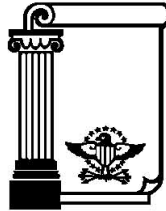




Ambassador Update

If you ask virtually any Washington state legislator what their top concern in 2009 is and you'll likely hear "the budget and the economy" over and over.



Revenue reports have continued to decline, as expected. The most recent reports almost a \$9 billion gap for fiscal years 2010-2011. Many legislators are anticipating session to run past the scheduled close, called sine die, to resolve the budget crisis. Sine die is scheduled for April 26, 2009.

With the goal of a balanced budget, cuts across almost all government agencies and programs are expected. A portion of the \$6.7 billion federal stimulus package that Washington state will receive will help to fill the gap, as well as some funds being transferred from the emergency "rainy day" reserve.

There has even been discussion of a tax increase proposal being sent to the voters to consider in 2009. Legislators must be prepared though to balance the budget without being able to count on voters agreeing to raise a tax on themselves. No details have been offered yet on what the tax measure might include.

The budget is a focal point, but there's more going on in Olympia...



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Volume 11
Issue 4
Mar/Apr
2009

AMBASSADOR UPDATE



Live From Olympia

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What's happening at the state capitol?

Cap-and Trade Moves On

The senate version **Senate Bill (SB) 5735** of the cap-and-trade bill requested by Governor Gregoire's office has been through significant changes so far this session. In an unusual turn of events, the Governor testified before the House Ecology and Parks committee to request they support and strengthen the bill as it was modified in the Senate.

With just days left before the second cut-off date, House representatives voted the bill out of the Ecology and Parks committee with a few amendments.

The current draft of this bill would not give the Department of Ecology the authority to participate in a cap-and-trade program, only instruct them to continue to participate in the development of regional and federal programs.

One of the positions of the Washington Rural Electric Cooperative Association (WRECA) earlier in session was that the timing for the implementation of a cap-and-trade program was not right with a federal proposal likely soon.

Stayin' Alive

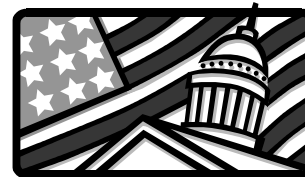


It has hovered near "death" a few times, but **SB 5840** is

continuing to move forward. On March 26, **SB 5840** crossed a major hurdle when it was voted out of the House Technology, Energy and Communications committee. The TEC committee made a few revisions to the original bill, which added a quarter-of-a-percent increase in 2016 and 2020. The original bill proposed a modest 1% increase to each years' required renewable resources in a utilities portfolio balanced with technical changes to the RPS that will make it more cost-effective for a utility to comply. Overall, it is still an improvement over the current statute.

Co-ops Visit Olympia

During each legislative session electric cooperative representatives from around the state come together at a Legislative



Rally in Olympia to meet with their representatives and update them on issues that impact their members. This year, instead of coming into town all at the same time, co-ops came to Olympia all throughout session to bring their message to the "hill" continuously.

Nespelem Valley Electric Cooperative visited with six legislators in Olympia during the last week of February. Through all their meetings with their legislators from the 7th and 12th Districts, they found themselves meeting with strong support of their concerns and issues.

Climate Change Heats Up D.C.

The debate about whether to implement a cap-and-trade program nationally, or introduce a straight tax on carbon emissions has recently heated up in the nation's capitol. What is certain is that reform on energy policy is imminent with a new administration at the helm. Recently the Obama Administration's proposed budget for fiscal year 2010 included projected revenues of \$650 billion over eight years from a cap-and-trade program.

In Congress, the Ways & Means committee in the House of Representatives is expected to present a climate change bill by mid-April. Committee Chairman Congressman Charles Rangel (D-NY) seems to support a cap-and-trade program, in line with what the European Union currently favors. Another committee member Congressman John Larson (D-Conn) is promoting a tax on carbon mines, petroleum refineries and other large fossil fuel emission points that would be returned to taxpayers through a payroll tax rebate.

Critics of a cap-and-trade plan site the increases to the costs of energy, as well as the potential for a decrease in global competitiveness. And of the tax? Obviously a new tax on business in a recession is not favorable. These concerns will be debated as legislation moves forward. Stay tuned for more on this issue!

To read the full text of any bill, visit www.leg.wa.gov/billinfo/ and enter the bill number.