



Energy and Telecommunications Interim Committee

61st Montana Legislature

SENATE MEMBERS

JERRY BLACK
RON ERICKSON
VERDELL JACKSON
CLIFF LARSEN

HOUSE MEMBERS

DUANE ANKNEY
TONY BELCOURT
ROBYN DRISCOLL
HARRY KLOCK

COMMITTEE STAFF

SONJA NOWAKOWSKI, Research Analyst
TODD EVERTS, Staff Attorney
DAWN FIELD, Secretary

MINUTES

July 10, 2009

Room 172, State Capitol
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT

SEN. JERRY BLACK
SEN. RON ERICKSON
SEN. VERDELL JACKSON
SEN. CLIFF LARSEN

REP. DUANE ANKNEY
REP. TONY BELCOURT
REP. ROBYN DRISCOLL
REP. HARRY KLOCK

STAFF PRESENT

SONJA NOWAKOWSKI, Research Analyst
TODD EVERTS, Staff Attorney
DAWN FIELD, Secretary

AGENDA & VISITORS' LIST

Agenda, Attachment #1.
Visitors' list, Attachment #2.

COMMITTEE ACTION

The Energy and Telecommunications Interim Committee:

- elected Rep. Robyn Driscoll to serve as Presiding Officer for the 2009-2010 interim;
- elected Sen. Jerry Black to serve as Vice Presiding Officer for the 2009-2010 interim;

- approved the draft work plan;
- approved the meeting calendar; and
- approved the rules, guidelines, and procedures for interim committees.

CALL TO ORDER AND ROLL CALL

00:00:13 REP. KLOCK called the meeting to order at 9:00 a.m. The Secretary took roll, all members were present (ATTACHMENT #3).

ADMINISTRATIVE MATTERS

Staff Introductions

00:01:10 **Sonja Nowakowski, Research Analyst, Legislative Services Division (LSD), Todd Everts, Staff Attorney, LSD, and Dawn Field, Legislative Secretary, LSD**, introduced themselves. Ms. Nowakowski used a PowerPoint presentation (EXHIBIT #1) to explain the purpose and statutory duties of the Energy and Telecommunications Interim Committee (ETIC),

00:08:25 Mr. Everts explained his duties as legal counsel for the ETIC.

00:12:44 Ms. Nowakowski reviewed the rules, procedures, and guidelines for interim committees, as recently amended by the Legislative Council (EXHIBIT #2).

ELECTION OF THE ETIC PRESIDING OFFICER AND VICE-PRESIDING OFFICER

00:18:50 REP. KLOCK asked for nominations for presiding officer. After a brief discussion of the chair rotation history, SEN. ERICKSON nominated REP. DRISCOLL to serve as Presiding Officer. REP. DRISCOLL was elected on a unanimous voice vote.

00:21:28 REP. ANKNEY nominated SEN. BLACK to serve as Vice Presiding Officer. SEN. BLACK was elected on a unanimous voice vote.

INTRODUCTION AND REVIEW OF INTERIM WORK PLAN OPTIONS

Work Plan Option Matrix Introduction

00:25:01 Ms. Nowakowski presented a draft work plan using a PowerPoint presentation (*Energy and Telecommunications Interim Committee's Work Plan Process - EXHIBIT #3*), a paper copy of the proposed work plan (EXHIBIT #4), and a work plan decision matrix for allocating member and staff time and resources (EXHIBIT #5).

00:36:03 Regarding SB 290 (2009 Legislature) requiring the ETIC to revise the state energy policy, Ms. Nowakowski asked SEN. JACKSON, as the sponsor of SB 290, to discuss his vision of energy policy. SEN. JACKSON discussed his perspective of what an energy policy should encompass and said that Montana's current policy is much too general and needs to be more specific.

00:38:48 Ms. Nowakowski discussed strategies on how best to engage the public in the energy revision process.

00:41:13 Mr. Everts provided a historical context of past energy policy discussions by interim committees.

00:42:22 SEN. JACKSON commented that because resources are limited, the plan must be kept specific but simple. SEN. ERICKSON thanked SEN. JACKSON for his work in getting the revision process started and said that he was pleased to find out that the National Conference of State Legislatures (NCSL) and other organizations have made available substantial information that the ETIC would find useful. He said he would like Montana legislators who attend the NCSL conferences to report back to the ETIC.

00:46:16 REP. DRISCOLL suggested that having an evening meeting with stakeholders before a regularly scheduled committee meeting to work on the energy policy revisions would be a cost-efficient way to get more work done.

00:47:31 Mr. Everts reviewed the ETIC's statutory duties (pages 4 and 5 - EXHIBIT #4).

00:51:37 Ms. Nowakowski reviewed the background on HB 333 - monitoring of geothermal research (page 5 - EXHIBIT #4).

00:52:24 Ms. Nowakowski discussed ETIC publications revisions (page 3 - EXHIBIT #5)

00:57:56 Mr. Everts announced that Ms. Nowakowski has received a national *Notable Document Award* from NCSL for her work on the 2008 ETIC report, "*Carbon Sequestration Study: an analysis of geological and terrestrial carbon sequestration regulatory and policy issues*".

00:59:04 Ms. Nowakowski discussed ETIC member suggested topics with the Committee members (pages 8-10 - EXHIBIT #4 and page 2 - EXHIBIT #5), beginning with review of federal climate change programs, suggested by SEN. BLACK.

01:09:58 The Committee discussed SEN. BLACK's proposal to track transmission line development. Ms Nowakowski suggested that the Energy Infrastructure and Promotions Division (EIPD) in the Department of Commerce could report to the ETIC as it had done in the last interim, or that the issue could be addressed through a white paper study.

01:12:05 SEN. BLACK said that transmission is the critical key to energy development in Montana. He asked that the ETIC look at how the process can be expedited in order to attract transmission projects. REP. BELCOURT agreed with SEN. BLACK but said that permitting is also a problem that he would like to consider as part of the transmission study.

01:21:27 Ms. Nowakowski discussed SEN. ERICKSON's suggestion to monitor implementation of carbon sequestration legislation (SB 498).

01:23:31 SEN. ERICKSON asked to add, under Option C, that the ETIC receive an update from the Big Sky Carbon Sequestration Project. He also discussed the need for more scientific expertise, such as in geochemistry, within the Board of Oil and Gas in order to have the proper scientific background to ensure that sequestration efforts are working.

- 01:26:15 SEN. ERICKSON and SEN. BLACK discussed their opinions and perspectives on how carbon sequestration issue should be handled.
- 01:29:34 Ms. Nowakowski reviewed the final member suggestion from REP. DRISCOLL to study climate change as related to distributed generation and increased efficiency of energy production (page 10 - EXHIBIT #4 and page 2 - EXHIBIT #5) REP. DRISCOLL suggested using Option C or Option D and that the issue could be taken care of as part of the energy policy redesign work.
- 01:36:19 Ms. Nowakowski asked for suggestions for future agenda items. REP. ANKNEY suggested an onsite visit to a dam or possibly the MATL line currently under construction. REP. DRISCOLL said that with a reduced budget, travel will have to be restricted. REP. KLOCK said that he would like to hear from small hydro operators and how they fit into the scheme. REP. BELCOURT said that he would like to hear from Native American resource partners and that tribal governments need to be included in energy projects.

BREAK

PUBLIC COMMENT

- 01:59:33 **Gloria Flora, Director, Sustainable Obtainable Solutions, Helena**, discussed her organization's efforts to create and sustain public lands, to address climate change issues, and the potential for biomass projects in Montana. She said that her organization works on a local and national level to deal with issues of importance. She provided a brochure on biochar (EXHIBIT #6). Ms. Flora also provided copies of a citizen's guide to information from the Montana Climate Change Advisory Committee (EXHIBIT #7).
- 02:05:04 **Steve Arveschoug, Big Sky Economic Development Authority, Billings**, thanked the ETIC for its work and aggressive agenda, saying that there is a link between shaping energy policy and economic development efforts. He discussed the Big Sky Economic Development Group's work to develop energy projects. He said he was encouraged by the ETIC's interest in federal actions regarding greenhouse gases because of the direct affect that federal action could have on local businesses and citizens. He encouraged the Committee to keep in close contact with the EIPD, saying that the Division is an excellent resource and that Director Tom Kaisierski is knowledgeable and well-respected. Mr. Arveschoug invited the ETIC to attend the Montana Economic Development Association's (MECA) conference on September 13 and 14 in Libby, Montana.
- 02:09:48 **Anne Hedges, Montana Environmental Information Center (MEIC)**, said that the majority of new power production and jobs are coming from wind energy projects, rather than coal projects. She stated that many coal plants are being shut down nationwide, making it a natural time to transition from traditional energy sources and to create energy policy. She said the world is moving toward renewable energy and that it would benefit Montana citizens for the ETIC to stay abreast of the rapid changes and enormous opportunities ahead. Regarding comments made earlier in the meeting about Montana's permitting process, Ms. Hedges said there are many misconceptions about Montana's permitting process and that it is one of the best in the country. Ms. Hedges also discussed the

importance of private property right considerations in the development of new energy projects, the importance of monitoring the carbon sequestration issue, and that Montana rate payers must be a top consideration in any decision making process.

EXECUTIVE ENERGY POLICY

02:16:11 **Evan Barrett, Chief Business Development Officer, Governor's Office of Economic Development**, used a PowerPoint presentation (EXHIBIT #8) and a copy of the Governor's energy plan (EXHIBIT #9) to update the ETIC on Governor Schweitzer's energy policy.

Committee Questions

02:52:03 SEN. ERICKSON thanked Mr. Barrett for the information but said his opinion is that in situ coal gasification is not necessarily a better method of using coal. Mr. Barrett agreed there is much to learn about gasification and that a basic policy framework has to be in place before it can be done.

02:55:21 SEN. BLACK asked for an update on the proposed transmission line from Great Falls to Townsend. Mr. Barrett said there are a number of companies looking to develop that line and that he is optimistic that it will come to fruition.

02:57:38 REP. ANKNEY rebutted comments made by Anne Hedges, saying that coal is still a very viable energy source. He asked what the Governor's Office plans to do regarding Otter Creek lease tracts. Mr. Barrett said that he believes the leases will go forward and pointed out that the appraisal process is complete, that the proposal is in the public comment period, and that the Land Board must give its approval.

03:00:05 SEN. BLACK asked if Governor Schweitzer supports the cap and trade program, as proposed by the United States Congress. Mr. Barrett said that he could not comment because he is not fully briefed on the issue. He said that there are multiple plans being presented but that no final decisions have been made.

LUNCH BREAK

AGENCY OVERVIEW PRESENTATION

04:07:41 **Greg Jergeson, Chairman, Public Service Commission (PSC)**, updated the ETIC on recent activities and decisions relating to energy and telecommunications issues including Qwest's timeframe for compliance with the A-4 rate case settlement, an update of NorthWestern Energy's (NWE) acquisition of Colstrip 4, and an update on NWE's Mill Creek generation station near Anaconda.

04:14:59 SEN. JACKSON asked Commissioner Jergeson to provide copies to the ETIC members of the matrix under review that he discussed. Commissioner Jergeson said he would provide the document to Ms. Nowakowski. (*Commissioner Jergeson provided a copy of the matrix shortly after the meeting - see EXHIBIT #10 .*)

Public Comment

- 04:16:02 **Mark Lambrecht, Regulatory Affairs Manager, PPL-Montana**, discussed PPL concerns regarding the American Clean Energy Security Act (Waxman-Markey bill) currently before the United States Congress. Mr. Lambrecht said that it would have a tremendous impact on every industry, business, and consumer in the State of Montana, if passed. He encouraged the ETIC to take a very close look at the bill and offered his assistance to the ETIC, should it be needed. Mr. Lambrecht asked the ETIC to also closely examine the Western Climate Initiative and to discuss the benefits of rewarding renewable energy credits for hydroelectric power.
- 04:18:32 **Mike Pichette, NWE**, thanked Ms. Nowakowski for raising the question of the qualifying facility review issue. He said the SB 403 would have resolved some of the incongruities but was vetoed by the Governor. He asked that work continue to resolve the issues.
- 04:19:18 **Tom Ebzery, Puget Sound, Portland General, Electric and Avista**, agreed with comments made by Mr. Lambrecht regarding the American Clean Energy Security Act (Waxman-Markey bill) and said that the delay would give the ETIC an opportunity to study the costs and impacts, and how rate payers would be affected. He said he also agreed with Mr. Lambrecht's comments regarding the Western Climate Initiative and predicted that the federal legislation, if passed, would create a conflict. Mr. Ebzery asked that the ETIC stay abreast of the issue.
- 04:22:49 **Haley Beaudrey, Columbia Fall Aluminum Company**, urged the ETIC to keep all types of energy related costs in mind because of the effect on Montana businesses and citizens.
- 04:23:47 **Matt Leow, Northern Plains Resource Council (NPRC)**, referred to REP. DRISCOLL's request to further consider climate change and energy supply, to focus on common areas that could be agreed on and not to waste time working on issues where agreement can't be reached. He said that, for example, it is commonly agreed that increasing energy efficiency and reducing consumption would benefit everyone. He said that this type of effort saves money, creates jobs, decreases stress on low income residents, and makes Montana businesses more competitive.

Committee Questions

- 04:26:54 REP. BELCOURT asked Mr. Lambrecht how much electricity is produced by PPL's 11 hydro electric facilities operation in Montana. Mr. Lambrecht said about 540 megawatts of electricity are produced, depending on stream flow.

ADOPTION OF WORK PLAN OPTIONS

- 04:35:49 **REP. BELCOURT** moved to allocate .60 FTE for state energy policy revision, .02 FTE for administrative rules, .005 FTE for agency legislation review, .01 FTE for monitoring PSC activities, .02 FTE for review of USB reports, .005 FTE for review of geothermal research, .05 FTE for review of federal climate change programs, .10 FTE to track transmission, .02 FTE to

monitor implementation of SB 498, .02 FTE for the study on climate change and energy supply, and .05 FTE to update publications. The Committee discussed the motion. Ms. Nowakowski read back the changes discussed by the ETIC, saying that the work plan would include .60 FTE for state energy policy revision, .02 FTE rules, .005 FTE for review of agency legislation, .01 FTE for PSC oversight, .02 FTE for review of USB reports, .005 FTE for review of geothermal research .08 FTE for review of federal climate change programs, .02 FTE for transmission development, .02 FTE for monitor implementation of SB 498, .02 FTE for the climate change and energy supply study, and .05 FTE for publication revision, for a total of .85 FTE. Ms. Nowakowski said that would adequate resources to deal with emerging issues.

04:39:01 **REP. BELCOURT amended his motion to reflect the changes discussed. The motion passed on a unanimous voice vote.**

PUBLIC COMMENT

04:48:19 No public comment was given.

OTHER BUSINESS/INSTRUCTIONS TO STAFF

Adoption of Calendar

04:48:55 Ms. Nowakowski referred Committee members to page 11 of the draft work plan (EXHIBIT #4) and asked if changes to the proposed meeting dates were needed. REP. DRISCOLL asked to change the November 16 and 17, 2009, meeting date to November 9 and 10. The Committee agreed.

04:52:30 **REP. KLOCK moved to adopt the calendar, as revised. The motion passed on a unanimous voice vote.**

Rules & Procedure

04:53:00 **SEN. LARSEN moved to adopt the Rules, Procedures, and Guidelines for Interim Committees as presented (EXHIBIT #2), revised for the ETIC.** REP. DRISCOLL asked about use of proxies. After a brief discussion, it was decided that the use of proxies would be allowed. **SEN. LARSEN's motion passed on a unanimous voice vote.**

04:54:32 SEN. BLACK said that the Chief Executive Officer of MATL would like to address the ETIC at the September 24, 2009, meeting. He said he would extend the invitation, with the Committee's approval. Ms. Nowakowski said she will work with REP. DRISCOLL on the agenda.

04:55:26 Ms. Nowakowski asked the members to let her know if they wished to receive information relating to the ETIC via hard copy or electronic mailings. She said that she would finalize the work plan with the approved changes for final approval at the September meeting and that energy policy work would begin as well.

04:56:24 SEN. ERICKSON said that he attended an informative national meeting recently and would pass the information on to Ms. Nowakowski so that the information could be shared with the full Committee.

04:57:12 The Committee discussed the Big Sky Carbon Sequestration Project meeting in Bozeman scheduled for September 23 and 24. It was decided that the ETIC would not change its meeting date but that anyone attending on the 23rd would be prepared to make a report at the ETIC's September 24 meeting.

ADJOURN

04:59:53 With no further business before the Committee, the meeting was adjourned at 2:15 p.m. The next meeting of the Energy and Telecommunications Interim Committee is scheduled for September 24, 2009, in Helena.

CI0429 9212dfxa.