

STAFF PRESENT

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

AGENDA (Attachment 1)

VISITORS' LIST (Attachment2)

COMMITTEE ACTIONS

The Energy and Telecommunications Committee (ETIC):

- Voted to begin work on three committee bills to address next generation 9-1-1;
- Voted to continue the exemption of rural electric cooperatives from Montana's net metering policy;
- Voted to not consider grant, loan, tax credit, or Universal System Benefits (USB) policies that are used for net metering;

CALL TO ORDER AND ROLL CALL

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

ADMINISTRATIVE MATTERS

Adoption of January Meeting Minutes

00:00:57 **Motion/Vote:** Sen. Driscoll moved to adopt the January 15 minutes. The motion carried unanimously by voice vote.

111d SUBCOMMITTEE UPDATE

00:01:30 Sonja Nowakowski, research analyst, Legislative Services Division, said the 111(d) subcommittee is not meeting in March. She said that on February 9 the U.S. Supreme Court granted a stay on the EPA's Clean Power Plan and the subcommittee's work and the Governor's Clean Power Plan Advisory Council have been placed on hold. She said that the Department of Environmental Quality (DEQ) is waiting for further direction from the courts before it continues work on a Montana plan.

00:02:20 Ms. Nowakowski said at its January meeting the subcommittee approved a draft letter to send to the ETIC and the Environmental Quality Council (EQC) asking Montana's attorney general to challenge the legality of the Clean Power Plan. **(Exhibit 1)** She said Sen. Keane did not ask the EQC to vote on the letter at its meeting.

00:03:15 Sen. Ankney said he agrees with Sen. Keane that there is no reason to vote on sending the letter.

00:03:36 Rep. Regier said there is no reason for the subcommittee to continue to meet and no action will be taken on the letter.

Public Comment: None

Committee Questions and Discussion: None

COLSTRIP PLANTS - WASHINGTON AND OREGON LEGISLATIVE UPDATE

- 00:04:51 Ms. Nowakowski said Oregon has ended its 2016 Legislative Session and the Washington Legislature was scheduled to adjourn yesterday, but is now in a special session. She said in Washington SB 6248 passed both the House and the Senate and has gone to the governor and that in Oregon SB 1547, formerly HB 4036, passed both the House and the Senate and has been signed by Governor Brown.
- 00:05:30 Ms. Nowakowski provided a summary of SB 6248.
- 00:06:38 Ms. Nowakowski provided a summary of SB 1547.
- 00:08:22 Ms. Nowakowski discussed the amendments to SB 6248 that were requested by the Montana delegation.
- 00:10:17 Sen. Ankney said staff provided a good overview and discussed amendments that were made to SB 6248. He said he is concerned about the impact to industrial customers in Montana.
- 00:15:28 Sen. Larsen said state to state policy development has never occurred before, but said he is unhappy with the outcome. He said that the legislature needs to create a plan and find ways to mitigate damages from an environmental and economic standpoint. He thanked staff and said that the commitment of time and energy was worthwhile.
- 00:19:06 Sen. Ankney thanked staff and said he and Sen. Keane have been working with the Attorney General's Office on various aspects of remediation and are talking with people in the business community.
- 00:20:34 Rep. Regier thanked staff for keeping the ETIC and the public informed.

Public Comment:

- 00:21:08 Tom Ebzery, attorney, Billings, representing Puget Sound Energy, Portland General Electric, and Avista Corporation.
- 00:31:10 Anne Hedges, Montana Environmental Information Center (MEIC). **(Exhibit 2)**
- 00:43:13 Todd O'Hair, senior manager, Governmental Affairs, Cloud Peak Energy.

Committee Questions and Discussion:

- 00:50:08 Sen. Ankney commented on the modeling that was done by Puget Sound Energy that predicted the impact of closing Colstrip Units 1 and 2 on large industrial customers would be less than 1% in Montana. He said he does not believe that the ratepayers in Washington and Oregon were given the facts on what their rates will be.
- 00:51:38 Rep. Pope thanked staff and the ETIC members for their efforts. He said this issue deals with world energy markets and not Montana markets and the job of the legislature is to identify what is real and what its role should be going forward to develop a plan for Montana. He commented on the costs to Montana if Colstrip Units 1 and 2 are closed.
- 00:55:07 Sen. Ankney asked Todd Everts, staff attorney, Legislative Services Division, if a state can make another state pay for the economic impact that it causes.

- 00:56:30 Sen. Larsen said the ETIC can look at studies and analyses that were done when TransAlta established a plan to close coal-fired power operations in Centralia, Washington to help with recommendations to the Montana legislature in 2017.
- 00:59:00 Sen. Ankney said he agreed that Montana needs to work on a plan. He said the rules in the Clean Power Plan can't be met and that coal needs to have the same provisions as wind and solar power.
- 01:03:46 Rep. Zolnikov said the pensions for the workers at Colstrip needs to be protected. He commented on Montana's legislature and the need to begin working on legislation.
- 01:05:46 Sen. Connell said he agreed and commented on the war on coal and efforts to promote renewable energy.
- 01:07:30 Rep. Regier said there is also concern for pension funds that are invested in the coal industry.
- 01:07:56 Rep. Regier asked Sen. Ankney to explain the mechanical process for shutting down a percentage of a generator.
- 01:09:06 Rep. Regier said that the ETIC members can work on legislation individually.

PUBLIC SERVICE COMMISSION OVERVIEW

- 01:09:22 Travis Kavulla vice chairman, Montana Public Service Commission (PSC), introduced members of the PSC staff in attendance. He commented on the Washington and Oregon legislation, and said the PSC can answer any questions about the regulatory process in either state.
- 01:13:18 Mr. Kavulla presented an overview of the docket cases currently before the PSC. **(Exhibit 3)**
- 01:13:20 Mr. Kavulla discussed the docket cases involving NorthWestern Energy.
- 01:21:47 Mr. Kavulla discussed the rate case involving Montana Dakota Utilities (MDU) .
- 01:23:09 Mr. Kavulla discussed the merger and acquisition docket with Mountain Water.
- 01:25:49 Mr. Kavulla said the PSC approved a new waste management service, L&L Site Services, for Gallatin County and a part of Madison County.
- 01:26:36 Mr. Kavulla discussed net metering policy in Montana.

Public Comment: None

Committee Questions and Discussion:

- 01:30:06 Rep. Regier advised the ETIC to save their questions on net metering for the afternoon.
- 01:30:23 Sen. Connell asked Mr. Kavulla if the City of Missoula successfully secures Mountain Water Company will that eliminate the PSC's oversight of the water utility. Mr. Kavulla said it will.
- 01:31:40 Sen. Ankey asked Mr. Kavulla about the cause of the failure at Colstrip Unit 4 in 2013.
- 01:32:48 Rep. Steenberg asked Mr. Kavulla about PSC's timeline for discussions with Mountain Water and Liberty Utilities.
- 01:33:29 Rep. Pope asked Mr. Kavulla if ratepayers in Montana are at risk to pay higher rates as a consequence of the potential closure of Colstrip.
- 01:37:17 Rep. Pope asked Mr. Kavulla about the role of the PSC if Colstrip Units 1 and 2 are shut down and a potential cost shift to ratepayers in Units 3 and 4.

- 01:39:58 Rep. Regier asked Mr. Kavulla about criticism of a Montana law that allows taxes for NorthWestern Energy to automatically pass to its customers, with very little input from the PSC, and what kind of input the PSC would like.
- 01:42:14 Rep. Pope asked Mr. Kavulla about the decision to terminate NorthWestern Energy's lost revenue adjustment mechanism (LRAM) and how decoupling would fill in as an alternative to LRAM, as it relates to energy efficiency.

CONSUMER COUNSEL OVERVIEW

- 01:47:33 Bob Nelson, Montana Consumer Counsel, said that the Consumer Counsel participates primarily in all of the same dockets as the PSC, and he provided highlights of recent activities that they have been involved in.
- 01:48:07 Mr. Nelson discussed dockets with NorthWestern Energy.
- 01:48:43 Mr. Nelson discussed the rate case with MDU.
- 01:49:11 Mr. Nelson discussed the Mountain Water docket.
- 01:49:20 Mr. Nelson discussed an application from Energy West to file for a corporate reorganization and approval of a refinancing package.
- 01:49:43 Mr. Nelson said they have some background on net metering and decoupling and offered to help provide information to the ETIC.

Public Comment: None

Committee Questions and Discussion: None

HJ 7: NEXT GENERATION 9-1-1

- 01:50:34 Geoff Feiss, general manager, Montana Telecommunications Association, provided an update on the status of next generation 9-1-1 from a statutory perspective and discussed the next generation 9-1-1 stakeholder working group.
- 01:54:45 Mr. Feiss discussed the working group recommendations. **(Exhibit 4)**
- 01:58:18 Quinn Ness, bureau chief, Public Safety Communications Bureau, State Information Technology Services Division, Department of Administration, gave an update on the 9-1-1 Advisory Council's task to develop recommendations for updating the state's 9-1-1 program to enable and support next generation 9-1-1.
- 01:59:05 Mr. Ness said the state 9-1-1 program is a funding program and does not have any regulatory oversight.
- 02:01:10 Mr. Ness said the ETIC received copies of the advisory council's draft recommendations. **(Exhibit 5)**
- 02:01:27 Mr. Ness discussed recommendations in the jurisdiction section.
- 02:03:40 Mr. Ness discussed recommendations in the governance section.
- 02:04:24 Mr. Ness discussed recommendations in the technology section.
- 02:05:16 Mr. Ness discussed funding recommendations that are a work in progress.
- 02:05:50 Mr. Ness said the 9-1-1 Advisory Council recommends that ETIC staff work with advisory council staff to draft legislation based on the current recommendations.

Public Comment:

- 02:06:38 Ken Wall, geographic information system specialist, Missoula.
- 02:09:24 Harold Blattie, executive director, Montana Association of Counties.

Committee Questions and Discussion:

- 02:10:37 Rep. Zolnikov asked Mr. Feiss if the current law on 9-1-1 needs to be rewritten.
- 02:13:58 Rep. Zolnikov asked if the ETIC has already agreed to draft committee legislation. Rep. Regier said he did not think so, but the ETIC can work on legislation now.
- 02:14:42 Rep. Zolnikov said the ETIC needs to rewrite the current law.
- 02:15:06 Rep. Zolnikov asked Mr. Feiss if there is any strife between members of the working group on any issues other than funding.
- 02:17:33 Rep. Pope asked for more information on committee bills. Rep. Regier said it will be discussed during committee action.
- 02:18:15 Rep. Regier asked Mr. Feiss about discussions on efficiency and combining Public Safety Answering Points (PSAPs). Mr. Feiss said it has been discussed.
- 02:20:23 Rep. Regier asked Mr. Ness about funding from pre-paid wireless phones that do not currently pay 9-1-1- fees.
- 02:21:54 Sen. Connell asked about the state's two major wireless providers and why they have not tried to access stranded funds. Mr. Ness said the providers have never submitted a request for cost recovery and have never communicated a reason why.
- 02:23:06 Rep. Steenberg asked Mr. Feiss if the working group will have requests for specific funding at the ETIC meeting in May.
- 02:24:20 Rep. Steenberg asked Mr. Feiss if there is consensus on starting to draft legislation. Mr. Feiss said there is.
- 02:25:12 Rep. Steenberg asked Mr. Feiss if there is consensus on the technical issues of GIS assessment and legacy PSAP's. Mr. Feiss said there is.

Committee Action:

- 02:25:55 **Motion:** Rep. Steenberg moved to have the ETIC work on drafting legislation to update current 9-1-1 statute for a statewide plan.

Discussion:

- 02:26:58 Rep. Steenberg asked about how legislation moves out of a committee.
- 02:27:08 Ms. Nowakowski said she will provide a handout and explained the process for a committee bill. **(Exhibit 6)**
- 02:30:20 Rep. Regier said there are several issues and cautioned the committee about putting them into one bill. He asked about issues to include other than a statewide plan, stranded funds, and funding of the 9-1-1 system.
- 02:31:02 Rep. Steenberg said he recommends updating current language to include next generation 9-1-1 and to address the recommendations from the 9-1-1 Advisory Council regarding jurisdiction, governance, and technology.
- 02:31:39 Rep. Regier asked Rep. Steenberg if he thought that would be a separate bill from a statewide plan. Rep. Steenberg said it would be.
- 02:32:06 Rep. Steenberg said he recommends a bill that addresses funding, where consensus has been reached on technology enhancements, bringing everyone in the state to the same level. He said that would address the 20% PSAP (IP/Router) deficiencies and the GIS study and it could be done and paid for with stranded funds. He recommended another bill to address the broader issue of a statewide plan and further funding.

02:33:19 Rep. Zolnikov asked who will work with the stakeholders on drafting the bill. Rep. Regier said it will be staff and any ETIC member or another legislator.

02:33:53 Rep. Pope said the legislation should identify rulemaking authority and clean up the administration language as well, based on the recommendations.

02:35:02 Recess

02:45:52 Reconvene

02:46:23 **Motion:** Sen. Driscoll moved that the ETIC begin work on the committee bills that were recommended by Rep. Steenberg.

Discussion:

02:46:57 Rep. Steenberg said the first bill will look at the current statute and the need to upgrade and reference next generation 9-1-1 including recommendations from the 9-1-1 Advisory Council regarding jurisdiction, governance, and technology. He said the second bill will look at the technology (IP/Router) deficiencies that currently exist statewide and incorporate funding from stranded funds to bring the legacy PSAP's up to current technology by putting them on an IP platform. The bill also should include funding for a statewide GIS assessment.

02:48:14 Rep. Steenberg said the third bill will be for a statewide 9-1-1 plan and to address the broader funding issues.

02:48:40 Rep. Regier said there is one motion to draft three bills and asked if the ETIC wanted to separate it into three motions.

02:48:55 Sen. Ankney said the three issues are important to Montana. He said it has been his experience that committee bills end up dying and recommended that the ETIC continue to gather information and introduce the bills during the legislative session.

02:49:58 Rep. Regier agreed and said the bills can be drafted and a legislator can revise and sponsor the bill.

02:50:27 Sen. Larsen agreed and said it is important for the stakeholders to be invested in the process.

02:51:12 Rep. Regier asked Mr. Feiss and Mr. Ness if they had anything to add to the motion.

02:51:35 Ms. Nowakowski repeated the motion.

02:52:31 **Vote:** The motion carried unanimously by roll call vote. **(Attachment 4)**

02:53:01 Rep. Regier said the ETIC can look at preliminary bill drafts at the meeting in May.

02:53:11 Sen. Connell said the bill will need to move forward as a committee bill so that staff can proceed without a sponsor. He said when staff presents the bill it either has to become a committee bill with approval by the ETIC or the proponents of the bill will need to find a sponsor.

02:53:49 Rep. Zolnikov said can work with the different groups on any legislative points of contention.

PROGRAM EVALUATION: RAILROAD SAFETY

PSC Update

- 02:54:48 Travis Kavulla vice chairman, Montana Public Service Commission (PSC), said that HB 61 (2015) revised and updated the railroad laws in Montana and gave the PSC authority to participate in the federal rail safety inspection and enforcement program.
- 02:57:12 Mr. Kavulla discussed the PSC's role in rail safety.
- 02:59:08 Mr. Kavulla said in late January the PSC held a roundtable discussion on its rail safety program. [\(Exhibit 7\)](#)

Burlington Northern Santa Fe (BNSF)

- 03:02:01 Barbara Ranf, BNSF, discussed its comments filed in response to the PSC's investigative docket. [\(Exhibit 8\)](#)
- 03:03:15 Ms. Ranf provided information on BNSF.
- 03:04:42 Ms. Ranf discussed BNSF's capital investments and provided information on its 2016 plan for Montana.
- 03:06:32 Ms. Ranf discussed employee training and compliance.
- 03:06:47 Ms. Ranf discussed track infrastructure defect inspections.
- 03:09:27 Ms. Ranf discussed partnering with communities in helping to prepare in the event of an accident.
- 03:12:46 Ms. Ranf discussed the specific crude oil safety measures implemented by railroads.
- 03:13:11 Ms. Ranf discussed railroad crossing safety.

Montana Rail Link

- 03:13:54 Jim Lewis, Chief Sales/ Marketing & Information officer, Montana Rail Link, provided information about Montana Rail Link and its safety program. [\(Exhibit 9\)](#)

Union Pacific Railroad

- 03:21:29 Nathan Anderson, Public Affairs, Union Pacific Railroad, via phone, said the comments that were submitted by Union Pacific to the PSC and the ETIC focused on case law and procedure. [\(Exhibit 10\)](#) He provided information on Union Pacific and discussed what Union Pacific is doing to maintain a safe railroad.

Public Comment: None

Committee Questions and Discussion:

- 03:29:15 Rep. Pope asked Mr. Lewis about economic decisions when considering updates to railroad crossings as communities start to grow and roads carry more traffic.
- 03:34:00 Sen. Larsen asked Mr. Lewis about the criteria used to close a crossing.
- 03:35:04 Sen. Connell asked Mr. Kavulla about the Federal Railroad Administration's (FRA) suggestion that state inspections should be done by deputies and if they finance deputy inspectors. Mr. Kavulla redirected the question.
- 03:35:49 Jeremiah Langston, attorney, PSC, said no federal funding is provided directly to state inspectors, but the FRA does provide equipment and training.

03:36:24 Sen. Connell asked Mr. Langston if the FRA has an expectation of the number of inspectors that a state should have. Mr. Langston said it does not have a formal expectation.

03:37:05 Sen. Connell asked Mr. Langston about FRA's potential suggestion that Montana and the PSC add inspectors. Mr. Langston said there was a suggestion in the legislative audit report when they interviewed the FRA that the Commission could bring on more inspectors to do the fullest and most complete job possible under the inspection program.

03:38:24 Sen. Connell said there was no specific expectation or formal request by the FRA to the PSC to increase inspections. Mr. Langston agreed.

03:39:18 Sen. Connell commented on the improvement in safety documented by the railroad companies.

03:40:21 Rep. Regier said the railroads have the most to gain in safety.

03:40:37 Rep. Steenberg asked Mr. Kavulla about the roundtable discussion and a suggestion that the PSC should move rail safety to another agency.

03:44:17 Rep. Steenberg thanked the railroads for the information they provided and commented on the success in closing a railroad crossing in Missoula.

03:44:40 Rep. Regier asked Mr. Kavulla about hiring more safety inspectors and improvements if the PSC is given more oversight.

03:46:39 Rep. Regier asked Ms. Ranf about the legislative audit report and why it wasn't positive for Montana. Ms. Ranf said it did not look at the bigger picture of rail safety.

03:47:45 Rep. Regier said the audit reported that accidents on Montana railroads did not drop as much as they had nationwide.

03:48:02 Rep. Steenberg said the report indicated railroad accidents trended downward between 2006 and 2014 and that Montana had a 26% decrease in accidents and nationwide there was a 46% decrease.

03:48:19 Rep. Regier asked Ms. Ranf why accidents in Montana didn't drop as much as it had nationwide. Ms. Ranf said Montana may have had fewer accidents to begin with.

03:48:38 Rep. Regier asked Mr. Lewis why the audit wasn't a glowing report on how well Montana's railroads are doing. Mr. Lewis agreed with Ms. Ranf and said that accident rates on Montana Rail Link are better than the national average.

03:49:24 Rep. Regier asked Mr. Anderson for his comments about the accident rates in the audit report.

03:51:16 Recess

04:14:37 Reconvene

MONTANA'S ELECTRICAL GRID

04:14:49 Bob Decker, chief, Public Policy/Regional Transmission Bureau, PSC, provided information on who owns the grid. **(Exhibit 11)**

04:16:36 Mr. Decker said the four categories that classify the grid are generation, transmission, distribution, and the meter.

04:20:51 Mr. Decker discussed who regulates the grid.

04:21:51 Mr. Decker discussed transmission lines and referred to a map showing large transmission lines in the west. **(Exhibit 12)**

04:24:50 Mr. Decker discussed electric transmission lines in Montana. **(Exhibit 13)**

04:29:49 Mr. Decker discussed regional transmission operator systems. **(Exhibit 14)**

Public Comment:

04:35:10 Doug Hardy, Montana Electric Cooperative Association (MECA)

Committee Questions and Discussion:

- 04:37:55 Sen. Larsen asked Mr. Hardy where the electric cooperatives get their energy.
04:40:14 Sen. Larsen asked Mr. Hardy how the electric cooperatives buy power.
04:42:27 Sen. Larsen asked Mr. Hardy if the MECA acts as a broker for its members or if the individual cooperatives select who they buy power from.
04:44:38 Sen. Ankney asked Mr. Hardy if cooperatives get their power through Western Area Power Administration (WAPA). Mr. Hardy said that it is one source of power. Sen. Ankney asked how WAPA works with Midcontinent Independent System Operator (MISO) and the Southwest Power Pool.
04:47:14 Sen. Ankney asked Mr. Hardy if MECA purchases short-term contracts from Colstrip.
04:47:54 Sen. Ankney asked Mr. Decker if part of the Southwest Power Pool goes into Colstrip. Mr. Decker said it does not.
04:48:27 Rep. Pope asked Mr. Decker about incentives to invest in the grid.

SJ 12: NET METERING INCENTIVES

Introduction

04:56:56 Ms. Nowakowski said the ETIC received a chart showing potential incentives programs that could be used by net metered customers in Montana. **(Exhibit 15)**

Department of Environmental Quality

- 04:59:37 Laura Andersen, chief, Energy Bureau, Department of Environmental Quality (DEQ), provided information on the Energy Bureau.
05:01:00 Ms. Andersen discussed the Energy Efficiency and Compliance Assistance Section.
05:01:30 Ms. Andersen discussed the Energy Planning and Renewable Energy Section.
05:02:41 Ms. Andersen discussed the Alternative Energy Revolving Loan Program and how it relates to net metering.

Department of Revenue

- 05:05:16 Ed Caplis, director, Tax Policy and Research, Department of Revenue (DOR), introduced the DOR staff present.
05:06:16 Lee Baerlocher, administrator, Business and Income Taxes Division, DOR, said he is available for questions regarding corporate or income tax credits.
05:07:42 Rocky Haralson, Property Assessment Division, DOR, said he is available to answer any questions on solar power as an alternative energy system.
05:10:22 Aaron McNay, economist, Director's Office, DOR, provided historical information on alternative energy/energy efficiency credits offered through Montana's individual and corporate income taxes. **(Exhibit 16)**

Public Comment:

- 05:15:56 Ben Brouwer, policy director, Montana Renewable Energy Association (MREA).
(Exhibit 17)
- 05:20:44 Pat Corcoran, vice president, Government and Regulatory Affairs, NorthWestern Energy.

Committee Questions and Discussion:

- 05:23:58 Rep. Regier asked Mr. Corcoran why the Dave Gates Generating Station was built.
- 05:26:39 Rep. Regier asked Mr. Corcoran if the Dave Gates Generating Station is operating at capacity.
- 05:27:31 Rep. Regier asked Mr. Corcoran who paid for the Dave Gates Generating Station.
- 05:28:27 Rep. Regier asked if NorthWestern Energy built and paid for the Dave Gates Generating Station.
- 05:28:43 Rep. Regier asked Mr. Corcoran if any renewable generators contributed money to build the Dave Gates Generating Station.
- 05:29:02 Rep. Regier asked if any net metering generators contributed to building the Dave Gates Generating Station. Mr. Corcoran said they did not.
- 05:29:37 Sen. Ankney asked Mr. Corcoran who controls the voltage frequency of electricity that comes off of wind farms.
- 05:31:10 Rep. Regier asked Mr. Corcoran if only renewable generators and net metered generators are charged as customers by the Dave Gates Generating Station or if all ratepayers are charged.
- 05:31:53 Rep. Regier said the DOR does not count net metering panels as increasing value on a house and asked Mr. Caplis what other states do. Mr. Caplis said he did not know, but can find out.

SJ 12: NET METERING COMMITTEE DIRECTION

Overview of study to date

- 05:32:38 Ms. Nowakowski said the ETIC received a worksheet with general questions about net metering based on the existing policy and the direction staff received from the ETIC in January. **(Exhibit 18)** She said staff is seeking direction from the ETIC on findings and possible recommendations on net metering which can be combined with the draft report and presented at the May meeting.
- 05:34:39 Ms. Nowakowski said the ETIC received comments about the PSC's involvement in net metering. **(Exhibit 19)**
- 05:35:21 Ms. Nowakowski said the ETIC needs to consider if the net metering discussion is about NorthWestern Energy or if it should incorporate Montana Dakota Utilities (MDU) and the MECA.
- 05:35:39 Ms. Nowakowski said the ETIC can decide if the information it received on incentives and tax credits and the loan program are satisfactory.
- 05:35:55 Ms. Nowakowski said the ETIC needs to consider the safety and reliability issue and if rules promulgated by the PSC are satisfactory or if changes in statute or rule are needed.

Discussion of Sen. Connell letter

- 05:37:23 Sen. Connell discussed the letter he sent to the PSC supporting efforts to begin a public process of creating the framework necessary for evaluating the costs and benefits of net metering for Montana's public utilities that would then become the basis for future customer-generator compensation considerations. **(Exhibit 20)** He said that after he sent the letter he learned the renewable energy generators and the utilities were having ongoing discussions to arrive at a framework acceptable to both parties and asked to rescind his letter in order to allow the generators and utilities to continue their discussion unimpeded. **(Exhibit 21)**
- 05:45:07 Rep. Zolnikov discussed the letter he wrote asking the ETIC to allow the PSC to open a docket for net metering. **(Exhibit 22)**

Public Comment:

- 05:46:40 Ben Brouwer, MREA
05:49:46 Pat Corcoran, NorthWestern Energy

Committee Questions and Discussion:

- 05:55:48 Rep. Zolnikov asked Mr. Corcoran about the amount of time it will take for the stakeholders to come up with a solution for net metering.
- 05:57:29 Rep. Zolnikov requested that the stakeholders prioritize their discussions so that they can have a framework ready in 3 months.
- 05:59:11 Sen. Larsen thanked MREA for its collaboration efforts with NorthWestern Energy. He asked Mr. Brouwer how the ETIC should proceed with its work on the study.
- 06:03:45 Rep. Pope commented on timing and moving forward on the net metering study.
- 06:04:54 Sen. Connell commented on collaboration and finding a solution.
- 06:10:23 Rep. Regier said the PSC indicated it does not want to duplicate what the ETIC is doing and asked Mr. Kavulla what the PSC can offer.
- 06:15:32 Rep. Regier said he would be open to receiving information about draft legislation from the PSC. Mr. Kavulla said the PSC would be willing to comment on what is brought before the ETIC by the stakeholders or willing to provide ideas on policy reform.
- 06:16:46 Rep. Pope asked Mr. Corcoran if a discussion on decoupling would help NorthWestern Energy be in a better position to address issues of net metering and help in collaborative efforts.
- 06:19:13 Rep. Regier asked Mr. Corcoran if NorthWestern Energy is only collaborating with MREA.
- 06:19:57 Rep. Regier asked Mr. Corcoran if NorthWestern Energy would be agreeable to having the electric cooperatives or other renewable resources join in the discussions.
- 06:21:19 Rep. Regier asked Mr. Corcoran if they are looking at net metering and the number of customers it has now or the number of customers it could have in the future.

Points for Discussion

- 06:23:21 Sen. Connell said that his bill draft requests, LC 10 and LC 11, address the issue of safety and reliability. He said he thought the discussion of tax credits and Universal System Benefits (USB) policies may be better related to the tax or finance committee.
- 06:25:13 Rep. Regier opened discussion on the policy points.
- 06:25:54 Ms. Nowakowski said she recommends that the ETIC start its discussion by determining if the existing and future policy is focused on NorthWestern Energy, if net metering for MDU should continue under the PSC tariff, and whether rural electric cooperatives should continue to operate under individual board policies.
- 06:27:21 Sen. Driscoll recommended not including cooperatives since they are not regulated by the PSC.
- 06:27:45 Sen. Connell agreed and said the structure of the distribution lines is different from the public utilities. He also said that the distribution lines are privately owned.
- 06:28:09 Rep. Steenberg agreed and said cooperatives are overseen by membership boards and have different challenges. Sen. Ankney agreed.
- 06:29:01 Rep. Regier asked Mr. Hardy about the cooperatives and how many have policies that deal with net metering. Mr. Hardy said they all have policies to accommodate net metering.
- 06:29:28 Ms. Nowakowski asked if the ETIC had reached the finding that net metering policy should not be extended to apply to rural electric cooperatives.
- 06:30:01 **Motion/Vote:** Sen. Connell moved to continue to exclude rural electric cooperatives from the net metering policy. The motion carried unanimously by voice vote.
- 06:30:22 Rep. Pope asked why MDU is being excluded from the discussion. Sen Larsen asked for an opinion from staff. Ms. Nowakowski deferred to MDU.
- 06:31:35 Gary Forrester, representing Montana Dakota Utilities, said MDU is required by a PSC order to allow net metering in its system, but has very few customers that net meter. He said that NorthWestern Energy has more customers and more experience with net metering than MDU.
- 06:32:58 Rep. Pope asked Mr. Forrester why one utility has more net metering customers than another. Mr. Forrester said he did not know. Rep. Pope asked Mr. Forrester if there could be a structural reason why. Mr. Forrester said it could be the cost of installation.
- 06:34:51 Rep. Regier asked the PSC why MDU only has four net metering customers. Will Rosquist, administrator, Regulatory Division, PSC, said he did not know the exact reason why.
- 06:36:11 Rep. Regier asked the ETIC if the net metering policy should apply to both the rural electric cooperatives and MDU.
- 06:36:42 Ms. Nowakowski said the existing statute does not apply to MDU, but the PSC has done a tariff to make it apply. She asked the ETIC if the existing policy or future policy should apply to MDU or if MDU should continue under the PSC tariff.
- 06:38:02 Sen. Larsen asked about the reason why there are two different regulations in place for net metering.

06:38:38 Todd Everts, staff attorney, Legislative Services Division, said the original restructuring acts in 1997 and 2007 created an exemption for MDU from electric industry restructuring.

06:39:16 Rep. Regier asked Ms. Nowakowski about the order of discussion for the remaining policy points.

06:40:47 Sen. Connell said LC10 addresses interconnection and safety requirements.

06:41:05 **Motion:** Rep. Connell moved that the ETIC not consider grant, loan, tax credit, or USB policies that are used for net metering. Without objection the ETIC agreed to the motion.

06:41:29 Rep. Regier opened discussion on interconnection safety requirements and asked Sen. Connell to explain his LC 10. Sen. Connell referred the question to staff.

06:41:52 Ms. Nowakowski said that LC 10 is Sen. Connell's bill, not a committee bill. It establishes electrical interconnect requirements and establishes state electrical interconnect protocol.

06:43:18 Sen. Ankney asked Sen. Connell about the language of the bill.

06:44:02 Rep. Pope asked Sen. Connell if bidirectional means smart meter. Sen. Connell said it does as long as the definition of smart meter includes grid management.

06:44:29 Rep. Pope asked Sen. Connell if it will allow someone to turn off another person's system. Sen. Connell said it will not.

06:45:42 Rep. Pope asked Sen. Connell about cost.

06:46:17 Rep. Regier said he thought the generators should be held liable and carry insurance.

06:46:37 Rep. Regier asked the ETIC if it wanted to wait to address the other points until discussions between the renewables and NorthWestern Energy have finished.

06:47:07 Rep. Pope said he recommends waiting and that he hopes the ETIC can formulate a larger statement of finding and purpose for the study and the future of the grid and Montana's energy policy.

06:48:27 Rep. Regier said there are many unknowns for the future which makes it difficult. Rep. Regier said, without objection, the ETIC will wait to address the other discussion points.

06:48:52 Ms. Nowakowski provided a summary of the Committee's action and asked if the ETIC wanted to require smart inverters.

06:49:40 Rep. Regier said the ETIC did not reach a consensus on smart inverters and asked about liability insurance.

06:49:50 Ms. Nowakowski said the consensus to date would be that cooperatives, grant and loan programs, and tax incentives are not included in future discussions of net metering.

06:50:10 Rep. Pope said that close to 48% of all meters in the United States are now considered bidirectional smart meters and said he is in favor of smart meters.

06:50:57 Sen. Ankney asked about safety requirements and the type of equipment needed. Sen. Connell said the bidirectional control would allow grid management to remotely control generation of power from a solar operation.

06:53:26 Mr. Hardy provided information on safety equipment.

06:54:05 Sen. Ankney asked Mr. Hardy if the term used in legislation would be "an interconnection safety device." Mr. Hardy said he recommends letting the utilities decide.

06:55:01 Rep. Regier said he has heard concern from constituents about smart meters.
06:55:17 Sen. Larsen said there was concern from the International Brotherhood of Electrical Workers about net metering because of certain safety issues and asked Mr. Brouwer to address the issue.

06:59:29 Sen. Larsen asked Mr. Brouwer if discussions with NorthWestern Energy will include safety.

06:59:59 Rep. Regier asked about liability insurance.

07:00:12 Sen. Connell suggested inviting an insurance company representative to an ETIC meeting to discuss underwriting liability as part of a homeowners policy.

07:01:00 Rep. Regier said additional discussion points will be deferred until the stakeholders have finished their discussions.

07:02:14 Recess
07:11:49 Reconvene

MARKETING MONTANA'S ENERGY RESOURCES

07:12:20 Mary Craigle, chief, Research and Information Service Bureau, Department of Commerce, said she facilitates and coordinates special projects to the Main Street Montana Project (MSMP) and provided information on marketing Montana's energy. **(Exhibit 23)**

07:15:10 Carl Borgquist, president, Absaroka Energy, provided information on the Energy and Utilities Key Industry Network (KIN). **(Exhibit 24)**

07:19:56 Todd Myers, senior vice president, Business Development, Cloud Peak Energy, presented information on the Natural Resources KIN. **(Exhibit 25)**

07:23:11 Loren Rose, chief operating officer, Pyramid Mountain Lumber, Seeley Lake, discussed the Natural Resources KIN.

07:26:39 Ms. Craigle discussed the Governor's Main Street Montana Project.

Public Comment:

07:28:24 Kyla Maki, Montana Environmental Information Center
07:36:12 Todd O'Hair, Cloud Peak Energy

Committee Questions and Discussion:

07:39:42 Rep. Pope asked Mr. Borgquist about issues related to the transmission of wind and other types of energy that are exported out of state.

07:45:21 Sen. Ankney asked Ms. Maki about renewable energy and how long its use has been increasing.

07:46:16 Sen. Ankney asked Ms. Maki about the energy market.

07:48:30 Sen. Ankney said many customers want low cost reliable energy, but because of administrative regulations they are not allowed to get it.

- 07:49:34 Rep. Regier commented on a recent Energy Summit and said Montana is a solution for people in other countries that live in poverty and are looking for inexpensive and abundant energy. Mr. Borgquist said the coal currently being bought by China from other places is not of a high quality and that Montana can supply high quality coal.
- 07:52:18 Rep. Regier asked Mr. Borgquist if the legislature can help with any of the KIN's recommendations to the governor.
- 07:53:36 Rep. Regier asked Ms. Craigle if renewable energy and its transmission were addressed by the KIN. Mr. Craigle said it was.
- 07:54:29 Rep. Regier said the ETIC can discuss the recommendations at its May meeting.

MONTANA ONE-CALL LAWS AND FEDERAL COMPLIANCE

- 07:55:19 Ms. Nowakowski said the ETIC received a memo concerning Montana's one-call law, or "call before you dig," and that the law does not comply with federal requirements on enforcement. **(Exhibit 26)** She said the ETIC will hear from stakeholders regarding draft legislation to bring Montana into compliance with the U. S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA).
- 07:58:17 Dale Schultz, Montana Utility Coordinating Council, provided an update from the stakeholders. **(Exhibit 27)**

Public Comment:

- 08:03:57 Gary Forrester, MDU

Committee Questions and Discussion:

- 08:05:40 Rep. Regier asked Mr. Schultz about the authority the federal government has over state rights.
- 08:07:27 Sen. Larsen discussed a bill he had tried to introduce and commended the stakeholders on their efforts.

PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC

None

WRAP-UP OF NET METERING DISCUSSION

None

Public Comment: None

Committee Questions and Discussion:

- 08:09:24 Rep. Pope suggested that the ETIC invite Mr. Borgquist to a future meeting to learn more about his proposed energy project. He also said that NorthWestern Energy has several community solar initiatives underway, and the ETIC may want to invite them to talk about their projects and future paths for using distributed generation and to learn more about community solar.
- 08:12:39 Rep. Regier said the ETIC will be taking a tour of Flathead Electric's community solar facility at its May meeting in Kalispell.
- 08:13:13 Sen. Connell clarified his comments on net metering and safety.

OTHER BUSINESS

Discussion on the May meeting in Kalispell

08:14:07 Rep. Regier
08:15:37 Ms. Nowakowski
08:15:48 Rep. Regier

INSTRUCTIONS FOR STAFF

08:16:37 Sen. Ankney

ADJOURN

08:17:35 Rep. Regier adjourned the meeting at 4:19 p.m.

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