

MINUTES
of the
LEGISLATIVE CONSUMER COMMITTEE
May 17, 2018
State Capitol, Room 102, Helena, Montana

COMMITTEE MEMBERS PRESENT

Representative Mike Cuffe – Chair
Senator Jennifer Fielder
Senator Sue Malek – Vice Chair
Representative Andrea Olsen (via phone/online)

MONTANA CONSUMER COUNSEL STAFF PRESENT

Robert A. Nelson, Consumer Counsel
Jason Brown, Staff Attorney
Paul Schulz, Rate Analyst
Jaime Stamatson, Economist
Suzanne Snow, Secretary

VISITORS PRESENT

Mark Reller – Government Liaison for Bonneville Power Administration
Brian Dekiep – Northwest Power and Conservation Council

CALL TO ORDER

Chairman Cuffe called the meeting to order at 1:00 p.m.

MOTION: Chairman Cuffe moved that the Committee dispense with the reading of the minutes.

VOTE: The motion passed unanimously.

Chairman Cuffe noted that Representative Olsen would be attending the meeting online.

Chairman Cuffe invited Mark Reller from Bonneville Power Administration (BPA) to address the Committee.

MONTANA RENEWABLES DEVELOPMENT ACTION PLAN OVERVIEW

Mr. Reller thanked the Chairman and members of the Committee for the opportunity to share an overview of the Montana Renewable Development Action Plan. He opened with an introduction and background on the Bonneville Power Administration (BPA) and the assets it owns in Montana. Mr. Reller stated that BPA owns about 15,000 miles of transmission assets in the Pacific Northwest and markets the electricity from 31 dams in the Columbia Basin and the nuclear facility in Hanford, WA.

The Montana Renewable Development Action Plan was conceived by BPA's administrator, Elliot Mainier, and is a cooperative partnership with Governor Bullock to look at the barriers to Montana wind as an energy source, and at the same time look for opportunities to make this form of renewable energy happen.

Mr. Reller explained in depth the structure of the Montana Renewable Development Action Plan group, which is made up of the sponsors, BPA and the governor's office, the steering committee, and three subcommittees: 1) commercial and policy subcommittee, 2) planning subcommittee and, 3) operations subcommittee. Mr. Reller stated that a final plan is expected to be published in June of 2018.

At the conclusion of the overview Chairman Cuffe opened the meeting up for questions from the Committee.

In response to Senator Fielder's request that the risks associated with wildfires be entertained, Mr. Reller indicated that he would carry this concern to the project sponsors and steering committee.

Mr. Reller also stated that he would get back to Chairman Cuffe with information relating to compensation, if any, that is given to the counties surrounding both the McNary (OR) and McDowell (WA) dams.

Chairman Cuffe called a short recess.

COLUMBIA RIVER TREATY UPDATE

Chairman Cuffe took the podium and recalled the heartbreak of the residents of Rexford when Libby Dam was built, and their town and valley were flooded. He noted that Rexford was once a thriving logging town, and how Lincoln County went from having the highest per capita income in the state of Montana to being largely a welfare-recipient county today. Chairman Cuffe detailed how he has been petitioning on behalf of the people of Lincoln County and communicating with many committees and organizations to take their hopes of securing

reasonable compensation to Washington, D.C. for the loss of economic growth and wildlife habitat after the valley was flooded, in the same manner the Canadians had been compensated when the Columbia River Treaty was approved.

Mr. Reller responded to Chairman Cuffe's overview by sharing BPA's perspective on the issues raised:

- The Northwest Power Act requires mitigation for the significant impact on wildlife and fish due to building the dam and the ongoing impact with the operation of the dam. BPA has an ongoing fisheries mitigation program, which is administered by Fish Wildlife and Parks.
- The flood control component of the treaty was a contractual arrangement. The United States purchased 60 years of flood control from Canada and given the amount of protection that the United States gets from those reservoirs, there is a need for careful negotiations with Canada, because that arrangement terminates in 2024. Libby benefits from this flood control and can take advantage of BPA's lower power rates.
- The Columbia Basin Trust program distributes the revenues from hydropower for economic development and community benefits, but the revenue stream is not necessarily from the treaty dams but from some additional dams that were built after the treaty dams were established.

Chairman Cuffe expressed his frustration that the ramifications of Libby Dam on the people of Lincoln County were not being taken seriously at many levels and thanked Mr. Reller for his responses and the way he articulated them.

RESOURCE COST OVERVIEW

In response to Senator Malek's request for information on various types of resource costs in Montana, Bob briefly summarized some available data from NorthWestern Energy (NWE). Bob referenced a two-page memo posted in the meeting materials and distributed to the Committee, which summarized the generation resource cost for NWE's various resource types. Bob noted that these costs varied significantly over time because the production varies while the fixed costs remain the same, so the unit cost will vary along with the varying output. The cost varies by timing or vintage of the resource and it can fluctuate depending on the year that the resources were acquired. Bob cautioned that these figures do not represent what the costs would be going forward if these various resource types are acquired.

Bob also noted that Jason had put together information specific to NWE's monthly trackers over a longer time frame, which Senator Malek had asked to be updated, and invited Jason to summarize that information for the Committee.

MCC WEBSITE UPDATE

Bob stated that the website was still a work in process. He noted that the meeting materials have been posted and that the status of cases report contains links to the dockets, and in the cases with testimony or comments to the specific document on the Commission's website. Bob further noted that the intent is to create a user-friendly interface with a comment functionality.

Senator Malek thanked Bob for his efforts in getting this information posted.

Bob noted that the Montana Consumer Counsel's audit report had been presented to the Audit Committee and was pleased to advise that no deficiencies were found, nor any recommendations made.

Chairman Cuffe requested that the following people, or an appointee of that agency, be invited to address the committee at the next meeting:

Angus Maciver, Legislative Audit
Kris Wilkinson, Legislative Fiscal Division
Mark Schoenfeld, Department of Revenue

FINANCIAL REPORT

The financial report presented to the Committee was for the period July through April of fiscal year 2018. In annualizing the figures Bob projected that there would be a significant surplus in the base at fiscal year-end and that that he had no concerns with the budget at this point in time.

STATUS OF CASES

Senator Fielder inquired about the motion she had made at the last meeting dealing with MDU's reorganization, specifically the character of the corporate officers with fiduciary responsibilities. Bob responded that the docket is currently in the discovery phase and that MCC would make those inquiries.

Senator Fielder noted concern about Avista's application for approval of a merger with a Canadian utility and what that would mean for facilities here in Montana. In response to Senator Fielder's question of whether the Thompson Falls Dam on the Clark Fork river would be owned by a Canadian company, Bob stated that it would.

In summarizing the Avista docket, Bob noted that the focus of the MCC was on the Colstrip portion of the filing and that it did not identify any consumer interests in this case, as Avista has very few customers and those are mostly employees of its own facilities. Avista is a part owner in Colstrip and there was concern about its potential early retirement and impacts on the city of Colstrip. Bob noted that Avista has increased its transition funding contribution from \$3 million to \$4.5 million as a result of a settlement with the city of Colstrip.

Senator Fielder expressed general concerns about economic tensions between nations.

Bob noted that there is quite a bit of foreign investment in utilities in the United States and that protections have been negotiated, mostly by the Idaho and Washington Commissions. One protection noted was that the Company was to maintain a separate board for the United States holdings. The Company also made representations that it was not going to change the facility operations to gain acceptance/approval of the mergers.

With respect to NWE's power cost and credit adjustment mechanism docket, Bob noted that the MCC recommended eliminating the tracker mechanism for the company's commodity costs entirely. The Commission asked for additional testimony. MCC filed testimony that discussed options where the company would not be able to track specific costs, and making those subject to earnings tests, and what other states had done in that regard.

The NWE net metering study that was required by the Legislature was filed April 1, 2018. This study attempts to identify the value of rooftop solar to the company and to its customers, what the net metering rate should be, and whether there should be a separate net metering class.

Bob noted the ongoing litigation regarding QF dockets. There are several cases concerning the Commission's determinations for the small default tariff as well as for one larger company. At this point all the cases have been consolidated in district court in Great Falls.

Bob referenced the Commission's investigation of the federal tax reform act and the impacts on all the utilities in Montana, noting that NorthWestern had filed its proposal on how to treat the reductions. The Company calculated the reductions as a total of about \$14 million - \$3 million for the gas company and \$11 million for the electric utility. NWE proposed in its filing to return the \$3 million for the gas company to customers, representing a rate reduction. With respect to the \$11 million on the electric side, NWE proposed to split that 50/50 and return half of it to customers and use half of it for mitigation of hazard trees. MCC has intervened in the case along with the MEIC and the Large Industrial Customers.

Senator Fielder ask what position the MCC would take in the docket, to which Bob replied that the MCC has not had the opportunity to conduct discovery and therefore has not taken a position at this point in time.

Also, with respect to the Commission's tax investigation, Bob noted that MDU and Energy West have filed with the Commission for retention of their taxes. MDU proposed retention of all the taxes on its electric utility, asserting that its rates are insufficient even with that reduction. Energy West made basically the same proposal on its gas utility.

MINUTES OF PREVIOUS MEETING

MOTION: Senator Fielder moved for adoption of the January 16, 2018, meeting Minutes.

VOTE: The motion passed unanimously.

PUBLIC COMMENT

There was no public comment.

NEXT MEETING

Chairman Cuffe requested that the secretary create a Doodle Poll for the Committee to determine the date for the next meeting.

ADJOURNMENT

There being no further business before the Committee, Senator Fielder moved that the meeting be adjourned, and the motion was unanimously passed.

The meeting adjourned at 5:02 p.m.

Respectfully submitted,

_____, Robert Nelson, Consumer Counsel

Accepted by the Committee this 27th day of August 2018,

_____, Chairman.