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Energy and Telecommunications Interim Committee

61st Montana Legislature

SENATE MEMBERS

JERRY BLACK--Vice Chair
RON ERICKSON
VERDELL JACKSON
CLIFF LARSEN

HOUSE MEMBERS

ROBYN DRISCOLL--Chair
DUANE ANKNEY
TONY BELCOURT
HARRY KLOCK

COMMITTEE STAFF

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

MINUTES

July 29, 2010

Room 172, State Capitol
Helena, Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

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.

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COMMITTEE MEMBERS PRESENT

REP. ROBYN DRISCOLL, Chair
SEN. JERRY BLACK, Vice Chair

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

REP. DUANE ANKNEY
REP. HARRY KLOCK

COMMITTEE MEMBERS EXCUSED

REP. TONY BELCOURT

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:

- approved LC6001: "Revise Energy Policy Review Process" to again go out for public comment;
- approved LC6002: "Increase the renewable portfolio standard (RPS) to 20% by 2020 and 25% by 2025" to go out for public comment;
- approved LC6003: "Include hydro expansions in the RPS" to go out for public comment; and
- a draft letter raising concerns about proposed FCC rules to go out for public comment.

CALL TO ORDER AND ROLL CALL

00:00:01 REP. DRISCOLL called the Energy and Telecommunications Interim Committee back to order at 8:02 a.m. The Secretary noted the roll, REP. BELCOURT was excused (Attachment 3).

FINANCE COMMITTEE REFERENCE BOOK: ENERGY ISSUES

00:00:27 **Barbara Smith, Cathy Duncan, and Matt Stayner, Fiscal Analysts, Legislative Fiscal Division (LFD)**, discussed legislative budget options for the 2013 biennium as they relate to energy issues (**EXHIBIT 1**), a Reference Book - status report prepared for the Legislative Finance Committee (LFC) for use as a tool to shape the budget (**EXHIBIT 2**), and a graph depicting the building blocks for the 2013 biennium general fund budget, as estimated by the LFD (**EXHIBIT 3**).

00:20:14 SEN. BLACK asked how would the spending reductions be implemented. Ms. Smith said reductions would be made in HB 2 and through statutory changes.

00:21:13 SEN. ERICKSON said that volatility is a concern, particularly regarding corporation income tax carry back.

Public comment

No public comment was given.

ENERGY POLICY: OVERVIEW AND ACTION

Review of LC6000

00:23:26 **Sonja Nowakowski, Research Analyst, Legislative Services Division (LSD)**, reported that 392 pages of public comment have been received regarding the proposed energy policy. She said the comments have been summarized and categorized into four main themes: concerns about siting of transmission lines, concerns about statements supporting fossil fuel-based energy resources, concern about inclusion of cooperatives in renewable portfolio standards (RPS), and a request for increased support and emphasis on energy efficiency and conservation and better enforcement of energy codes.

- 00:25:17 Ms. Nowakowski discussed the cooperatives concerns about being included in the RPS.
- 00:25:50 Ms. Nowakowski discussed the concerns about siting of transmission lines and noted that the majority of these comments were received from citizens opposed to the Mountain States Transmission Intertie line (MSTI).
- 00:26:42 Ms. Nowakowski discussed the concerns raised in statements concerning fossil fuel-based energy resources.
- 00:27:34 Ms. Nowakowski reviewed a number of comments that contained specific recommendations.
- Ms. Nowakowski said that LC6000 (**EXHIBIT 4**) contains the energy policy statements adopted by the ETIC over the interim in bill draft form and that staff would seek direction on specific changes to the language, as currently proposed in the bill draft, including specific recommendations received from public comment. She reviewed several public comments that contained specific recommendations for language changes in LC6000.

Public comment

- 00:36:22 **Gordon Brittan, wind energy businessman, Livingston**, discussed two recommendations for changes in LC6000 (**EXHIBIT 5**).
- 00:41:38 **Dave Galt, Executive Director, Montana Petroleum Association (MPA)**, said that the oil and gas industry significantly impacts Montana's economy and that the MPA appreciates and supports the current form of LC6000.
- 00:42:37 **Doug Hardy, Montana Electric Cooperatives Association (MECA)**, said that the cooperatives are very appreciative of the changes made on behalf of the electric cooperatives' concerns.
- 00:43:45 **John Fitzpatrick, NorthWestern Energy (NWE)**, discussed a proposed change to split subsection (j) into two separate concepts. He provided copies of the proposed language (**EXHIBIT 6**).
- 00:45:43 **Svein Newman, Northern Plains Resource Council, Billings**, said that subsection (w) - energy conservation and efficiency language - is very good but that the Council does have concerns about how the policy will deal with future development of coal, oil, and natural gas. Mr. Newman discussed his concerns.
- 00:48:11 **Kyla Wiens, Montana Environmental Information Center (MEIC)**, spoke in support of the language supporting energy efficiency and conservation. She said that the MEIC recommends that the final energy policy does not contain language for specific renewable or nonrenewable technologies because they may be outdated in several years and that the policy should be a "road map" of general goals. Ms. Wiens said that the MEIC submitted written comments with specific recommendations.

- 00:50:04 Dave Galt, MPA, commented on SEN. LARSEN's proposed energy policy **(EXHIBIT 7)**, saying that he objects to portions of the language because of the negative impact on the coal, oil, and gas industries.
- 00:54:37 **Leo Berry, Great Northern Properties**, said that the energy policy should not shy away from keeping coal as part of the state's energy policy. He said that Montanans generally support coal development and predicted that coal energy will be a part of Montana's energy future for many years. Regarding SEN. LARSEN's proposal (EXHIBIT 8), he discussed current statutory language that supports coal energy development and said that the policy needs to be fair and balanced, and that coal needs to remain a part of the state's energy policy.
- 00:59:03 **Chuck Magraw** said that coal is not being written out of the state policy and that SEN. LARSEN's language recognizes the importance of oil and gas development.

ETIC questions and discussion

- 01:01:56 SEN. ERICKSON responded to John Fitzpatrick's proposed changes to LC6000 and said that for the record, the language reflects a compromise, and that NWE's proposal would pull the Committee's hard work apart. He asked if NWE will support an ETIC proposal to increase the RPS to 20% by 2020 and 25% by 2025. Mr. Fitzpatrick said he could not comment because NWE has not made any decisions at this point.
- 01:03:59 SEN. ERICKSON and Leo Berry discussed the implications of SEN. LARSEN's energy policy proposal (EXHIBIT 7) as it would affect coal and how it would intersect with current statutory language in the "clean and green bill" passed in 2009.
- 01:08:47 SEN. JACKSON said that there is a high unemployment rate in northwestern Montana and that he knows a number of people who have moved to North Dakota because of the jobs available there. He asked what North Dakota is doing that Montana is not to provide jobs in oil and gas. Mr. Galt said that he plans to compile a list of state policies that may have contributed to that situation. He said there are issues in Montana, both with the resource itself and political climate, that have caused this. He noted that North Dakota is not experiencing the level of opposition to oil and gas development that is present in Montana.
- 01:10:54 SEN. LARSEN said that he wants it to be clear that he believes that coal, gas, and oil do have a future in Montana and that his proposal is not an effort to suppress them. He discussed the rationale and purpose of his proposal (EXHIBIT 7).
- 01:16:29 REP. ANKNEY said that there is a recognition at the national level of the need for coal energy for the next 30 years. He said he disagreed with SEN. LARSEN in certain respects and that he supports LC6000 as it is currently written, which reflects the hard work and compromise by the ETIC.

- 01:19:58 SEN. JACKSON suggested that Gordon Brittan's recommendations be considered to tweak LC6000 but that overall, he also supports LC6000 in its current form.
- 01:27:00 SEN. BLACK said that the language contained in LC6000 is very good and is concerned that SEN. LARSEN's proposal would weaken policy dealing with oil, gas, and coal. He said he supports LC6000 as written but would consider minor changes.

ETIC decisions and directions

- 01:28:30 REP. DRISCOLL said that the National Center for Appropriate Technology (NCAT) has proposed an amendment (**EXHIBIT 8**). She read the proposed language and noted that the language was incorporated into SEN. LARSEN's proposed bill draft (EXHIBIT 7). REP. DRISCOLL read NCAT's proposed amendment and **moved to add it under "greatest long term benefits to Montana citizens" on page 1 of LC6000**. Ms. Nowakowski said she would do a grey bill over the lunch hour to reflect the changes made in the morning portion of the meeting.
- 01:30:25 **SEN. JACKSON moved to change the initial sentence of Section 1. from "State energy policy goal statements" to "State energy policy and goals." (page 1, EXHIBIT 4)**. He said it would make the statement more consistent with the intent. Ms. Nowakowski read back the language changes, as proposed by REP. DRISCOLL and SEN. JACKSON. **The motion passed on a unanimous voice vote.**
- 01:33:55 SEN. JACKSON referred to page 1, subsection (b), and **moved to substitute "supporting" for "recognizing the value of"**. REP. DRISCOLL said that she does not support building new coal fired generation and would not support the language. Ms. Nowakowski read back the language as it would read under SEN. JACKSON's motion. **SEN. JACKSON's motion failed on a 4-4 roll call vote. SEN. ERICKSON, SEN. LARSON, REP. DRISCOLL, and REP. BELCOURT (by proxy - Driscoll) voted no.** (ATTACHMENT 4)
- 01:40:44 **SEN. LARSEN moved to approve subsections (j) through the end of his draft proposal (EXHIBIT 7) for inclusion in LC6000. The motion to accept SEN. LARSEN's language failed on a 5-3 roll call vote. SEN. JACKSON, REP. ANKNEY, REP. KLOCK, REP. BELCOURT (proxy - Driscoll), and REP. DRISCOLL voted no.** (ATTACHMENT 5)
- 01:46:58 **SEN. JACKSON moved to strike ", while substantially reducing the emissions of man-made greenhouse gases" in subsection (c) of LC6000.** He said that man-made carbon dioxide is insignificant compared to other sources.
- 01:48:13 SEN. ERICKSON said it would be a great mistake to not recognize the issue of climate change and that this portion of LC6000 is the one place in the policy that does so. He referenced an essay written by Wayne Sikorsky which was a part of

the 392 pages of public comment. He said he wants to recognize Mr. Sikorsky's contribution and that he would oppose SEN. JACKSON's motion.

- 01:50:19 SEN. LARSEN said he found the motion odious because the language was unanimously agreed upon in previous work. He said he ardently opposed the motion.
- 01:50:42 REP. KLOCK supported the motion, saying that there is no significant evidence that man-made gases are responsible for climate change.
- 01:51:02 **SEN. JACKSON's motion to eliminate language in subsection (c) failed on a 4-4 roll call vote. REP. BELCOURT (proxy - Driscoll), REP. DRISCOLL, SEN. ERICKSON, and SEN. LARSEN voted no. (ATTACHMENT 6)**
- 01:52:16 **REP. DRISCOLL moved to change "increase" (first word in subsection (e) - page 2, EXHIBIT 4) to "recognize the value of".** She said the change would make the language more consistent with the rest of the bill. SEN. JACKSON opposed the motion, saying that Montana has a responsibility to provide natural resources to the rest of the nation and to help the nation decrease its dependency on foreign oil.
- 01:55:27 **REP. DRISCOLL's motion failed on a 4-4 roll call vote. SEN. BLACK, SEN. JACKSON, REP. ANKNEY, and REP. KLOCK voted no. REP. BELCOURT voted yes by proxy (Driscoll). (ATTACHMENT 7)**
- 01:56:20 SEN. ERICKSON said, in light of how the votes have gone so far, he would like to consider Mr. Galt's and Mr. Berry's testimony. He referred to his earlier discussion with Mr. Berry regarding Montana's "clean and green bill" and **moved to amend subsection (c) to read, " Montana supports the development of projects using technologies that gasify coal when those technologies substantially reduce the emissions of mad-made greenhouse gases"**. He asked Mr. Berry to comment.
- 01:59:27 Mr. Berry took a few moments to consider the language and asked for the motion to be read back to him for clarification. Ms. Nowakowski read back, *"These goals include:
(c) promoting development projects using technologies that gasify coal, when those technologies substantially reduce man-made greenhouse gases"*.
- 02:05:43 Mr. Berry said he could agree with that statement but that he would prefer his own language, as stated in his previous testimony. He asked for time to think about it.
- 02:06:56 SEN. JACKSON said he likes the detail of the current language and is concerned that SEN. ERICKSON's language is too narrow. He said that goals should be more flexible and provide direction and that the policy can provide the details.

02:08:11 **SEN. ERICKSON's motion failed on a 4-4 voice vote. SEN. BLACK, SEN. JACKSON, REP. ANKNEY, and REP. KLOCK voted no. REP. BELCOURT voted yes by proxy (Driscoll). (ATTACHMENT 8)**

02:09:23 **BREAK** until 10:33 a.m.

BIG SKY CARBON SEQUESTRATION PARTNERSHIP UPDATE

02:30:45 **John Talbott, Project Manager, Big Sky Carbon Sequestration Project (BSCSP)**, updated the ETIC on the sequestration project using a PowerPoint presentation (**EXHIBIT 9**).

Public comment

No public comment was given.

02:56:30 SEN. ERICKSON asked that more data on terrestrial sequestration be provided to the ETIC. He asked what the major technological problems are in the sequestration process. Mr. Talbott said that the process needs to get to the point where the CO₂ can be monitored cheaply, reliably, and safely, because the costs of monitoring are phenomenal and power plants could never afford to do it right now. He said that BSCSP plans to try a host of different techniques in order to find the best technology.

02:59:22 SEN. ERICKSON asked if there is any confidence in being able to monitor chemical changes that will occur. Mr. Talbott said yes, that there will be ample instrumentation and logging tools in the well to monitor what is going on. He said that once 1 million tons of CO₂ has been injected, side-wall core samples will be taken to study the geochemistry and geomechanics taking place in the rock as a result of being exposed to the CO₂.

GEOHERMAL UPDATE: HB 333, 2009

03:01:56 **John Metesh, Montana Bureau of Mines and Technology, geothermal research update: HB 333, 2009**. reviewed the Bureau of Mines and Geology purpose and duties using a PowerPoint presentation (**EXHIBIT 10**). He also reviewed provisions of HB 333 (**EXHIBIT 11**).

03:25:22 SEN. JACKSON asked how water quality will be affected by sequestration and if Mr. Metesh is concerned about the effect CO₂ may have on drinking water. Mr. Metesh said he did not have many concerns and referred the ETIC to his handout. He explained how western Montana formations differ greatly from eastern Montana and the different water qualities of each formations. He said it seems that in geothermal areas, the water is not usually drinkable.

03:28:44 SEN. JACKSON asked what temperature water must be to generate geothermal electricity. Mr. Metesh said with improved technology, it can be as low as 150 degrees Fahrenheit but that at least 500 gallons per minute would be needed. SEN. JACKSON asked if the Hot Springs area in western Montana has been researched. Mr. Metesh said that he has old information but that it looks good.

Back to LC6000

- 03:31:22 REP. DRISCOLL said the Committee would continue its work on LC6000 (EXHIBIT 4). Ms. Nowakowski said that so far, the Committee has adopted a policy statement but no goals. After discussion, it was agreed that the Committee would deal with subsections (k) through (o), dealing with transmission.
- 03:34:35 **SEN. JACKSON moved to change the wording in subsection (k) (page 3, EXHIBIT 4) from "recognize the need for new transmission lines" to "support construction of new transmission lines" and to approve subsections (l) through (o) as written.** He said that while it is recognized that infrastructure needs to be upgraded, parameters must be set to guide construction without violating people's property rights. **SEN. JACKSON's motion to approve subsections (k) through (o), including the change to subsection (k), passed on a unanimous voice vote.**
- 03:40:11 REP. DRISCOLL said the Committee would deal with subsections (p) through (v), dealing with wind generations (pages 3 and 4, EXHIBIT 4).
- 03:40:46 **SEN. JACKSON moved to approve subsections (p) through (v), with two small changes: change the first words in subsection (t) from "recognize that" to "support", and in subsection (u) - change the word "weigh" to "evaluate".**
- 03:42:20 SEN. ERICKSON asked if SEN. JACKSON would consider eliminating the "laundry list" of technologies listed in subsection (p). SEN. JACKSON declined, saying he liked the "laundry list" because of the detail and insight it provides on how policy should be interpreted.
- 03:43:50 **SEN. JACKSON's motion to approve subsections (p) through (v), including the changes in subsections (t) and (u), passed on a unanimous voice vote.**
- 03:44:13 REP. DRISCOLL said the Committee would act on subsections (w) through (cc) , dealing with energy conservation (pages 4-5, EXHIBIT 4).
- 03:44:59 **SEN. LARSEN moved to incorporate subsections (w) through (cc) into the policy statement.** Ms. Nowakowski noted that due to changes made by the ETIC earlier in the meeting, the word "policy" in subsection (w) would have to be changed to "goals". SEN. LARSEN said he would accept that as part of his motion.
- 03:46:24 SEN. JACKSON said that subsection (x) received many comments because it involved electric cooperatives. He said that he opposes mandating energy audits.
- 03:47:20 SEN. LARSEN said that subsection (j) dealing with cooperatives was the only one that was of concern to the cooperatives. REP. DRISCOLL said she thought that it was agreed that cooperatives would be taken out. SEN. JACKSON said that he had a number of changes he wished to propose and asked to deal with subsections (w) through (cc) one by one.

- 03:48:26 **SEN. LARSEN's motion to approve subsections (w) through (cc) passed on a 6-2 voice vote, SEN. BLACK and SEN. JACKSON voted no. REP. BELCOURT voted yes by proxy (Driscoll).**
- 03:48:54 REP. ANKNEY asked for clarification that the cooperatives' concerns have been dealt with. After a brief discussion, Ms. Nowakowski read the language in subsection (x) and said that the language does not mandate the cooperatives, only encourages, and leaves local control up to the cooperatives. SEN. JACKSON asked to revisit the energy code subsections, saying there were a number of concerns he did not get to discuss. REP. DRISCOLL said that the draft bill would be discussed again at the September meeting.
- 03:54:53 **SEN. LARSEN moved to amend subsection (j) by ending the section after "2025". SEN. LARSEN's motion to amend subsection (j) passed on a unanimous voice vote. REP. BELCOURT voted yes by proxy (Driscoll).**
- 03:56:25 **SEN. JACKSON moved eliminate subsection (j).** SEN. ERICKSON said that he believes subsection (j) is one of the most important decisions made by the ETIC and that he would not support eliminating it. REP. KLOCK said that he did not want it in the goals and thought that it should be separate. SEN. LARSEN said the ETIC discussed it in great detail at its May meeting and that the language was approved by a majority vote. SEN. JACKSON said that since then, he has discussed this and has determined that NWE may not be able to accomplish the goals set forth in subsection (j) within the timeline.
- 03:58:53 SEN. LARSEN said subsection (j) begins with the word "promote" as part of a policy statement and that it is simply policy, not a requirement.
- 04:00:29 SEN. BLACK said he likes the idea of hydro facilities as a renewable resource and supports the idea of putting hydro and increasing the RPS into 2 different subsections.
- 04:01:26 **SEN. JACKSON's motion to delete subsection (j) failed on a 2-5 voice vote. SEN. JACKSON and REP. KLOCK voted yes.**
- 04:02:13 Ms. Nowakowski said she would prepare a new draft bill reflecting the changes made so far for the afternoon portion of the meeting. REP. DRISCOLL recessed the Committee for a lunch break until 1 p.m.
- 05:12:37 REP. DRISCOLL reconvened the ETIC at 1:15 p.m.

TRANSMISSION LINE UPDATE

- 05:13:07 **Chantel McCormick, Energy Promotion and Development Division, Department of Commerce**, discussed transmission in Montana and brought 2 new publications, "*Montana Wind Report and Analysis*" (**EXHIBIT 12**) and "*Montana Transmission for America*" (**EXHIBIT 13**). She also discussed wind energy potential in Montana using PowerPoint slides (**EXHIBIT 14**).

Public Comment

- 05:19:54 **Don Kronenberger, Save Scenic Jefferson Valley Coalition**, said that he represents over 400 citizens in the Jefferson Valley who have grave concerns regarding the new preferred alternative route for the proposed MSTI line. Mr. Kronenberger said no one in his group is opposed to wind energy development, but that the group is one of seven formed to deal with the impacts of the MSTI and other proposed transmission line projects. He discussed the group's concerns, which include visual impacts to the scenic valley that could seriously harm the area's tourism-based economy and negative impacts on property values, quality of life and wildlife habitat. He said that permanent jobs will not be created so there is no economic benefit to offset the damage that will occur to the Valley, should the MSTI line be built. He said his group is interested in exploring a creative approach to meet transmission needs without building the enormous towers. Mr. Kronenberger said that if there is public benefit to the transmission lines, they should be sited on public land. He said the families and citizens of the Jefferson Valley feel that they have been targeted out of fear of lawsuits filed by environment groups. He said a public federal energy corridor is available but has been ignored to date. Mr. Kronenberger said that the draft energy policy has not examined the true cost of transmission lines.
- 05:26:22 Mr. Kronenberger also discussed the Jefferson County Commissioners' lawsuit regarding the MSTI line. He said that citizens want to be heard and that the proposed energy policy's legacy should not be to inflict the costs on communities and private citizens when there are options to site the lines alongside existing lines.

ETIC questions and discussion

- 05:28:27 SEN. ERICKSON said the ETIC has received a great deal of correspondence regarding the proposed MSTI line and that it is a factual statement that the line is sited on private land for 30 of the 38-mile route through in Jefferson County. He asked Ms. McCormick to respond to Mr. Kronenberger's concerns about the proposed route. Ms. McCormick said she was not well-versed enough in the routing process to respond to Mr. Kronenberger's concerns. SEN. ERICKSON said that the ETIC also heard compelling testimony from a doctor and others regarding the proximity of high-voltage power lines to homes and livestock. He asked what information Ms. McCormick could provide regarding alternative routes. Ms. McCormick said she would direct SEN. ERICKSON's request to Tom Kaisierski, who has been more involved in the process and that he would respond directly to SEN. ERICKSON. SEN. ERICKSON said that the ETIC is very interested in this and that it would like to get a direct response about siting and why more public land is not being used. REP. DRISCOLL said that the issue could be addressed on the September agenda.
- 05:31:30 REP. ANKNEY said that he visited with a Federal Energy Regulatory Commission (FERC) official about MSTI at the Pacific Northwest Economic Region (PNWER) energy conference and that the official offered to assist Montana in siting transmission on public lands. He said that the official was adamant that wind power reach California and that he would provide any assistance needed in order to make that happen.

05:32:46 SEN. BLACK asked if the Department of Environmental Quality (DEQ) selected the proposed route. Ms. Nowakowski said that the DEQ's work on the draft environmental impact statement (EIS) to identify a preferred alternative route has been halted by court order and that the draft EIS was ordered by a District Judge to be released to those who have requested it. She said that the ETIC could follow up on the issue at the September meeting but that the legal action/court case may limit what can be discussed.

LC6000 - continued

05:36:26 REP. DRISCOLL said that the ETIC would address subsections (a) through (i) in LC6000 (EXHIBIT 4).

05:37:52 SEN. ERICKSON referred to public comment received from the Department of Natural Resources and Conservation (DNRC) (**EXHIBIT 15**) and read the first bullet point on page 2. He asked Ms. Nowakowski to prepare the appropriate language to use as a motion to incorporate the DNRC language into LC6000.

05:40:53 SEN. JACKSON suggested that all four of the DNRC recommendations be incorporated. SEN. ERICKSON said that the remaining three bullet points fit better into the energy report document, rather than in the goal document. SEN. JACKSON referred the Committee to subsection (g) and **moved to change the words "recognize the value of" to "supporting"**.

05:43:48 **SEN. ERICKSON made a substitute motion to change the language to "recognize that Montana's petroleum refining industry is a significant contributor to Montana's manufacturing sector.", and to strike the remainder of the first sentence.** He said there is not good evidence showing the extent to which the petroleum industry contributes to Montana's energy needs. SEN. JACKSON said he believes the refining industry does help keep costs down and that he supports the language proposed in his motion. REP. DRISCOLL said she supports the language proposed by SEN. ERICKSON in his substitute motion. REP. ANKNEY said that Montana refineries manufacture asphalt products and that refining does make a significant difference to Montana's economy.

05:49:04 **SEN. ERICKSON's substitute motion failed on a 4-4 roll call vote. SEN. BLACK, SEN. JACKSON, REP. ANKNEY, and REP. KLOCK voted no. REP. BELCOURT voted yes by proxy (Driscoll).** (ATTACHMENT 9)

05:50:23 **SEN. JACKSON restated and moved his motion to change the wording from "recognize the value of" to "supporting". The motion passed on a 7-1 voice vote. SEN. ERICKSON voted no, REP. BELCOURT votes yes by proxy (Driscoll).**

05:51:38 Ms. Nowakowski read aloud the language requested by SEN. ERICKSON in order to include DNRC's first recommendation regarding biomass incentives into subsection (i): *"(i) supporting:*

(i) the advancement of new alternative energy technologies to improve vehicle mileage and reduce exhaust emissions;
(ii) incentives and loan programs to promote the development of biomass plants to generate heat and electricity for all types of facilities, including but limited to public, industrial, commercial, and residential buildings; and
(iii) promotion of the long-term growth of large-scale utility wind generation and small-scale distributed generation;". **SEN. ERICKSON moved to adopt the language into LC6000. The motion passed on a unanimous voice vote.**

- 05:55:27 SEN. ERICKSON asked Ms. Nowakowski to explain how the energy report document will be put together, considering all of the new information provided by the EQC and the DNRC. Ms. Nowakowski explained several options that the Committee could approve. After discussion, it was agreed that the information could be included as appendices. SEN. LARSEN asked if there should be a separate header in the energy policy review document for biomass. Ms. Nowakowski said the headings have been taken directly from SB290 and that doing that would be a deviation from the form used to date but that it could be done. She said an alternative would be expand the biomass discussion section on page 30 and add in an appendix. SEN. LARSEN said that would work.
- 05:58:33 SEN. JACKSON referred the Committee back to the remaining three bullet points from the DNRC (page 2, EXHIBIT 15) and said he would like to include all four of bullet points into subsection (ii). SEN. LARSEN said the language could be included in the energy policy document as an appendix.
- 06:01:13 **SEN. ERICKSON moved subsection (h) as written. The motion passed on a unanimous voice vote.**
- 06:01:51 Ms. Nowakowski said that because LC6000 was dealt with as "chunks", she was not certain of the status of subsections (b), (c), (d), (e), and (f), which deal with coal. She asked for a motion to clarify that those subsections, as written, are to remain in LC6000.
- 06:05:32 REP. ANKNEY said the general intent of the entire policy discussion was that the language stayed in, once the amendments were voted down. **REP. ANKNEY moved to leave subsections (b) through (f), as written, in LC6000. The motion failed on a 4-4 roll call vote. SEN. ERICKSON, SEN. LARSEN, REP. DRISCOLL, and REP. BELCOURT (by proxy - Driscoll) voted no. REP. KLOCK voted yes by proxy (Black).** (ATTACHMENT 10) Ms. Nowakowski said that a new bill draft will have to be drafted to incorporate the approved portions of LC6000. She asked the Committee to approve the new document, as constructed today. Mr. Everts said a vote is needed to approve the new document as a whole and to move it forward for public comment.
- 06:08:26 **SEN. ERICKSON moved to approve the new document and to move it forward for public comment.** SEN. JACKSON said that the Committee's action eliminated elements it was required to address and that the energy plan is

essentially destroyed, in his opinion. He said he would vote against the document.

06:09:29 REP. DRISCOLL said that if minor changes in verbiage would have been allowed in the morning, much of the language could have remained in the plan and that it was unfortunate that it was not allowed.

06:10:10 **The motion to move the new document forward failed on a 4-4 roll call vote. SEN. BLACK, SEN. JACKSON, REP. ANKNEY and REP. KLOCK (Black proxy) voted no. SEN. BELCOURT voted yes by proxy (Driscoll). (ATTACHMENT 11)**

Review of LC6001

06:11:14 Ms. Nowakowski reviewed the Committee's revisions made to LC6001 (**EXHIBIT 16**) at the May meeting.

06:13:03 **SEN. LARSEN moved to approve LC6001, as presented.**

Public comment

No public comment was given.

ETIC questions and discussion

There were no questions.

ETIC decisions and directions

06:13:28 **SEN. LARSEN's motion passed on a voice vote.**

Review of draft report and findings

06:13:37 Ms. Nowakowski reviewed the draft report (**EXHIBIT 17**) including the changes made to date. She noted that all of the findings would be pulled from the report due to the fact that LC6000 failed. She said the remaining document would be posted online for public comment.

ETIC questions and discussion

06:17:29 SEN. JACKSON said he thought that the findings should be left in the report. SEN. ERICKSON said that the ETIC could not agree on the findings so it didn't make sense to him to include them in the report. He thanked staff for the work done on the report and said it was well written.

06:18:53 SEN. JACKSON said the findings should remain in the report because they may be helpful to people in the future.

06:19:36 SEN. LARSEN said that because there was no consensus, it seemed illogical to him to leave the findings in the final report **SEN. JACKSON moved to include the findings in the ETIC final report. The motion failed on a 4-4 voice vote. SEN. BLACK, SEN. JACKSON, REP. ANKNEY (by proxy - Black), and REP. KLOCK (by proxy - Black) voted yes. REP. BELCOURT voted no by proxy (Driscoll).**

06:21:47 Ms. Nowakowski noted that based on the earlier discussion the DNRC biomass information would be added as an appendix. SEN. ERICKSON asked that the public comment be referenced as available online but not printed in the ETIC document. He also asked that the EQC's full biomass study and DEQ's comments be included. **SEN. ERICKSON moved to not include public comment or the EQC's full study document, but to refer to and provide links to both in the ETIC final report. The motion passed on a unanimous voice vote.**

OTHER POTENTIAL COMMITTEE LEGISLATION

06:24:06 **REP. DRISCOLL moved to approve a committee bill to change the renewable portfolio standard to 20% by 2020 and 25% by 2025.**

06:25:59 SEN. JACKSON said that the motion could be amended to include hydro. REP. DRISCOLL said her motion is to draft a committee bill to change the renewable standards and does not include hydro. **SEN. JACKSON made a substitute motion to draft two bills, one with the renewable standard change and the other for new hydro power.** REP. DRISCOLL said that a new hydro bill was received yesterday from PPL and that the ETIC would be voting on it shortly **SEN. JACKSON withdrew his substitute motion.**

06:27:55 **REP. DRISCOLL's motion passed on a 7-1 voice vote. SEN. JACKSON voted no. REP. BELCOURT (Driscoll), REP. ANKNEY (Black), and REP. KLOCK (Black) voted yes by proxy.**

06:29:47 **SEN. JACKSON moved to approve the revised hydro power bill, as presented by David Hoffman, PPL-Montana (EXHIBIT 18).** REP. DRISCOLL asked members if they received a copy of the revised PPL bill. Ms. Nowakowski said that she prepared the revised proposal for PPL's bill and that it was her understanding that Mr. Hoffman would be available for questions. Mr. Everts said Mr. Hoffman would arrive at the meeting momentarily.

BREAK

06:45:57 **SEN. JACKSON moved to approve the revised proposal of PPL's draft bill to revise the definition of eligible renewable resource to include hydro electric facilities expansion, amending section 69-3-2003, MCA.** SEN. ERICKSON asked Ms. Nowakowski to explain how this amendment differs from what Sen. Hawks argued for in the 2009 session. Ms. Nowakowski explained that the only the amount of expansion would be counted toward the renewable portfolio standard. Mr. Hoffman said that is correct, up to the point where megawatts are actually produced within the new amount. Ms. Nowakowski said that Mr. Hoffman's proposed amendments closely mirrors comment received in public comment and the PSC concerns. Mr. Hoffman said that is correct and discussed the possibility of PSC rulemaking. SEN. ERICKSON asked if rulemaking is included in the bill draft proposal. Mr. Everts suggested that a specific grant of rulemaking be incorporated into the bill draft.

06:53:41 **SEN. JACKSON moved to add rulemaking authority to bill to cover the amendment. They then voted 8-0 to forward the hydro bill for public**

comment. SEN. BLACK voted proxies for Rep. Ankney and Rep. Klock and REP. DRISCOLL for Rep. Belcourt.

- 06:57:10 Doug Hardy, MECA, offered to arrange a tour of the gasification plant under construction near Beulah, North Dakota. REP. DRISCOLL asked the members to speak directly with Mr. Hardy if they wished to arrange a tour for themselves.
- 06:58:30 REP. DRISCOLL asked what the Committee wished to do regarding Geoff Fiess' concerns about the federal broadband project. SEN. ERICKSON and SEN. BLACK thought that a committee letter to the FCC would carry more weight. Mr. Everts said the Committee could not take action today because this issue was not noticed on the agenda but that the Committee could take action in September. It was agreed. Mr. Feiss agreed as well.
- 07:00:26 SEN. LARSEN said he was not comfortable signing the letter because he did not know enough about the issues. He asked that his name not be on the letter. Ms. Nowakowski said a letter could be drafted, noticed on the September agenda, and be put out for public comment. She said the ETIC could make a final decision at the September meeting on whether to sign it or not. REP. DRISCOLL said if the ETIC chooses not to pursue the letter as a committee letter, members would be free to write a letter on their own.
- 07:01:41 **SEN. ERICKSON moved to have staff draft the letter regarding the FCC rulemaking and post it on the ETIC website for public comment. The motion passed on a unanimous voice vote.**

PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC

- 07:02:46 **Bill Petrovich, Concerned Citizens of Broadwater County**, said that he represents the citizens of Broadwater County who are concerned about NWE's proposed MSTI line. He said that private land owners have not been listened to or involved to the extent they would like to be. He asked that closer attention be paid to the public comment and to private land owners and how they are impacted and the sacrifices they have to make in these issues.
- 07:03:38 **Elaine Mann, Concerned Citizens of Broadwater County**, discussed the Electricity Handbook and the Major Facility Siting Act as they relate to NWE's proposed substation to be built in Broadwater County. She explained how changes to the MFSA will negatively impact Broadwater County landowners and she asked that the language stricken out of the MFSA be restored, in order to afford more protections to landowners. Ms. Mann said that approximately 75% of the MSTI line is currently sited on private land. Ms. Mann discussed other concerns in the Electricity Law Handbook and pertaining to LC6000. She asked that the developer of such projects be required to work more closely with landowners and that the public be better informed earlier in the process, that landowner and agricultural producer concerns be given more weight, and that the right to a clean and healthful environment must not be compromised. Ms. Mann said that the citizens of Broadwater County are not opposed to energy development, but are opposed to energy development being done in a manner that sacrifices and displaces a strong agriculture economy.

07:13:45 **John Fitzpatrick, NWE**, asked to clarify the record regarding NWE's proposed substation to be located south of Townsend. He said the size of the substation has not been finalized and that the testimony given that it will devastate the surrounding agricultural land is not true. He discussed the proposed route for the MSTI line from the substation and said that most of it is located on grazing, not farm ground, and would minimally disturb agricultural operations. He said that NWE has attempted to site the MSTI line in a manner that will minimize impact on property values and agricultural operations and rebutted statements made regarding the detrimental health effects of high voltage power lines.

OTHER BUSINESS, INSTRUCTIONS TO STAFF

07:18:47 Ms. Nowakowski reviewed the proposed bills and issues that would be dealt with at the September 10, 2010, meeting: LC6001, LC6002 , LC6003, LC6004, and the draft letter regarding the telecommunications issues raised by Mr. Feiss. She said she would work with the Chair and Vice Chair regarding budgetary issues.

ADJOURNMENT

07:19:37 With no further business before the Committee, REP. DRISCOLL adjourned the meeting at 3:23 p.m. The next Energy and Telecommunications Interim Committee is scheduled for September 10, 2010, in Helena.

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