



PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

Energy and Telecommunications Interim Committee

64th Montana Legislature

SENATE MEMBERS

CLIFF LARSEN--Vice Chair
DUANE ANKNEY
PAT CONNELL
ROBYN DRISCOLL

HOUSE MEMBERS

KEITH REGIER--Chair
CHRISTOPHER POPE
TOM STEENBERG
DANIEL ZOLNIKOV

COMMITTEE STAFF

SONJA NOWAKOWSKI, Lead Staff
TODD EVERTS, Staff Attorney
NADINE SPENCER, Secretary

MINUTES LOG

July 15, 2016
Room 172, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Services Division at 406-444-3064 for more information.

COMMITTEE MEMBERS PRESENT

REP. KEITH REGIER, Chair
SEN. CLIFF LARSEN, Vice Chair

SEN. DUANE ANKNEY
SEN. PAT CONNELL
SEN. ROBYN DRISCOLL

REP. CHRISTOPHER POPE
REP. TOM STEENBERG
REP. DANIEL ZOLNIKOV

STAFF PRESENT

SONJA NOWAKOWSKI, Lead Staff
NADINE SPENCER, Secretary

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

COMMITTEE ACTIONS

The Energy and Telecommunication Interim Committee (ETIC):

- Approved the SJ 12 draft report and related findings and recommendations and be posted for public comment;
- Voted to have staff draft a committee bill on the three areas of general agreement on policy changes submitted by NorthWestern Energy and the Montana Renewable Energy Association and post for public comment;
- Voted to have staff draft a committee bill that would require the PSC to conduct a thorough cost benefit analysis of net metering at 1 percent market penetration to determine potential changes to customer rates and post for public comment;
- Voted that the net metering cap for systems that benefit churches, schools, non-profit facilities, and other public owned buildings and facilities be raised to 250kW and post for public comment;
- Agreed to continue to receive the Universal System Benefits Program (69-8-402-MCA) reports;
- Voted to draft a bill to repeal the Renewable Energy Credit (REC) reporting requirement and post for public comment;
- Voted to create a study resolution that requires a review of the RECs in Montana and post for public comment;
- Voted to have staff draft committee bills to address the needs of the people in Colstrip affected by the closure of Units 1 & 2, remediation needs and plans, large customer needs, and employee needs.

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Regier called the meeting to order at 8:15 a.m. The secretary called the roll. **(Attachment 3)**

SJ 12: STAKEHOLDER UPDATE AND DRAFT REPORT

Overview

00:00:49 Sonja Nowakowski, research analyst, Legislative Services Division, said that the ETIC tasked NorthWestern Energy, the Montana Renewable Energy Association, and Montana Dakota Utilities with defining a framework for an updated future to net metering in Montana and to work toward a collaborative resolution to overcome some of the philosophical divides related to net metering.

00:01:50 Ms. Nowakowski said that the stakeholders continue to work on consensus of how to analyze costs and benefits of net metering and how best to ensure that all utility customers are treated equitably. She said they are not prepared to discuss any draft legislative proposals at this time on cost-benefit analysis.

- 00:02:48 Ms. Nowakowski said that the ETIC received a draft net metering report that meets the requirement of SJ 12 (2015). [\(Exhibit 1\)](#)
- 00:03:25 Ms. Nowakowski said to assist the ETIC in developing potential findings members received a worksheet. [\(Exhibit 2\)](#) She said that after hearing from the stakeholders there may be additional findings that the committee wants to include in the report.
- 00:04:54 Ms. Nowakowski said the ETIC will need to decide if it wants to put the draft report and any draft legislation out for a 30 day public comment period and to decide at its September meeting if it wants to bring the draft report and related information to the 2017 Legislature.
- 00:05:18 Ms. Nowakowski said there is some general agreement among the stakeholders that can be put into bill drafts.

Stakeholder update

- 00:06:05 Ben Brouwer, policy director, Montana Renewable Energy Association (MREA), said that MREA and NorthWestern Energy have continued to meet to try and find areas of agreement on net metering. He provided a letter with general agreements on policy, agreements in principle, and areas of continued discussion. [\(Exhibit 3\)](#)
- 00:09:49 John Hines, vice president, supply, NorthWestern Energy, said that meetings with MREA have been a collaborative effort. He said they have been meeting in good faith to try and find a resolution, but were unable to agree on a comprehensive set of legislation and that there are some fundamental tenets that have yet to be addressed.
- 00:12:23 Gary Forrester, Montana Dakota Utilities (MDU), said that at the ETIC meeting in May, MDU asked to have a chance to review the letter sent by Mr. Brouwer and Mr. Corcoran. He said that MDU is in general agreement with the concepts put forth in the letter. He said MDU would like to have the opportunity to comment on any draft legislation.

Public Comment:

- 00:13:31 Keith Allen, International Brotherhood of Electrical Workers, Local 233, and speaking for Chirs Cavasos, Montana AFL-CIO, said they stand in support of the letter submitted by the stakeholders and their ongoing work to try and reach an agreement.

The ETIC also received written public comment. [\(Exhibit 4\)](#)

Committee Questions and Discussion:

- 00:14:12 Sen. Larsen asked Mr. Brouwer about setting a date certain for grandfathering existing net metering customers under a new policy to protect their original economic bargain.
- 00:16:23 Sen. Larsen asked Mr. Hines for his perspective on setting a date certain for existing net metering customers.

00:18:13 Rep. Zolnikov asked Mr. Brouwer if what has been agreed on by the stakeholders is very minor in comparison to some of the bigger issues in net metering.

00:20:02 Rep. Zolnikov commented on the lack of progress made by the stakeholders in coming to an agreement on net metering.

00:20:42 Sen. Driscoll asked Mr. Brouwer who MREA thought should do the thorough cost benefit analysis.

00:22:09 Sen. Driscoll asked Mr. Hines who NorthWestern Energy thought should do the cost benefit analysis.

00:22:55 Sen. Connell asked Mr. Hines about giving existing customers time to retrofit and upgrade to a system that would ensure line stability and safety.

00:26:59 Sen. Connell asked Mr. Hines about the effectiveness of utilizing the PSC for the cost benefit analysis based on policy established by the legislature.

00:30:00 Sen. Connell asked Mr. Brouwer to respond to the questions he asked Mr. Hines.

00:39:41 Mr. Brouwer provided a copy of an analysis by the Department of Energy that looked at the rate impacts of net metering on different market saturation levels. **(Exhibit 5)**

00:39:49 Sen. Connell asked Mr. Allen about issues related to safety.

00:44:55 Rep. Pope asked Mr. Hines about the quality of the data NorthWestern Energy gets from activity on the line by its solar customers.

00:49:32 Rep. Pope said that the PSC had indicated that because of the lack of data they would have a hard time assessing, in a quantitative way, the cost shift. He asked Mr. Hines for his opinion.

00:52:02 Rep. Pope asked Mr. Hines if grandfathering existing net metering customers would be acceptable to NorthWestern Energy.

00:52:41 Rep. Pope asked Mr. Hines to elaborate on what NorthWestern Energy considers a comprehensive package on net metering.

00:56:07 Rep. Pope asked Mr. Hines about decoupling and if it is part of the comprehensive plan.

00:58:03 Rep. Steenberg asked Mr. Brouwer and Mr. Hines about discussions on whether to allow aggregate net metering.

01:01:57 Rep. Regier asked Mr. Brouwer about what was discussed regarding a grandfather clause.

01:03:54 Rep. Regier asked Mr. Brouwer about a cost benefit analysis and if there was any agreement on when the PSC would do a study.

01:05:00 Mr. Brouwer discussed concerns about multiple meter aggregation.

01:05:49 Mr. Brouwer discussed lineman safety and said standards are already in place. He also said that the three items of agreement between MREA and NorthWestern Energy can be acted upon now.

01:07:02 Rep. Regier gave Mr. Hines the opportunity to respond to the comments made by Mr. Brouwer.

01:08:06 Rep. Regier opened discussion on directions to staff on the draft report and any potential legislation. He said he thought the draft report was well done and asked if there were any changes or additions. Without objection, the report was approved by the ETIC.

01:08:55 **Motion:** Sen. Driscoll moved to have staff draft committee bills on the three general agreements on policy changes submitted by NorthWestern Energy and the Montana Renewable Energy Association.

Discussion:

01:09:35 Sen. Larsen
01:10:57 Sen. Connell
01:13:04 Rep. Zolnikov
01:14:13 Rep. Steenberg
01:15:32 Sen. Driscoll
01:16:00 Sen. Larsen
01:17:44 Sen. Connell
01:20:07 Rep. Pope
01:21:01 Rep. Zolnikov
01:21:40 Rep. Regier

01:22:42 **Vote:** The motion carried unanimously by roll call vote. ([Attachment 4](#))

01:23:12 **Motion:** Rep. Pope moved to have staff draft a committee bill that would require the PSC to conduct a thorough cost benefit analysis of net metering at 1 percent market penetration to determine potential changes to the customer rates.

Discussion:

01:26:44 Sen. Connell
01:27:50 Sen. Larsen
01:29:08 Mr. Hines
01:31:34 Rep. Zolnikov
01:32:27 Sen. Ankney
01:33:31 Rep. Pope
01:34:41 Sen. Connell
01:36:15 Rep. Steenberg
01:37:38 Rep. Regier
01:38:20 Rep. Pope
01:40:27 Rep. Regier
01:40:56 Sen. Ankney
01:41:54 Rep. Pope
01:42:58 Sen. Connell
01:44:09 Sen. Larsen
01:44:15 Rep. Pope
01:45:29 Sen. Larsen
01:46:42 Rep. Pope
01:48:05 Ms. Nowakowski restated the motion.

01:48:43 **Vote:** The motion carried 6-2 by roll call vote. Sen. Connell and Rep. Regier voted no. ([Attachment 5](#))

UNIVERSAL SYSTEM BENEFITS PROGRAM (69-8-402-MCA) PART I

Overview

01:50:03 Ms. Nowakowski said the ETIC received copies of the Universal System Benefits Program (USB) reports. **(Exhibit 6)** She gave a PowerPoint presentation on the USB program. **(Exhibit 7)**

Utility Perspective

02:07:12 Art Noonan, NorthWestern Energy, said NorthWestern Energy is happy with its report and he is available to answer any questions.

02:08:34 Amiee Grmoljez, representing Montana Dakotas Utilities (MDU), provided an overview of MDU's USB program and said she is available for questions. **(Exhibit 8)**

02:10:10 Doug Hardy, Montana Electric Cooperatives Association (MECA), discussed MECA's USB report and said he is available for questions.

Public Comment:

02:12:38 Rachel Haberman, Energy Share Montana, presented information on what Energy Share does and how it uses USB funds. **(Exhibit 9)**

Committee Questions and Discussion:

02:18:56 Rep. Regier asked Ms. Haberman about Energy Share's budget for the last year. Ms. Haberman said it was about \$1 million for expenditures.

02:19:08 Rep. Regier asked Ms. Haberman if people are encouraged to pay back their assistance. Ms. Haberman said they are.

02:20:18 Rep. Zolnikov asked Mr. Noonan if the cost for the USB program is paid by the ratepayers.

02:21:13 Rep. Zolnikov redirected the question to Sen. Ankney. Sen. Ankney said that the USB charge is on the customer's bill.

02:21:30 Mr. Noonan said that the typical NorthWestern Energy residential customer pays about \$1 each month.

02:22:16 Ms. Nowakowski asked if the ETIC wanted to continue to receive the USB report. Rep. Regier said, without objection from the committee, the ETIC will continue to receive the reports.

UNIVERSAL SYSTEM BENEFITS PROGRAM (69-8-402-MCA) PART II

Overview

02:22:48 Ms. Nowakowski said that a 2014 legislative audit found that large customers were not in compliance with statutes requiring them to report USB activities to the Department of Revenue (DOR) and as a result SB 312 (2015) was passed to track issues related to reporting by large customers.

02:25:58 Ms. Nowakowski discussed NorthWestern Energy's customers.

02:27:20 Ms. Nowakowski discussed MDU's customers.

02:28:21 Ms. Nowakowski discussed the Rural Electric Cooperative's customers.

02:29:57 Ms. Nowakowski said she will need direction on whether the ETIC wants to continue to receive the USB reports from large customers.

Large Customers

02:31:15 Thor Nelson, attorney, representing Montana Large Customer Group, gave a PowerPoint presentation on the large customer group. [\(Exhibit 10\)](#)

Department of Revenue

02:46:24 Mark Schoenfeld, DOR, presented information on the reporting requirements of the USB program.

02:50:43 Jim McKeon, DOR, said he is available to answer any questions.

Public Comment: None

Committee Questions and Discussion: None

Direction to staff on continued reporting:

02:51:19 Ms. Nowakowski asked for direction from the ETIC on continuing to receive the large customer USB reports.

02:51:37 Rep. Zolnikov asked if the committee can make suggestions. Ms. Nowakowski said it can and can also offer bill drafts.

02:51:55 Rep. Zolnikov commented on the USB program and the cost to consumers and said he would like to see the program eliminated. Rep. Regier said a motion can be made to leave the energy assistance part in, but take the corporate part out.

02:53:32 Rep. Steenberg said he supports the program and that it is important for people who need assistance.

02:54:27 Sen. Ankney commented on the program.

02:56:39 Rep. Pope said he supports the program.

02:58:24 Sen. Connell said he also supports the program, and that the ETIC should continue to receive the reports.

03:00:42 Rep. Regier asked Ms. Nowakowski if she was clear on the direction given by the ETIC.

Rep. Zolnikov left the meeting and gave his proxy to Rep Regier. [\(Attachment 6\)](#)

RENEWABLE ENERGY CREDIT REPORTS (69-3-2009, MCA)

Introduction

03:01:03 Ms. Nowakowski said renewable energy credit (REC) reports were included in the ETIC mailing. [\(Exhibit 11\)](#) She said that the ETIC is required to review the reports and can submit recommendations.

Department of Revenue

03:07:27 Mr. Schoenfeld, DOR, provided an update on the REC reports that were filed with the department.

Public Comment:

03:08:11 Doug Hardy, MECA, said he was not aware of any reports submitted by any electric cooperatives.

Committee Questions and Discussion:

03:09:25 Rep. Pope asked Ms. Nowakowski what a REC looks like.
03:09:50 Rep. Pope asked Ms. Nowakowski if a generator of electricity using renewable sources would be generating a REC. Ms. Nowakowski said it would if the generation was used to meet a Renewable Portfolio Standard (RPS).
03:10:13 Rep. Pope asked Ms. Nowakowski if someone claiming to have generated a REC is a conceptual idea or if there is a bank where RECs are traded.
03:11:58 Sen. Ankney said Stoltz Lumber was guaranteed it would be able to sell its RECs for the renewables they were creating. He said that when they tried to sell them in Washington and Oregon the value had deteriorated because of all the green energy on the market.
03:13:00 Rep. Regier asked Mr. Schoenfeld if he thought the REC reporting should be discontinued.
03:13:39 Rep. Regier asked about directions for staff on continued reporting.
03:13:41 Sen. Connell said there is an overabundance of RECs in the state of Washington and they have legislatively refused to tolerate any RECs unless they are a home based REC.
03:14:09 Rep. Regier asked Mr. Schoenfeld how much time the department spends on RECs.
03:14:56 Sen. Larsen said he is concerned because it is a law and the law is not being reviewed effectively and the ETIC has the responsibility to do something.
03:16:20 **Motion:** Sen. Ankney moved to repeal the REC reporting requirement.

Discussion:

03:16:59 Rep. Regier
03:17:10 Rep. Pope
03:18:19 Sen. Larsen
03:19:13 Sen. Ankney withdrew his motion.
03:19:35 Rep. Regier
03:19:42 Ms. Nowakowski
03:20:01 Sen. Connell
03:20:25 **Motion:** Sen. Ankney moved to reinstate his previous motion.

Discussion:

03:20:36 Rep. Pope
03:21:28 Ms. Nowakowski
03:22:10 Rep. Regier
03:22:30 Sen. Larsen
03:22:38 Rep. Regier
03:23:19 **Vote:** The motion carried 6-2 by roll call vote. Rep. Steenberg and Sen. Driscoll voted no. Rep. Zolnikov voted by proxy. ([Attachment 7](#))

03:23:24 **Motion:** Sen. Larsen moved to create a study resolution that requires a review of RECs in Montana.

Discussion:

03:23:41 Ms. Nowakowski

03:23:54 Sen. Larsen

03:24:11 **Vote:** The motion carried 5-3 by roll call vote. Rep. Zolnikov, Sen. Connell, and Rep. Regier voted no. Rep. Zolnikov voted by proxy. **(Attachment 8)**

GEOHERMAL RESEARCH UPDATE (90-3-1301, MCA)

03:25:05 John Metesh, director, Montana Bureau of Mines and Geology (MBMG), provided an update on its geothermal research allowed under HB 333 (2009). **(Exhibit 12)**

03:28:00 Mr. Metesh discussed the MBMG Data Center.

03:31:00 Mr. Metesh discussed the analysis of geothermal in Montana.

03:31:40 Mr. Metesh provided an update on the geothermal system that was installed in the Natural Resource Building.

Public Comment: None

Committee Questions and Discussion:

03:32:57 Sen. Larsen commented on the field trip the ETIC took to the Orphan Boy Mine.

03:33:19 Sen. Connell thanked the MBMG for putting together the information that is protecting senior water rights throughout the state by identifying and quantifying them.

03:34:41 Sen. Connell said he would like to have more information on the implications on water in geothermal production.

03:36:17 Susan Petty, president and chief technology officer, AltaRock Energy, clarified the consumptive use of water for geothermal energy production.

03:37:31 Recess for lunch at 11:52 a.m.

04:45:31 Reconvene

Sen. Larsen left the meeting and gave his proxy to Sen. Driscoll. **(Attachment 9)**
Rep. Zolnikov returned to the meeting.

MARKETING MONTANA'S ENERGY RESOURCES

04:46:15 Carl Borgquist, Absaroka Energy, discussed the evolution of wind energy and the market for Montana's wind energy.

04:56:08 Todd O'Hair, senior manager, Government Affairs, Cloud Peak Energy, discussed coal in Montana and the market for Montana coal.

Public Comment: None

Committee Questions and Discussion:

- 05:15:07 Rep. Pope asked Mr. Borgquist about grid modernization as a key component to initiatives to market Montana's energy.
- 05:17:37 Sen. Ankney commented on legislation in the state of Washington and the ability to allow Montana's energy to be counted as a renewable resource. He suggested that Mr. Borgquist talk to Sen. Larsen about getting power into Washington and Oregon.
- 05:19:47 Sen. Ankney said there is a lot of support for the Millennium Terminal that is being proposed in Washington state and asked Mr. O'Hair if it will be permitted.
- 05:22:38 Sen. Ankney commented on bipartisan support for building the terminal. Mr. O'Hair said it would make a stronger statement if there was a larger delegation from Montana making the case.
- 05:24:38 Rep. Regier asked Mr. O'Hair how the quality of coal in Australia and Indonesia compares to the quality of coal in Montana.
- 05:27:13 Rep. Regier asked Mr. O'Hair if the quality of Montana's coal sells itself.
- 05:28:43 Rep. Regier asked Mr. Borgquist if having more transmission lines going south, instead of west, would help market Montana's wind energy.
- 05:30:42 Rep. Regier asked Mr. Borgquist if transmission challenges are suppressing wind development in the state. Mr. Borgquist said it is.

HYDROELECTRIC DEVELOPMENT UPDATE (85-1-501, MCA)

- 05:31:30 John Tubbs, director, Department of Natural Resources and Conservation (DNRC), discussed the potential for hydro power development on state projects. **(Exhibit 13)** He said Kevin Smith, bureau chief, Water Projects Division, DNRC, can provide information on state water projects.

Public Comment: None

Committee Questions and Discussion:

- 05:36:48 Sen. Connell commented on hydroelectric generation at Painted Rocks Reservoir and addressing safety issues.
- 05:38:29 Mr. Tubbs said that there is an early warning system for dam failure at Hyalite Reservoir that was mostly funded by Gallatin County and the city of Bozeman.

WRAP-UP OF NET METERING, NG911, AND OTHER DISCUSSION

- 05:41:44 **Motion:** Rep. Pope moved that the net metering cap for systems that benefit churches, schools, non-profit facilities, and other public owned buildings and facilities be raised to 250Kw.

Discussion:

- 05:42:15 Rep. Pope
- 05:43:47 Rep. Steenberg
- 05:44:52 Rep. Regier
- 05:45:02 Rep. Pope
- 05:45:15 Rep. Regier
- 05:45:26 Rep. Pope
- 05:45:37 Rep. Regier

05:45:45 Sen. Connell

05:47:04 **Vote:** The motion carried 5-3 by roll call vote. Sen. Ankney, Sen. Connell, and Rep. Regier voted nay. Sen. Larsen voted aye by proxy. ([Attachment 10](#))

05:47:45 Rep. Steenberg thanked the stakeholders and staff for their work on next generation 9-1-1.

05:48:35 Ms. Nowakowski said that, without objection from the ETIC, she will work with Rep. Pope to capture the intent of his motion.

05:49:02 Sen. Driscoll recognized Sen. Connell's birthday.

05:49:22 Rep. Pope commented on the net metering discussion and the report that was prepared by staff. He presented a copy of his findings that could be included in the report. ([Exhibit 14](#))

05:53:02 Ms. Nowakowski said the information would be incorporated in the SJ12 draft report under ETIC findings and recommendations and posted for public comment.

05:53:49 Sen. Connell said he recommends adding "interstate" before grid modernization and adding "the removal of interstate impediments to marketing our energy regionally."

05:54:57 Rep. Regier asked Sen. Connell about adding "interstate" before modernized grid on the second line.

05:55:19 Rep. Regier said that, without objection from the ETIC, the findings will be added to the draft report.

05:55:36 Ms. Nowakowski said she will incorporate the findings into the report and include the two changes by Sen. Connell.

05:55:48 **Motion:** Sen. Ankney moved to have staff draft committee bills to address the needs of the people in Colstrip affected by the closure of Units 1 and 2, remediation needs and plans, large customer needs, and potential employee needs.

Discussion:

05:57:10 Rep. Regier

05:57:25 Sen. Ankney

05:58:03 Rep. Regier

05:58:11 Ms. Nowakowski

05:58:36 Sen. Ankney

05:58:55 Ms. Nowakowski

05:59:02 Rep. Regier

05:59:08 Sen. Connell

05:59:17 Sen. Ankney

05:59:25 Rep. Pope

05:59:45 **Vote:** The motion carried unanimously by roll call vote. Sen. Larsen voted aye by proxy. ([Attachment 11](#))

PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC

None

OTHER BUSINESS

- 06:00:35 Rep. Regier opened discussion on instructions to staff for the September meeting.
- 06:00:41 Rep. Zolnikov said he would like to focus on Colstrip and details of the Washington legislation and remediation.
- 06:01:39 Ms. Nowakowski discussed the agenda for the September meeting and summarized the bill drafts requested by the ETIC.
- 06:03:46 Rep. Regier said the September meeting is scheduled for one day on Friday.
- 06:04:04 Sen. Ankney asked about having the meeting begin at noon on Thursday.
- 06:04:12 Ms. Nowakowski said she will find out if there is enough money in the budget for a two day meeting.
- 06:04:32 Sen. Connell commented on starting at noon on Thursday.

ADJOURNMENT

- 06:05:22 Rep. Regier adjourned the meeting at 2:20 p.m.

CI0099 6230nsxb.