposals call for a zero green building code, sustainable transportation that promotes hybrids to plug-in hybrids and alternative fuel infrastructure. The Governor created the Oregon Planning and Energy Council (OPEC) to formulate a state energy plan. The state is considering shifting incentives from industries that do not need incentives to other sectors that do need the incentives.

Arizona. Arizona is a WCI state partner. New legislation will need to be proposed to implement the WCI policies. It has existing authority to require a reporting rule. Arizona is poised to be a clean car state once the federal waiver is approved. There are new initiatives on transportation, a solar task force, land use policy, and to promote the business climate.

New Mexico. New Mexico calls itself the clean energy state and is a member of WCI. The oil and gas sector and power sector are the two largest emitters of GHG in the state. New legislation is proposed to register, report and record GHGs. Legislation about to be introduced would stimulate utilities to push for low income energy efficiency projects. A new clean energy development council was formed with Joanna Prukop the chair. She noted that a federal judge ruled that Albuquerque's energy code, which includes furnace standards, was pre-empted by federal law.

Saskatchewan. Saskatchewan is pursuing an oxyfuel clean coal project for \$1 billion that will have 3000 MW capacity. The project will rely on geologic sequestration. The carbon emissions will be used to increase oil production by over 60%.

Utah. Utah is a WCI member with emissions of 78 million metric ton equivalent GHG. It targets reducing emission to 2005 levels by 2020 and attaining 20% energy efficiency by 2015. Utah has a RPS goal for 2025. The electricity sector is the largest GHG contributor in the state. Utah expects to adopt California clean car standards. There is interest in CNG vehicle infrastructure. Utah is moving forward on a renewable energy zone project. A new wind project in Spanish Fork Canyon is the first to capture daily wind patterns of a canyon with downdrafts in the morning and updrafts in the evening.

BOARD PRIORITIES

Resource Planners Forum

Doug Larson provided background and context for a proposal to establish a resource planners forum. Tony Usibelli asked would CREPC be a better home than WIEB? He noted that there would be conflict of issues that could come before the PUCs. Steve Ellenbecker observed that WIEB/CREPC/WGA is better in looking beyond state borders. Individual PUCs do not have the regional visions. Usibelli asked: (1) Is this the right idea? and (2) Is this the right forum? After further discussion among the Board, Usibelli summarized the consensus that it is a good idea and that we would get more information from CEOs at the CREPC meeting.

Western Climate Initiative

WIEB staff proposed options for WIEB to engage in WCI. Staff had no recommendations. The options include assisting WCI on specific topics such as, evaluating the GHG limitation programs, or the impact of plug-in vehicles.

Lori Faeth voiced opposition to a more active WIEB role in WCI. Joanna Prukop inquired what role WIEB could have under the 3rd proposal involving communications to state PUCs. The Board engaged in further discussions. Tony Usibelli concluded it was appropriate to focus on the third bullet option and added the role for natural gas dependency to the list of potential topics. He recommended that WIEB would not evaluate the cap and trade system impacts but communicate with WCI on what WIEB is doing. WIEB would continue to provide information on cap and trade for purposes of keeping the Board informed of energy impacts of such proposals. WIEB should not be doing WCI tasks at this time.

The meeting was adjourned.