



ENVIRONMENTAL QUALITY COUNCIL

PO BOX 201704
HELENA, MONTANA 59620-1704
(406) 444-3742

GOVERNOR JUDY MARTZ
DESIGNATED REPRESENTATIVE
Todd O'Hair

HOUSE MEMBERS
Debby Barrett
Paul Clark
Christopher Harris
Don Hedges
Monica J. Lindeen
Doug Mood

SENATE MEMBERS
Mack Cole
Pete Ekegren
Bea McCarthy
Walter L. McNutt
Jon Tester
Ken Toole

PUBLIC MEMBERS
Tom Ebzery
Julia Page
Ellen Porter
Howard F. Strause

LEGISLATIVE
ENVIRONMENTAL
ANALYST
Todd Everts

ENVIRONMENTAL QUALITY COUNCIL Energy Subcommittee FINAL Minutes September 10, 2001

COUNCIL MEMBERS PRESENT

REP. MONICA LINDEEN, Chair
REP. DOUG MOOD
REP. PAUL CLARK
SEN. WALTER McNUTT
REP. DON HEDGES
SEN. KEN TOOLE

MS. ELLEN PORTER

COUNCIL MEMBERS EXCUSED

MR. TODD O'HAIR

STAFF MEMBERS PRESENT

MR. TODD EVERTS

AGENDA

[Attachment 1](#)

SUBCOMMITTEE ACTION

- Approve work plan

I CALL TO ORDER

REP. LINDEEN commented that she hopes that as this subcommittee works throughout the Interim that the members can leave their political party labels at the door. This issue is much too important for the members to not take seriously. She hoped that the members would keep an open mind and be respectful of one another. The Subcommittee members and the audience introduced themselves, saying where they were from.

II REVIEW THE AGENDA

MR. EVERTS said that his background in energy issues started in 1997, when he drafted the deregulation law that is in existence now. Since that time he has staffed the Transition Advisory Committee (TAC) and the EQC, working on energy issues fairly extensively. Even with that background, this is a very complex subject and he doesn't know all there is to know about this subject.

MR. EVERTS referred to the agenda, see **Attachment 1**. The Subcommittee will start off with a historical review of the EQC's involvement in energy issues, then they will look at the EQC's statutory responsibilities, as well as TAC's statutory responsibilities. He will briefly summarize the legislation that was enacted during the last legislative session. The Subcommittee will review the draft work plan, taking public comment on it, and make any changes that are necessary. The work plan then needs to be adopted so that it can be presented to the full EQC.

III REVIEW OF HISTORICAL EQC INVOLVEMENT IN ENERGY POLICY DEVELOPMENT

MR. EVERTS said that the EQC has a thirty-year history of dealing with energy issues. During that thirty-year period the EQC has produced 33 publications and study reports on energy. With the EQC coming into existence in 1971 and the energy crisis of the early 1970's, the legislators, Governor's office and others were intimately involved in energy issues. He referred to a memo on the analysis of the EQC and the TAC statutory duties, see **Exhibit 1**. This memo includes a list of all the publications and studies that the EQC has done. In the early '70's there was a lot of focus on coal and the Colstrip area. The EQC visited Colstrip in 1976 and 1983.

REP. MOOD asked if those reports are available. MR. EVERTS said that there are archival copies at the office and people are welcome to check them out.

MR. EVERTS continued, saying that the benchmark study in the early '70's was the Montana Energy Policy Study. Back then the EQC had a fairly extensive staff and also contracted out with consultants. One of the consultants was Batell Energy Laboratories, who helped put this study together. At that point in time the Legislature was leery of the federal government dictating the state's energy policy, that is reflected in this study. At that point in the US, they were projecting 200 major nuclear power plants, 250 major new coal mines, 150 major coal fire power plants, 30 major new oil refineries, and 20 major new synthetic fuel plants. In Montana, at that time, they were expecting federal options and water filing applications on water use in eastern Montana for a total of over 3.3 million acre feet. Water was a huge issue, given what they thought may happen in terms of coal development in eastern Montana. The federal government had looked at at least one site for a uranium enrichment facility. The federal government also looked at siting about 20 coal gasification and 10 coal liquidisation plants in eastern Montana. Montana was expecting to produce a significant portion of the 12,800 megawatts of electricity needed in the western part of the United States. Montana was also looking at producing approximately 100 million tons of coal per year by 1985, which was six times the 1974 level. Montana was gearing up for what they and the federal government thought was going to be an extensive development process in eastern Montana.

What the EQC attempted to do was balance the economic benefits with the environmental and social benefits and costs. The EQC did fairly extensive trend analysis in terms of what Montana

had as far as energy production, estimated demand and consumption, and conservation. The EQC had suggested policy changes and implementation for a number of subject areas, for example, energy demand conservation. What was suggested was that because energy supplies would decrease in the long term, it is in the best interest of Montana to encourage energy conservation by its consumers. It was also in the interest of the state to help Montana industry overcome and avoid periods of short supply. The EQC developed a series of incentives to deal with that policy issue.

Also at that time, petroleum and natural gas supplies were expected to be terminated in the 1980's. Canadian natural gas accounts for about 1/3 of the gas consumed in Montana. Increased oil and gas production could offset the decreases in oil and gas supplies caused by Canadian export reductions. Synthetic fuel plants could meet Montana's needs. The suggested policy was that state government should attempt to ensure future oil and gas supplies by encouraging the use of domestic energy sources; incentives may be needed to increase oil and gas production.

This study was one of the biggest taken on by the EQC. There were a variety of studies. What the EQC did was just provide baseline information on what is out there, who is out there, who is using it, what potential alternative renewable resources are, etc.

In 1992 and 1993, there was a fairly extensive undertaking by the EQC in terms of another energy policy study. That study resulted in a State Energy Policy Statement that the Legislature adopted. It said, "It is the policy of the state of Montana to promote energy conservation, production and consumption of a reliable and efficient mix of energy sources that represent the least environmental and economic costs and the greatest long-term benefits to Montana citizens. In pursuing this goal, it is the policy of the state of Montana to recognize that the state's energy system operates within the larger context of and is influenced by regional, national, and international energy markets; maintain a continual process to review this energy policy statement and enter any future changes so that Montana's energy strategy will provide for a balance between a sustainable environment and an viable economy; and adopt an energy transportation energy policy and an alternative fuels policy." That is the policy that guides state lawmakers, the government, the executive branch. After that statement was developed the EQC spent the following interim developing a transportation energy policy for the state and an alternative fuel policy for the state.

Since that time, the EQC has not set up a formal process to develop any energy policy. The EQC has requested that MR. EVERTS give the EQC updates about what is happening in terms of the electric industry restructuring since 1997.

REP. CLARK asked if the water needs today are similar to the water needs in the 1970's. MR. EVERTS said that when the EQC study was done, they were projecting huge water needs for the large number of power plants coming into existence, those did not occur. REP. CLARK said that he was wondering that, if there was a similar amount of production, would the water needs be the same. MR. EVERTS said that would be something that the Subcommittee could look into.

SEN. McNUTT said that one thing that would play a factor is that the technology now is much more efficient, so he would assume that a modern plant's water needs would be somewhat less.

IV REVIEW OF THE STATUTORY RESPONSIBILITIES OF EQC AND TAC

MR. EVERTS said that the Subcommittee had requested that he draft a memo identifying areas of potential overlap and gaps between the statutory responsibilities of the EQC and the TAC, see **Exhibit 1**. The TAC has very specific statutory responsibilities as it relates to energy restructuring. They are required to determine whether there is effective competition in the electricity supply market is taking place at some point. TAC also has statutory authority over review of the Universal Systems Benefit Programs (USBP) and the viability of those programs. Those programs include low income energy assistance and conservation measures. Within the specific directives of TAC, there is a broad latitude allowing the Committee to do variety of things, so there is the potential for overlap with the EQC. On this Subcommittee there is a member of TAC and the Consumer Council, SEN. McNUTT.

The EQC has fairly broad statutory authority for energy policy. It comes in two areas: within the State Energy Policy Statement and other EQC statutory duties. The energy policy development statement provides for a fairly specific process by which the EQC goes about changing energy policy. If the Subcommittee decides to utilize those statutory provisions on the energy policy development process, the statute is fairly specific on how to go about doing that. There is other EQC statutory authority that has been used to develop all of the different reports that have been discussed, so the Subcommittee may be able to avoid using the energy policy development process. If the Subcommittee triggers the energy policy development process, they have to go about it in a certain way. What that process means is that the Department of Environmental Quality (DEQ) and the EQC, in cooperation with the 5 Consumer Council and the Public Service Commission (PSC), are required to maintain a continual process to develop components of state energy policy. When this legislation was drafted, the council members knew that you can't keep up the intensity of the energy policy process that is outlined in the legislation every interim. What they said is that, on an as needed basis, the DEQ and the EQC can continue this energy policy development process. The DEQ is supposed to provide, identify and make recommendations in terms of specific components of the state energy policy that the EQC should undertake. The DEQ has been reorganized and they only have two people left out of a twelve-person energy office. They are still willing to help staff this Subcommittee in terms of information. They currently don't have any recommendations. One trigger point is for the DEQ to make recommendation on what components of state energy policy could be changed. They have done that in the past, but the EQC has also come up with its own recommendations in terms of what needs to be changed. Once a specific energy policy component is selected to look at, the EQC has assigned a working group of stake holders to work on it. These working group processes have been very extensive and have taken a lot of time, but they have worked. In the past there have been three areas that were assessed working groups: the transportation energy policy, the alternative fuels policy, building code conservation measures. Those work groups met ten or twelve time during an interim, were staffed by EQC staff and DEQ staff. Legislators sat in on those working groups and they hammered out the specific energy policy. According to the process, a working group has to use a consensus process to develop recommendations. That is what those working groups did.

The other route, in terms of statutory authority for energy policy development can be found on page 8 of the memo (**Exhibit 1**). That is 75-1-324 MCA. These are the duties of the EQC. Most of the EQC reports and energy policy that have been generated in the past have been generated pursuant to these statutory duties. The Subcommittee has the ability to utilize both the statutory duties under 75-1- 324 MCA and the energy policy development statutory duties.

A potential area with TAC that the Subcommittee will have to be careful about are USBP areas. The Subcommittee should wait and see where the TAC is going to go in terms of its analysis of those programs and the analysis of information as it relates to conservation and renewable resources. The TAC has not adopted a work plan yet.

SEN. TOOLE commented, in regards to USB Programs with conservation and renewables, the amount of expenditure is essentially defined in statute as 2.4%. He is concerned about the amount of conservation in particular on the system that has always been defined by price. So when we establish the 2.4%, it was a negotiated political process, but a lot of the discussion was about what the current amount of conservation that is available is. He believes that the Subcommittee should not get into looking at programs currently being operated because that is something that the TAC is looking at. However, he is concerned that the Subcommittee not just step by conservation, that they do look, given price assumptions, at what is going to be out there. He asked if SEN. McNUTT saw the TAC's work as something that the Subcommittee could supplement, or does it preclude the Subcommittee from looking at conservation and renewables.

SEN. McNUTT said that would be discussed at TAC's October meeting. At that time he is sure that all of the USBP is going to be discussed and a work plan be developed. When that happens, probably the Subcommittee could make that decision at that time. He doesn't think that the Subcommittee wants to get in a situation where they would be duplicating anything.

REP. MOOD asked, if there are two people in DEQ now, were there more people in 1975? MR. EVERTS said that, before DEQ was reorganized, they had an office of twelve individuals. A lot of that had to do with the Major Facility Siting Act, which was changed in the last legislative session. REP. MOOD asked if they were reacting to the energy issue by diminishing staff, or was it something other than the energy issue. MR. EVERTS said that part of the reorganization process put different individuals into different functions. Some of the individuals are still at DEQ, but are no longer concentrating on energy.

REP. CLARK asked who the people are, he knew one was Larry Nordell. MR. EVERTS said that the other individual is Paul Cartwright. REP. CLARK said that if you are talking electric issues, the guy to talk to is Nordell. MR. EVERTS agreed, Larry is the full-time energy person.

V REVIEW STAFF SUMMARY OF SELECTED ENERGY LEGISLATION ENACTED DURING THE 2001 LEGISLATIVE SESSION

MR. EVERTS said that there are nine pieces of Legislation that were enacted, see [Exhibit 2](#). SB 19 extended the transition period for customer choice to 2007. This bill is separate from HB 474. Should HB 474 be suspended, SB 19 is still in place.

SB 269 is a TAC bill. It indefinitely postponed Montana-Dakota Utilities' (MDU) requirement to submit a transition plan for deregulation.

SB 398 allows the operation of temporary power generation units. For units with 10 megawatts or less, that individual or company can construct and operate those units once the DEQ has received an application. For units with a total of not more than 125 megawatts, the operation of those units can commence once the Department has issued a permit for those units. There is a

series of conditions that have to be met in order for those activities to take place. That bill was geared towards temporary power generation units for industries across the state.

SEN. TOOLE asked if anyone was contemplating anything other than diesel units. MR. EVERTS replied that in the debates during the Legislative Session, it was primarily just diesel.

MR. EVERTS continued, SB 521 expanded the Governor's emergency powers for energy. It allowed the Governor to declare an energy supply alert and invoke those powers based on the price of energy. It also extended the duration of an energy emergency from 45 days to 90 days. It also clarified that projects begun during that emergency could be completed even after the emergency period had expired.

HB 474 was initially an excess profits tax bill, but the title was broad enough to encompass a lot of different things, so a lot of different things ended up in HB 474. The first thing that HB 474 does is set up some incentives through low interest loans via the Montana In-State Investment Act to facilitate up to 450 megawatts of construction for new generation projects. It also allows the purchase of 120 megawatts from existing qualifying facilities. MR. EVERTS doesn't think that there has been any activity under the section of law yet, but it is something that both TAC and this Subcommittee should be trying to track down. HB 474 extends the transition period to 2007. One of the things that HB 474 also did was to strip away the ability of the PSC to name more than one default suppliers. It states that the distribution services provider is the default supplier and that default supplier has an obligation beyond the end of the transition period, beyond 2007. HB 474 also allows a mechanism developed by the PSC to allow customers, during the transition period, to go off the system and incrementally start choosing alternative electricity suppliers, should a market develop. It created the Montana Power Authority (MPA). The MPA has met a couple times. It is authorized to purchase, construct and operate generation facilities. It is authorized to issue up to 500 million dollars in revenue bonds for these projects. With the initiative process to put HB 474 on the ballot going on, the State Bond Counsel has advised the MPA not to take any action in terms of issuing bonds at this point in time because of the uncertainty out there.

REP. LINDEEN asked if they are looking at getting those constitutional questions answered now or are they going to wait and see what happens with the initiative. MR. EVERTS thought that they are going to wait for the initiative process to play out, but the State Bond Counsel also advised the MPA that these constitutional issues needed to be resolved. He is not sure what they decided to do as far as trying to pursue a declaratory ruling from the Montana Supreme Court.

MR. EVERTS said that HB 474 extended the USBP termination date. It also required that 6% of the funds be spent on irrigated agriculture energy conservation and efficiency programs.

HB 474 created a consumer electricity support program and provided a transfer mechanism for HB 645, the energy power pool, to potentially donate some of that power into the consumer electricity support program.

HB 474 also set out a process for recovery of electricity supply costs and defined what those electricity supply costs were. HB 474 also set up a prudency test for the PSC to determine whether those electricity supply costs were reasonable and prudent.

HB 474 set up a process for the default supplier to procure electricity. You have seen in the newspapers Montana Power Company's (MPC) report to TAC saying that MPC is pursuing a portfolio of contracts, trying to get the best price that they can for their customers. This procurement of electricity supply section of law sets out the requirements that MPC, as the default supplier, have to meet in order to do that.

MR. EVERTS said that HB 645 basically implemented the electric energy pool and authorized the PSC to implement that pool. That pool has been used, although recently there hasn't been as much of a demand on that pool because of the drop in electricity prices. That pool terminates June 30, 2002.

SB 506 was a tax bill that was a mixture of different tax incentives for alternative energy and energy conservation, for industry, commercial and residential customers. This is a very detailed bill.

SB 508 revised the property taxes related to electrical generation facilities. It provides for a property tax exemption for a certain period of time, up to five years, with certain qualifications. There is an annual impact fee of .75% of the total cost of construction of the generation facility that the generation facility is subject to. This bill was one of the major tax incentive bills that was passed in the last session.

HB 643 is the wind energy incentive bill. It expanded the credit for wind energy. It also provided certain incentives on Indian reservation lands for wind energy. It provided a wholesale energy transition (WET) tax exemption for wind energy. One of the things that this bill did that no other bill did was create some additional language for the Montana Board of Investments to issue revenue bonds for electrical energy generation facilities, not only for wind energy, but all types of energy.

MS. PORTER asked if DEQ is going to provide for the terms in SB 398. MR. EVERTS said that he is not sure. Art Compton may be available later to answer that question.

SEN. TOOLE asked for further explanation. MS. PORTER said that under the Clean Air Act the DEQ has to have a statement of limitation program as approved by the EPA. They have to follow those terms. SEN. TOOLE asked if anybody is doing this now, given the drop in prices. MR. EVERTS hadn't heard of any.

REP. MOOD asked about the procurement of electricity supply, how does the recent decision by the PSC denying the Vincent project permit fit into the procurement of supply by MPC. MR. EVERTS said that, under HB 474, the PSC is not required to do a preapproval review of the Vincent contract. The PSC is not precluded, under law, from preapproving a contract, but they are not required to do that. The PSC took the position that they are going to wait until they have the whole portfolio of contracts in front of them to make the prudency review. The decision wasn't necessarily a denial, it was more that the PSC is going to hold off and wait until they see more of the portfolio before they make a prudency determination. REP. MOOD asked if that meant that MPC would have to have all the contracts in hand when they go to the PSC in order to get the overall approval. MR. EVERTS said that is potentially the situation. The way contracting works, doesn't mean that it is necessarily the best situation. He doesn't know how the PSC is going to proceed in terms of whether they are going to approve blocks or significant

chunks of the portfolio along the way. In the decision regarding Vincent, the PSC stated that they want more of the whole portfolio in front of them.

SEN. McNUTT commented that part of that was that the PSC said that the limited amount of information they received for their analysis wasn't complete enough to make a recommendation or finding on it. The Consumer Counsel also looked at this and said that there is really not enough information in the request to make a determination, but there was a footnote added that said it appeared that this was a prudently incurred contract.

REP. MOOD said that the amendment to HB 474 said that the PSC couldn't retroactively determine prudence, it has to be determined at the time that the contract is put together. Is the contract in place as of a certain date so that the prudence review is going to be determined by the information at a certain point in time? MR. EVERTS doesn't know what the provisions of the contract between MPC and Vincent were or are in regards to the PSC and their rule, whether there are contingencies.

REP. HEDGES asked if we are in a catch 22 where the PSC will not preapprove a contract for a new facility, causing the new facility to not be able to get bonding. MR. EVERTS said that is part of the equation of financing. Part of the preapproval for the contract was to show investors that the PSC thought this was reasonable and that there wasn't room for risk for the PSC to come back and say that this element of the contract isn't prudent. What investors are looking at is the risk involved of the PSC denying recovery on a certain part of the contract because it wasn't prudent, even though HB 474 is fairly specific in terms of the cost recovery and what electricity supply costs are.

SEN. TOOLE said that the issue of preapproval has been very controversial for years with the PSC and to the extent that the PSC grants preapproval, what you have is a shift of risk. The risk goes from the investor to the rate payer. That is why the PSC preapproves a plant that takes four years to come online. If it comes online when the energy costs are low and the plant costs are high, it is going in the rate base because they had this preapproval. If you have preapproval you eliminate the risk to the investor. The compromise is found in the last sentence about in reviewing the contracts the PSC can't use current conditions, they have to go back to what the conditions were at the time the decision was made.

REP. MOOD commented that the reason that clause is there is to prevent a situation where the electricity suppliers refuse to make long-term contracts because there is a post-contract date that they can go and say that this is not prudent based on today's information, where it may have been prudent at the time. What they did is force them into a situation where they are getting short-term contracts consistently on the spot market because they can't have any guarantee that the long-term contracts would be approved or held up a year or two years down the line. The situation that REP. HEDGES talked about has been created, not because of anything in statute, but because of a policy on the part of the PSC. MR. EVERTS said that it is true that the statute doesn't preclude the PSC from making an up-front prudence review, but they decided to hold off and gather more information. Some statements were made by the PSC that they wanted the whole portfolio in front of them.

REP. CLARK asked if the PSC was wanting to see all of the potential contracts that the default 10 supplier could need, so that the PSC could look at all the possibilities and decide amongst them which are the most prudent, and also, would MPC have to have more contracts than they

could fulfill because some of them will be rejected. MR. EVERTS said that the PSC is supposed to develop a prudency process and they haven't done that yet. REP. CLARK asked, if the PSC engages in making decisions in advance regarding prudency, does that affect the bidding process. MR. EVERTS said that it could, depending on the block of power within the contracts and the blocks of remaining power.

VI REVIEW AND DISCUSSION ON THE SUBCOMMITTEE'S DRAFT WORK PLAN

The draft work plan can be found on [Exhibit 3](#).

MS. PORTER commented that Items 1 and 3 are going to be closely tied and she would think that it is going to be a work in progress because things could change dramatically between the time it's started and the time that it's finished.

SEN. McNUTT asked if the Subcommittee could do Items 2 and 3, if they are going to get a State of the State report, maybe the Subcommittee could come up with an easy to understand handbook on the basis of Montana energy law. He thinks that if the Subcommittee does Item 1, that would be all consuming. Item 3 is going to take quite a bit of time, but looking at what they have to work with, it might assist all of the members if they had a handbook on that.

REP. LINDEEN asked if what SEN. McNUTT was suggesting was that the Subcommittee definitely do the State of the State report, and they do the Montana Energy Law Handbook, Item 2, or was he suggesting that those be combined. SEN. McNUTT didn't know that they could be combined. REP. LINDEEN said that he would want two separate reports. SEN. McNUTT said that was correct, but maybe that was too much for the resources and time. MR. EVERTS said that for the third item he would have to make sure that the DEQ, Consumer Counsel, PSC and Northwest Power Planning Council can help assist in that. DEQ has said that they can. There would also be a full FTE on the second item, the Montana Energy Law Handbook, so that he could start to put that together for the Subcommittee members. SEN. McNUTT thought that the Consumer Counsel would help with it.

REP. CLARK agreed with the idea of prioritizing Item 3 because it is really important. He is assuming that it would include as much as they can find out about any new proposals that are upcoming, where they are in terms of energy sources that are being explored, and what projections there are as to what projects will actually move forward. If this is something that the EQC is going to present to the 2003 Legislature, it could easily be outdated two months after they write it, so there need to be some projections.

MR. EVERTS said that there are certain components that he doesn't think will be outdated, transmission and distribution would be an example. There are also figures on coal supply, hydro electric supply, figures on average demand over time. Price is another matter because of the volatility.

REP. MOOD said that it would appear to him that what they need to do is just take the snapshot of a particular point in time and then have a dialogue afterwards of the various things that are in the works that could potentially change that snapshot.

SEN. TOOLE said that what seemed to happen following the 1973, '74 and '75 crisis time was that there were a lot of resources that went into planning. That has clearly evaporated. Now, as

he look around and say, what are the resources that we have to help planning, analysis and all of that stuff, he finds only a few people. He wonders if there isn't something that somebody ought to be looking at to try and figure out if there are resources out there for these kinds of studies. MR. EVERTS said that this body has generated a lot of energy planning policy documents over time, and the executive branch has done the same thing. SEN. TOOLE thinks that there is a lot of money coming to this because of the California crisis, some is going to be for study and planning on the part of national foundations, et cetera. It is frustrating because SEN. TOOLE doesn't feel that we are going to get these funds because the resources just aren't in the state. It is going to be hard to develop a big picture with the resources that the Subcommittee has.

REP. LINDEEN offered some ideas that might possibly be incorporated into the goals that the Subcommittee already has. When you look at the State of the State report and developing an understanding about the whole picture in Montana, she would like to see the Subcommittee also look at developing a clear understanding of how the rural electric cooperatives fit into that picture. The second thing is that she would like to see the Subcommittee consider looking at the issue of having a certain amount of public power in the state of Montana. That discussion is already out there. Possibly the Subcommittee could look at a couple other states that have some type of public power and what they are doing.

SEN. McNUTT said that he didn't see it in the 1982 study if it was broken down by cooperatives, et cetera. Maybe that should be part of the study process. REP. LINDEEN wanted to make sure that it is included somewhere. MR. EVERTS said that it looked like it was piecemealed throughout the report.

MR. EVERTS said that what he has as far as the goals are develop an understanding of energy law, demands, supply, transmission, litigation and benchmarks; develop an easy to understand energy law handbook; develop a State of the State report, energy picture, which includes understanding cooperatives; look at the resources for planning for energy in the state; look at public power in other states. The Subcommittee hasn't discussed the fourth goal at all.

REP. CLARK asked, if it becomes likely that one or more than one initiative would move forward and possibly pass, would it be the Subcommittee's business to look at the ramifications of that. MR. EVERTS said that he could report to the Subcommittee on what the potential impacts would be if HB 474 was repealed. REP. CLARK said that it seems that it would have a huge impact. It might not even be clear by the next Legislature what has happened. MR. EVERTS said that he can report on 12 technically what would happen in law if HB 474 ceased to exist and give an idea of what the potential impacts would be. REP. CLARK said that he thought this was a very important point and that there will likely be a couple other initiatives. He is working on a public purchase of the hydro electric system initiative; he has heard about an excess profits tax initiative; some people are working on a repeal of SB 390. He thinks that it is important because if any of them pass, to the extent that any of them are flawed, the Legislature will have to deal with them and the EQC would like to provide some illumination to what the issues within the initiatives are.

REP. LINDEEN agreed with the comment that once the Subcommittee had had some time to develop an understanding and look at the other issues, they will have a better idea of whether or not they feel that the energy policy statement is adequate. She would say that it should be left in as a goal, they can always choose to change the work plan at a later date.

SEN. TOOLE agrees that the Subcommittee should wait and see what is developing and be mindful of the fact that if the Subcommittee says yes on this, it will trigger the process. MR. EVERTS said that it could. The EQC has other statutory authority that would necessarily have to trigger that process.

REP. MOOD said that this is like so many mission statements, it is all things and you read it and say, "Gee, that's really nice," and then you do what you want to anyway.

MR. EVERTS said that he didn't think that it was necessary to go into the tasks in detail; what he can do is reflect in the tasks the changes or suggestions that have been made to the goals and include those goals in the tasks.

REP. MOOD would like to keep track of the Mid-Columbia Price Index over the last six months. MR. EVERTS said that TAC is getting those and he can provide the printouts for the Subcommittee at each meeting. He thinks that it would be helpful to have an explanation of the Indexes and how they work and how the prices are derived as a part of the Subcommittee's understanding of price. REP. MOOD thought it would also be helpful to know what the web sites are. He also thought that it would be good to have the expert advice on projections on energy and what experts think that energy prices are going to do over the next five years or so.

REP. LINDEEN asked if, at the first meeting, the Subcommittee had talked about what projects had been committed, not just in Montana, but in other western states, and where those projects are in the process as far as coming online. SEN. TOOLE agreed that the Subcommittee should get that information.

REP. CLARK suggested that the Subcommittee get a picture of the coordination between the actual projects that have been approved, what is coming online, and the transmission capabilities within the state and how they interact. MR. EVERTS said that, as part of the presentations in December, some 13 of those questions will be answered.

SEN. McNUTT said that it was his understanding that logistically we could put some 100 to 180 megawatt units around the state and still be able to use the current transmission system. Maybe the Subcommittee could get a clarification of that because a lot of people do misunderstand transmission. MR. EVERTS said that Mr. Nordell had already produced report with the transmission system capacity between Montana and the Pacific Northwest and within Montana. It would be good to get him to explain his analysis to the Subcommittee.

SEN. TOOLE said that Bill Pascoe with the regional transmission organizations would also be a good reference.

VII PUBLIC COMMENT ON THE SUBCOMMITTEE'S WORK PLAN

There were no comments offered.

VIII ADOPTION OF DRAFT WORK PLAN

MR. EVERTS offered a summary of what was done with the goals. The term "complete understanding" was stricken, changing it to "an understanding." That included litigation and benchmarks. The second goal was left unchanged. The third goal was discussed that it would

have to be a little more limited in nature, given the resources. The Subcommittee discussed that they wanted to look at resources for planning for energy as a task. They also wanted to include in the energy State of the State report the rural cooperatives. They wanted to look at public power in other states. The Subcommittee wanted a presentation on price and how that is developed, and also to see the charts for the Mid-Columbia Index. **MOTION/VOTE:** REP. HEDGES moved for adoption of the work plan as amended. Motion passed unanimously.

IX OTHER BUSINESS

There was no other business.

X INSTRUCTIONS TO STAFF

There were no instructions necessary.

XI ADJOURN

There being no other business, the meeting was adjourned.