



Board of Directors January 12, 2007 Meeting Minutes

The PNUCC Board of Directors met on January 12, 2007 from 9:00 a.m. to noon at the Portland Airport Sheraton. The list of attendees is attached.

Next Board Meeting February 2, 2007

Corporate Business

The Board acknowledged the PNUCC Antitrust Compliance Statement and unanimously approved the November 2nd Annual Meeting minutes before a round of introductions.

The PNUCC staff reported that a new PNUCC web site is complete at www.pnucc.org. It has similar information as before. PNUCC Board meeting agendas and minutes are posted as well as Council Meeting reports. In addition, background materials for subjects such as Renewables Portfolio Standards are posted. The updated site will be easier to maintain and can be more of a resource for PNUCC members. Shauna McReynolds asked for ideas for other items to post.

Member News

Members had much to report. Jack Speer started with an announcement that he is retiring from Alcoa; however he said that we would still be seeing him. He will be on contract with Alcoa to continue much of his work on regional issues and will carry on in his role as PNUCC Chairman.

In the moving on department, Marilyn Showalter said she is leaving PPC in February to head up a national effort to advocate more fully on deregulation issues. The Board wished her well.

Switching to system reliability and power issues, Steve Klein reported that the system was in a Stage 1 Alert for Voltage Drop in the Puget Sound and Willamette Valley. Jerry Rust, NW Power Pool added that the Power Pool region was nearing the all time pool area peak of 59,000 MW. And that they would be watching carefully as Monday morning approaches. The fact that Monday would be a holiday would help.

The mid-December storms created havoc across the region. Steve Fisher, Chelan PUD said that the wind hammered Wenatchee on December 14th and 15th and then again a few weeks later. At one point Steve said that half of their customers were without power and much of the impact was at the heart of the city. He said that most of the 70 to 80 foot trees in the city park had toppled. He noted crews from several neighboring PUDs came in to help. Chelan's troubles multiplied as one of their utility vaults filled with water at the peak of the storm taking out their phones and radio service.

On a positive note, Gerry Miller of Cowlitz PUD reported that their White Creek wind project at 204 MW will be on line in the fall of 2007.

PNUCC Direction for 2007

Dick Adams identified several key issues facing the Northwest electric power industry. He was looking for the Board to provide guidance to him and the staff to sharpen the focus of their efforts. For each topic on the *2007 Member Agenda*, Dick described actions PNUCC will take to address the issue and noted what the expected outcome might be. He walked the Board through the list of issues and asked the Board for additions and refinements to the plan.

PNUCC will continue the efforts started in 2006 on Renewables Portfolio Standards with the goal of understanding what each of the states' renewables portfolio standards mean and how they can be implemented, Dick said. The Northwest power supply and resource adequacy will also remain a high priority and the Northwest Regional Forecast will take on a new significance, Dick predicted. In addition, resource adequacy standards and metrics will continue to be developed with utility participation in the Council and BPA's forum. While the region's interest in wind integration it is at an all time high and has raised questions about system reliability, flexibility and costs, PNUCC members will continue to work with BPA and the Council to understand the challenges of integrating 2,000 to 10,000 MW of wind generation into the system.

In the salmon arena, PNUCC's ongoing effort will focus on the Council's Fish and Wildlife Program's salmon goals, continue to weigh in on river operations, and encourage the federal agencies to complete recovery plans and biological opinions that define the actions for ESA listed salmon. Dick said that the expected outcomes for salmon issues are clear salmon goals, certainty on river operations and completed salmon recovery plans.

Other areas of interest for PNUCC will include BPA's future power supply role and transmission issues. While continued support for the BPA-Customer Collaborative, another year of detail reports of NW Power and Conservation Council meetings, and following national energy legislation will stay on the PNUCC screen.

The Board indicated that these issues are all important to PNUCC members.

Steve Klein suggested that the topic of climate change and the implications of proposed legislation should be added to the PNUCC issue list. Board members agreed. After further discussion it was suggested that some next steps could include: get a better understanding of legislation being considered, share what we know about the topic, and assess what new policies could mean to Northwest utilities (for example, increases in costs and/or changes in river operations.)

Board members suggested that different groups have been tracking this issue at both the national and state levels. Industry groups are asking about the economic impacts of potential new policies, while it appears that hydrosystem operators may not think they are impacted and are not really engaged in federal activities. Scott Brattebo, PacifiCorp said that there were people inside his company working on this issue. He offered to take the lead in pulling a group together to discuss how PNUCC could add value to this issue. He will report back to the Board at the February meeting.

Renewables Portfolio Standards

A PNUCC task force has been working for some time on a report regarding renewables portfolio standards (RPS). Dick Adams said that it is a “Progress Report” that describes what the utility industry collectively knows about the subject. The report is in the final editing stage and will be available soon. The authors’ goal was to provide an as unbiased report as possible. Dick further emphasized that this is NOT a position paper – rather a statement of what we know and some analysis. In some cases it does include ideas on how to do some things differently. Jack Speer said that the draft report is good piece of work and thanked all the PNUCC members and others that have been involved.

Dick told the Board that he is planning to distribute the completed report to the PNUCC members and will post it on the PNUCC web page. Dick asked the Board for their suggestions on how to further communicate the ideas included in the progress report. One suggestion was that once the report is complete that it would be appropriate for PNUCC to make a formal presentation to the Council, knowing that other state agencies and planners would see it.

Others recalled that this “Progress Report” was the first step in the whole Renewables Portfolio Standards work effort. Jack Speer suggested that the next step is to determine if there are any common positions on any parts of this topic now that we know more about it. Others agreed that the work of the task force has been a little overtaken by events and seeking agreement on some basic concerns makes sense.

The next steps were articulated as; 1) finish the “Progress Report”, 2) decide on the communication plan and 3) develop a draft position paper on Renewables Portfolio Standards. John Prescott, PNGC Power offered to coordinate a group to discuss possible areas of agreement on positions.

The conversation moved to the process for implementing the new Washington law and what is happening in the Oregon legislative discussions. Howard Schwartz from Washington State told the Board that Washington Department of Community, Trade and Economic Development Energy Policy division is beginning the rulemaking process outlined in Initiative 937. He said they expect to have a substantial amount of the work completed by August. Howard is also working with the NW Power and Conservation Council on the conservation issues. The Council's conservation methodology is the heart of the initiative.

As for determining how much wind generation Washington utilities can count on to meet the requirements of this new law, Randy Hardy said the BPA/Council Steering Committee on Wind Integration is reconvening in January to evaluate the initial conclusions coming from this effort. He believes that utilities will be interested in what is being learned. For example, geographic diversity of wind projects lowers the cost of wind.

In Oregon, there is a governor-initiated Renewables Energy Work Group that has been working to define the elements of a renewables portfolio standard for the state. Michael Early, Industrial Customers of NW Utilities is participating in this task force. He said the group has created a matrix working with the Oregon Department of Energy to be used by Oregon's legislators. While the legislative process slowly moves forward, the task force is continuing to discuss some of the unresolved questions about cost caps, alternative compliance options, etc.

It was pointed out that there are lessons that have been learned from the Washington experience. In particular when it comes to utilities' rights to preference power from BPA, the Oregon Standard should in no way reduce the amount of power a utility has the right to get. Other questions were raised about assumptions that are being made and what it will mean for utilities that are already being very aggressive about acquiring renewable resources.

Northwest RiverPartners Effort

Starting off with a run down of Northwest RiverPartners' focus for 2007, Terry Flores said that the main arena is river operations. Her efforts will be both on the legal front to ensure that the next Biological Opinion for river operations is scientifically sound and legally defensible, and the in-season operations to achieve efficiencies where ever possible.

RiverPartners will coordinate with others to address activities associated with the Northwest Power and Conservation Council. The goal is a Council Fish and Wildlife Plan that is cost-effective, scientifically sound and has measures and objectives that complement other regional efforts.

Organizationally, communications and governmental affairs efforts will play a major role. RiverPartners will be a strong voice on many issues and be recognized as a credible information source for decision makers and media.

Terry also reported on the latest news in the Biological Opinion remand process. BPA and the several tribes have just announced that they have reached an agreement on 2007 river operations. This is a momentous occasion that should be acknowledged. Terry said that an agreement outside the courtroom is real progress and speaks to the collaboration that RiverPartners wants to promote. She cautioned the Board that there are costs associated with this deal and the hope is that what is agreed upon is the best for fish and best for the region.

Northwest Regional Forecast

The discussion on the Northwest Regional Forecast was postponed until the February meeting.

Market Redesign and Technology Upgrade

As background, Dick Adams walked through some history of the California Independent System Operator implementation, how the need for the Market Redesign and Technology Upgrades came about and where we are in the process. FERC held a technical conference in mid-December and is seeking comments by January 16th on the California ISO's proposal so that the changes can be implemented by early 2008.

Brian Silverstein – BPA, Marilyn Showalter – PPC, and Greg Maxfield – PacifiCorp joined the Board to share their impressions and concerns about the proposed MRTU. They all attended the December technical conference. Brian started by saying that BPA focused mostly on reliability issues including defining priorities for curtailment and ensuring that existing protocols for reliability were not impaired. He said that the California ISO staff was open to BPA's concerns and suggestions. The issues BPA raised were oversights in the proposal, not differences in opinion.

Marilyn said that she sees what have been described as technical issues are much more than that. Her concern is that we don't necessarily know all the ramifications of changes that are being proposed. For example the "seams" issues are bigger than a technical issue for her. She believes that new "seams" issues are created by the MRTU. She described the MRTU as a computer program and protocols that FERC believes is an improvement and that it endorses organized markets.

Greg Maxfield said that as the manager of real-time operations his goal was to go to the technical conference to get answers to specific questions. PacifiCorp has a unique system, in that it needs the California ISO to help balance its system. He wants to ensure his company's transactions are being treated fairly.

Board members observed that it was clear that something was coming and they are still not sure what it will mean to NW utilities and their customers. There are proposed changes in transactions with California entities, and we're not sure of the implications.



Attendance List

January 12, 2007 Board of Director's Meeting

Jack Speer	Alcoa
Jim Sanders	Benton PUD
Jim Lobdell	Portland General Electric
Dick Adams	PNUCC
Steve Klein	Snohomish PUD
Ken Sugden	Flathead Electric Cooperative
Scott Brattebo	PacifiCorp
Greg Maxfield	PacifiCorp
John Prescott	PNGC Power
Dick Helgeson	EWEB
Marilyn Showalter	Public Power Council
Bolyvong Tanovan	US Corps of Engineers
Michael Early	Industrial Customers of NW Utilities
Gerry Miller	Cowlitz PUD
Phil Obenchain	Idaho Power Co.
Larry La Bolle	Avista Corp.
Jean Ryckman	Franklin PUD
Bill Gaines	Tacoma Power
Steve Fisher	Chelan PUD
Jim Litchfield	Litchfield Consulting Group
Bruce Measure	NW Power & Conservation Council
Luanna Grow	Grant PUD Consultant
Kevin Banister	Finavera Renewables
Dave Fitzsimmons	Bonneville Power Administration
Mark Ohrenschall	NewsData
Mark Johnson	Flathead Electric Cooperative
Joe Piedmont	Alcoa Consultant
Shane Scott	S. Scott & Associates
Howard Schwartz	Washington CTED, NWPCC
Randy Hardy	Hardy Energy Consulting
Richard Jackson-Gistelli	Emerald PUD
Ray Kindley	Schwabe, Williamson, Wyatt P.C
Margie Gardner	NW Energy Efficiency Alliance
Ken Canon	Industrial Customers of NW Utilities
Jerry Rust	NW Power Pool
Jim Luce	WA State Energy Siting Council
Loren Baker	Consultant
Ken Corum	NW Power & Conservation Council
Terry Flores	NW RiverPartners
Brian Silverstein	Bonneville Power Administration
Lee Corum	PNUCC
Shauna McReynolds	PNUCC