

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
57th LEGISLATURE - REGULAR SESSION  
COMMITTEE ON FEDERAL RELATIONS, ENERGY, AND TELECOMMUNICATIONS**

**Call to Order:** By **VICE CHAIRMAN TOM DELL**, on April 10, 2001 at 7:00 A.M., in Room 137 Capitol.

**ROLL CALL**

**Members Present:**

Rep. Aubyn A. Curtiss, Chairman (R)  
Rep. Tom Dell, Vice Chairman (D)  
Rep. Douglas Mood, Vice Chairman (R)  
Rep. Dee Brown (R)  
Rep. Roy Brown (R)  
Rep. Stanley Fisher (R)  
Rep. Gary Forrester (D)  
Rep. Carol C. Juneau (D)  
Rep. Gary Matthews (D)  
Rep. Joe McKenney (R)  
Rep. Alan Olson (R)  
Rep. Trudi Schmidt (D)  
Rep. Bob Story (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Stephen Maly, Legislative Branch

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HJ 44, 4/9/2001  
Executive Action: HJ 44

**HEARING ON HJ 44**

**Sponsor:** REPRESENTATIVE AUBYN CURTISS, HD 81

**Proponents:** Bob Anderson, Commissioner, PSC,

**Opponents:** none

**Opening Statement by Sponsor:**

REPRESENTATIVE AUBYN CURTISS, HD 81, said that this resolution is copied after one that passed in the state of Washington. The President, the Department of Energy, and the Federal Energy Regulatory Commission are requested to implement short-term measures to reduce wholesale energy cost. The President and the new administration are requested to develop a long-term strategy to reform the wholesale energy market to avoid continued price spikes, to provide necessary assistance to low income citizens in paying for their high energy bills, to allow the states to work out their own energy supply needs, and to refrain from issuing additional orders to northwest energy suppliers requiring them to transmit electricity to California. Congress is requested to assure that the northwestern generators who send power to the state of California under federal mandates will be fully compensated for the electricity sent in response to that mandate.

**Proponents' Testimony:**

*{Tape : 1; Side : A; Approx. Time Counter : 2.5}*

Bob Anderson, PSC, likes this resolution because of his exposure to the wholesale market, which is dysfunctional as a result of California's actions. The customers today face incredibly rising energy prices. This resolution encourages the Federal Energy Regulatory Commission to take strong actions. FERC has been very reluctant to step into the market, that is not in the interest of California or the rest of the western states. This is consistent with asking for price caps or some other strong action from FERC to mitigate the price rises. The argument over price caps is that if you put price caps in the market it will distort the market. The market is already so distorted that putting high price caps on would distort it less and still provide producers and consumers with much better price signals to make the decisions that they need to make in an economically efficient way. He did have an amendment to propose. **EXHIBIT(feh81a01)**

**Questions from Committee Members and Responses:**

*{Tape : 1; Side : A; Approx. Time Counter : 5.6}*

**REPRESENTATIVE BOB STORY** asked if price caps are the only option. **Commissioner Anderson** said that they do have some other options. The one that they have already exercised is to watch for market power. There is holding of the market power at certain times in order to sell it at a higher priced time. **REP. STORY** asked, if FERC decided to go with a price cap concept, how would they determine where to set those prices in order to limit customer exposure and not cause problems with new generation.

**Commissioner Anderson** said that the current wholesale prices at Columbia are on the order of \$300 or more per megawatt hour, which is roughly ten times the cost of production. A price cap could be set at twice the cost of production and still deliver the right kinds of price signals to both consumers and producers. In the past there has been a soft price cap at about \$150 per megawatt hour, which is roughly 3 to 4 times the cost of production. At that level, half the market price, you are distorting the market less, but still delivering good price signals.

**REPRESENTATIVE TRUDY SCHMIDT** asked for the Commissioner to repeat his amendment. **Commissioner Anderson** read, "The Federal Energy Regulatory Commission exercises jurisdiction over wholesale generation sold in interstate commerce."

**REPRESENTATIVE DOUG MOOD** said that in the Missoulian there was a letter to the editor from a woman saying that her electric bill from MPC had doubled from the last time she had a bill. Is there a reason for that? **Commissioner Anderson** said that she must be mistaken. There has not been a rate increase that would cause that in the last four years. **REP. MOOD** commented that there will not be until next year in July. **Commissioner Andersen** said that the supply portion was frozen until July 2002, the distribution is capped for the first two years. There has been an interim rate increase, so the bills have gone up some.

**REPRESENTATIVE TOM DELL** asked if California had done anything with rate caps. **Commissioner Anderson** said that they had. In San Diego the caps were put back on, so that distorted the market. Statewide there have been caps. They have had two rate increases in California, one around 20% and one around 30%. Even though they have raised retail rates significantly, they are still way less than the wholesale price. **REP. DELL** said that the caps need to be set realistically, rather than too low. **Commissioner Anderson** agreed. You have to be careful not to distort the market.

**REP. STORY** had heard that some of the California distribution companies, when they divested their generation, they divested it into a subsidiary, so they are just owing themselves a bunch of money. **Commissioner Anderson** didn't believe that was correct. The generation should have been sold to other companies.

**Closing by Sponsor:**

**{Tape : 1; Side : A; Approx. Time Counter : 11.8}**

**REP. CURTISS** thinks that this is an important resolution. If Washington and other states send the same resolution, it will strengthen our position and will get more consideration. The FERC commissioners are of divided minds relative as to how to address the situation. The federal government got us into this and they should have a role in getting us out of it. This resolution is something that will follow-up what we are not able to do statutorily. This will probably put the PSC in a better position to do what they need to do to fill the gaps.

**EXECUTIVE ACTION ON HJ 44**

**Motion:** **REP. DELL** moved that **HJ 44 DO PASS.**

**Motion/Vote:** **REP. DELL** moved that **AMENDMENT TO HJ 44 BE ADOPTED.**  
**Motion carried unanimously.**

**Motion:** **REP. OLSON** moved that **HJ 44 DO PASS AS AMENDED.**

**Discussion:**

**REP. FORRESTER** understands the intent of the resolution. His reading of what President Bush has said is that they are not going to get involved in the markets. Is there any reason to believe something other than that? **REP. CURTISS** commented that FERC was divided as to how to address it. Resolutions such as this may give them a nudge. They need to know that the economies in the western states are really threatened by what they permitted to happen. **REP. FORRESTER** asked what states, besides Washington, passed this resolution. **REP. CURTISS** suspects that Oregon and Idaho did also.

**Motion/Vote:** **REP. OLSON** moved that **HJ 44 DO PASS AS AMENDED.**  
**Motion carried unanimously.**

**ADJOURNMENT**

Adjournment: 7:20 A.M.

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REP. AUBYN A. CURTISS, Chairman

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ROBYN LUND, Secretary

AC/RL

**EXHIBIT (feh81aad)**