

POWER LINE

NEWS FROM THE GRASSROOTS – AMERICA'S COOPERATIVE COMMUNITIES • SUMMER 2007

Washington

WASHINGTON RURAL ELECTRIC COOPERATIVE ASSOCIATION

Hot Topics for the Summer of 2007

BY KENT LOPEZ, WRECA GENERAL MANAGER



Kent Lopez

Greetings again from Olympia. It's already the middle of summer and most of us are just trying to beat the heat. So, sit back with a glass of cool lemonade and we'll take a look at what your efforts accomplished during the 2007 Washington Legislative Session, as well as some of the issues that we're dealing with as we prepare for next year.

2007 Legislative Session Recap

One of our primary goals for the 2007 Legislative Session was passage of a bill to curb the escalating theft of copper and other metal property from electric cooperatives in Washington. Working with a coalition of electric utilities, municipal governments, law enforcement and construction industry representatives, we lobbied the legislature for passage of the bill. There were days when the opposition to the bill, primarily from the scrap dealers, seemed to have the upper hand, but the coalition's efforts, supported by strong grassroots communications, convinced the legislators that the bill was a good idea. In the end, it passed both the state Senate and House of Representative with unanimous votes, and Governor Gregoire signed it into law on May 8, 2007.

The proposed law was very important to your electric cooperative, because the theft of stolen metal property, whether it was conductor from poles beside the highway or components from one of the cooperative's substations, resulted in unnecessary hazards to cooperative employees and the general public as well as potential service interruptions.

The final version of the stolen metal property bill has three primary provisions.

First, it addresses the "instant cash" incentive for stealing metal property by making it illegal for scrap dealers to pay cash for certain metal property sold by the general public. Instead, for any transaction involving metal property valued at more than \$30, the payment must be made by non-transferable check, which is to be mailed to the seller no less than 10 days after the date of the transaction.

The bill also specifies the records of the transactions that the scrap dealers must obtain and keep for each transaction involving metal property. This provision was included to aid law enforcement with investigations of stolen metal property.

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Finally, a provision was included that allows for enhanced penalties for anyone convicted of stealing certain metal property, if in the act of committing the theft, the damage to the facilities from where the metal property is stolen is greater than the value of the stolen property. This seeks to address the situations where thieves go into a structure under construction and in the process of stealing the structure's wiring, significantly damage the structure.



We believe that this new law will help electric cooperatives control their costs and maintain safe and reliable electric service to you, the consumer-owners of your electric cooperative. *

Annual Meeting Focuses on Regional and National Issues

In June the WRECA Annual Meeting met in Wenatchee and focused on regional and national issues that will impact the way your electric cooperative does business. The meeting was attended by over 100 individuals, most of whom were management and governing board members of the electric cooperatives in Washington.

Keynote Address Focuses on Washington DC



Dena Stoner

The Annual Meeting keynote speaker was Dena Stoner, director and vice president of government relations at the National Rural Electric Cooperative Association in Washington, D.C. Stoner and her staff of federal lobbyists are extremely busy this year as the U.S. Congress takes up legislation focusing on climate change and regulation of greenhouse gases (GHG).

While she noted that America's dependence on oil is the major focus of the energy debate in Washington D.C., Stoner said that many legislative proposals would have a direct impact on America's electric cooperatives if they are enacted into law. She emphasized that the governance structure of electric cooperatives, and the fact that each cooperative consumer is also an owner, puts electric cooperatives in a unique position when they are speaking with federal elected officials.

"You are part of the largest grassroots layman organization in the electric industry, and possibly the entire energy industry," Stoner said. "When the 'non-employee' representatives from your electric cooperatives are meeting with federal policy-makers, and

speak knowledgably about energy issues, it impresses those policy-makers."

Stoner reviewed the impacts that the Energy Policy Act of 2005 is having on the electric cooperative industry nationwide. She noted that with the push towards policies and legislation addressing climate change, corporate America is taking note of the opportunities for "cashing in" on the interest in alternative forms of energy. As a result, she added, energy public policy has become a very important component of the political process, and will remain so for many years to come.

Stoner cautioned the WRECA audience to remain vigilant about how the various legislative proposals would affect the unique characteristics of the electric utility industry in the Northwest. Pointing to the region's significant reliance on hydropower, she admonished the cooperative leadership to guard against any attempt to hamper or eliminate the Bonneville Power Administration (BPA).

"Whatever you do, don't let your guard down," she said. "Don't take for granted your relationship with BPA and the benefits that that relationship provides your cooperative and its consumer-owners."

Wal-Mart Gets on the Green Bandwagon

Another presentation looked at "clean energy" from a different perspective – that of a major retailer.

Jerry Bingold, principal with the Commercial & Industrial Business Development group at NRECA, provided a "behind the scenes" look at Wal-Mart's corporate directive to "go green".

To illustrate the significance of Wal-Mart's renewable energy and energy efficiency program to electric cooperatives, Bingold noted that with 6,000 stores, Wal-Mart is the world's largest retail corporation. He reported that Wal-Mart spends more than \$2 billion each year on energy in the U.S. alone. He added that Wal-Mart is the

largest national account for electric cooperatives, and that 218 electric cooperatives nationwide serve more than 371 Wal-Mart facilities. In many instances, Bingold added, Wal-Mart stores are the local electric cooperative's largest purchaser of electricity.

Wal-Mart's corporate strategy, according to Bingold, is to reduce energy spending by at least 10 percent immediately. Wal-Mart's longer term goal is to seek cost-effective renewable energy until 100 percent of Wal-Mart's energy needs come from renewable resources. In addition, Wal-Mart's key drivers include goals to create zero waste, and to sell products that sustain

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Wal-Mart *continued*

our resources and environment.

Bingold then proceeded to outline the strategy that Wal-Mart has put in place to achieve those goals. Among the strategy's key provisions, he noted that Wal-Mart is one of many

Fortune 500 companies that is seeking to implement an emissions "cap and trade" system, and that Wal-Mart wants credit for the carbon emission reductions to be assigned to the retailer and not the power supplier.

"Wal-Mart sees tremendous



long-term value in creating a U.S. emissions trading market, and is actively consulting with their suppliers to find efficiencies and pool emissions reductions," Bingold reported.

BPA Issues Fill Final Day's Agenda

Any meeting of Washington's electric cooperatives includes discussions about the Bonneville Power Administration (BPA). All of Washington's electric cooperatives purchase 100 percent of their wholesale electricity from BPA, and are therefore very interested in the issues affecting BPA.

High on the list are the possible changes to the cost of the power sold by BPA to the electric cooperatives as a result of the decision by the 9th Circuit Court in early May. In that decision, the Court ruled that BPA had not correctly calculated the residential exchange credit that it paid to the investor-owned utilities (IOUs) in the Northwest. Consequently, the cost of power to electric cooperatives and other non-profit electric utilities was too high.

John Saven, CEO of Northwest Requirements Utilities, and Terry Mundorf, counsel for Western Public Agency Group, reviewed the implications of the Court's ruling for the Annual Meeting attendees.

Mundorf said the 9th Circuit Court's decisions mean BPA could not override specific statutory provisions and therefore, the residential exchange agreements with the region's IOU's that BPA made in 2002 were illegal because they overrode a section of the Northwest Power Act of 1980 designed to protect the non-profit utilities, including Washington's electric cooperatives, from higher rates due to the residential exchange payments. One question yet to be answered, according to Mundorf, is whether the IOUs can keep the excess payments that were made by BPA since 2002. That question is still pending in the Court.

Saven reviewed the impacts that the residential exchange program has had on the rates for the electric cooperatives and other non-profit utilities. By his calculations, the electric cooperatives in Washington have had to increase their retail rates by 12 percent as a direct result of BPA paying the IOUs too much for the residential exchange. He added that how BPA will make the payments right, either retroactively or going forward, is still a matter to be addressed.

Another BPA-related issue addressed during the Annual Meeting is the efforts to restore fish listed on the endangered species lists that call the Columbia and Snake Rivers home. During her presenta-

tion, Terry Flores, director of Northwest RiverPartners, reported that BPA's total fish and wildlife program costs were \$752 million each year. She reviewed the status of the lawsuits concerning salmon recovery efforts. She reported that in May, the federal agencies filed a draft "proposed action" document that was over 850 pages in length which included proposals for how the federal hydro system, from which BPA gets its electricity, should run over the next 10 years.

Flores also reviewed some public opinion research that showed 86 percent of the public considers hydropower to be a renewable resource, 58 percent consider hydropower to be the most practical energy resource for the Northwest, and 74 percent know that hydropower does not contribute to global warming. "Despite the courtroom arguments and the press on this issue, the citizens in the Northwest 'get it,'" she said.

Flores went on to report that while 90 percent of those polled in research support improvement in fish passages, 75 percent also favor reducing or banning commercial and sport fishing of the endangered species. She added that only 21 percent of those surveyed approve of removing dams.



Preparing for the future

The 2007 WRECA Annual Meeting provided attendees with a wealth of information and open discussion opportunities on the issues that will be facing Washington's electric cooperatives in the months ahead. Your cooperative's leadership is committed to being active in the many issues that

affect your cooperative. Whether the issues are national, regional or statewide in nature, there is a strong commitment to uphold the cooperative principles and continue to provide you with reliable and cost-effective power for your homes, farms and businesses. •

NRECA Emphasizes Hydropower's Role in Climate Change Debate

BY JESSICA TIAHRT

As climate change continues to play a prominent role in the national political scene and Congress proposes ambitious CO₂ reduction goals, electric cooperative leaders have taken on the task of educating their state and federal officials on the realities of proposed regulations.

Some lawmakers see simply switching to renewable energy as a quick fix. Their goals require implementing stringent mandates that could increase costs for consumer-owners. In response, co-op leaders and the National Rural Electric Cooperative Association have met members of the U.S. House of Representatives and Senate with "straight talk" about reaching climate change objectives while striving to keep rates down and more importantly, the lights on. The message to Congress is that there is no "silver bullet" to address the issue. NRECA and electric co-ops want lawmakers to understand it will take a variety of solutions to resolve the

climate change debate. That includes pressing Congress to recognize the role hydropower can play in achieving these goals.

In May, over 2,800 co-op managers and directors traveled to Washington, D.C. for the annual Legislative Conference hosted by NRECA. Attendees, including representatives from WRECA, Benton Rural Electric Association, Elmhurst Mutual Power & Light Co., and Okanogan County Electric Co-op, visited Capitol Hill to deliver the "straight talk" to their lawmakers.

Shortly after the co-op grassroots lobbying effort, the House Appropriations Subcommittee on Energy and Water showed they understand the importance of the nation's dams when they included language supporting hydropower investment. The report stated, "Energy security and issues of global climate change are increasingly important to the decisions made regarding infrastructure investment. Hydropower improvements at existing facilities provide a reliable, efficient, domestic,



Kent Lopez and co-op directors John Irwin (Elmhurst) and Don Hover (Okanogan) meet with Rep. Brian Baird (D-3rd) during NRECA's Legislative Conference.

emission-free resource that is renewable...."

Another part of the co-op message to Capitol Hill included an ambitious seven-point plan proposed by the Electric Power Research Institute (EPRI). By incorporating a portfolio of technologies to reduce carbon emissions over the next 25 years, EPRI projects, "it is potentially feasible for the U.S. electric sector to first slow the projected increased in CO₂ emissions then to stop the increase, and eventually to decrease emissions while meeting an ever increasing demand for reliable and affordable electricity." The plan includes increased energy efficiency, incorporation

of large-scale renewable energy resources, the expansion of the nuclear program and additional coal-fired generation.

Congress is expected to take up comprehensive climate change legislation this fall. NRECA and co-op leaders continue to stress the importance of hydropower and the need for investment. They also ask federal lawmakers to provide substantial, long-term research and development funding for electricity technologies. NRECA will remain vigilant against mandates on renewables and efficiency that could increase costs for consumer-owners in all regions of the nation. •

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