



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

Energy and Telecommunications Interim Committee

64th Montana Legislature

SENATE MEMBERS

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

HOUSE MEMBERS

KEITH REGIER--Chair
CHRISTOPHER POPE
TOM STEENBERG
DANIEL ZOLNIKOV

COMMITTEE STAFF

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

MINUTES LOG

May 12, 2016

Flathead Electric - 2510 U.S. Highway 2 East
Kalispell, Montana

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

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

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

COMMITTEE MEMBERS PRESENT

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

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

REP. TOM STEENBERG
REP. DANIEL ZOLNIKOV

COMMITTEE MEMBERS EXCUSED

REP. CHRISTOPHER POPE

STAFF PRESENT

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

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

COMMITTEE ACTIONS

The Energy and Telecommunications Interim Committee (ETIC):

- Approved the minutes from March 11, 2016.

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Regier called the meeting to order at 9:03 a.m. The secretary called the roll. (Attachment 3) Rep. Pope was excused and gave his proxy to Sen. Larsen. (Attachment 4)

WELCOME

00:00:42 Rep. Regier welcomed the ETIC to the Flathead and asked the other legislators present to introduce themselves.

00:02:02 Rep. Mark Blasdel, SD 4

00:03:49 Rep. Mark Nolan, HD 10

00:05:22 Sen. Dee Brown, SD 2

00:07:48 Mark Johnson, general manager, Flathead Electric, thanked the ETIC for visiting the Flathead and provided information about Flathead Electric.

Committee Questions and Discussion:

00:13:09 Rep. Regier asked Mr. Johnson to explain how Pacific Power became Flathead Electric and to compare the size of Flathead Electric with other electric cooperatives in the state and region.

00:17:45 Sen. Larsen asked Mr. Johnson where Flathead Electric buys its electrons. Mr. Johnson said that 95% of its electricity comes from the Bonneville Power Administration.

00:20:02 Rep. Regier discussed the agenda for tomorrow.

00:21:59 Mr. Johnson presented a video on Flathead Electric Cooperative.

PUBLIC SERVICE COMMISSION OVERVIEW

00:25:54 Brad Johnson, chairman, Public Service Commission (PSC), via phone, gave an update on the activities of the PSC. He said that Justin Kraske, chief legal counsel; Will Rosquist, administrator, Regulatory Division; and Mandi Hinman, administrator, Centralized Services Division, were present and available to answer questions.

- 00:26:40 Mr. Johnson discussed the PSC's denial for NorthWestern Energy's request to recover \$8.2 million worth of power purchases resulting from the Colstrip Unit 4 outage.
- 00:27:46 Mr. Johnson discussed a recent filing in May regarding NorthWestern's request for revision of its standard rates for qualifying facilities.
- 00:28:30 Mr. Johnson discussed MDU's request for certification of its Thunder Spirit Wind Facility as an eligible renewable resource.
- 00:29:26 Mr. Johnson discussed MDU's rate increase.
- 00:31:44 Mr. Johnson discussed the rail safety program.
- 00:33:31 Mr. Johnson discussed the recent district court ruling that upheld the PSC's decision that Southern Telephone Company had to disclose salary levels for its executives making over \$100,000 a year.
- 00:34:41 Mr. Johnson discussed the Mountain Water Company case.

Public Comment:

- 00:38:38 Sen. Brown asked Mr. Johnson how the PSC is going to fund the rail safety risk assessment. Mr. Johnson said it will have to be a legislative appropriation or it will have to be reflected in an increase in the percentage the PSC assesses utilities for special funding that they currently operate on.
- 00:39:53 Sen. Brown asked how much railroads are putting into the general fund. Mr. Johnson said about \$200,000 to \$300,000 is being put into the state's special fund for the PSC and that part of two Full-time Equivalent's (FTE) are involved in rail safety. Sen. Brown asked about the number of miles of rail they are inspecting.
- 00:42:40 Sen. Brown asked if the risk assessment report will be ready for the 2017 Legislative Session. Mr. Johnson said that is their intent.

Committee Questions and Discussion:

- 00:42:57 Sen. Larsen asked Mr. Johnson about Mountain Water Company and how the PSC plans to obtain and enforce transferring of the assets. Mr. Johnson redirected the question to Mr. Kraske.
- 00:44:36 Sen. Larsen asked Mr. Kraske about the PSC's standing with respect to approving, through oversight, the transfer of the assets.
- 00:46:14 Sen. Larsen said he is concerned about the ratepayers who will be impacted by the transaction and thanked the PSC for carrying forward as if it has the authority to do the regulation and oversight.
- 00:46:51 Sen. Connell asked Mr. Johnson about the PSC's decision regarding the power outage at Colstrip Unit 4 and if it reflected a historical expectation that utility providers should have insurance when providing energy, or if it constitutes a new expectation that will become a precedent going forward.
- 00:49:04 Sen. Ankney asked Mr. Johnson about the outage at Colstrip and if any of the other utilities involved were allowed to recover the additional power costs through ratepayers.
- 00:50:21 Sen. Ankney asked if any of the utilities had outage insurance. Mr. Johnson said he did not know.
- 00:50:56 Sen. Ankney asked Mr. Johnson if Montana has any enforcement capabilities regarding the railroad safety program. Mr. Johnson said the PSC has limited authority granted by the Federal Railroad Administration (FRA).

00:51:59 Rep. Steenberg asked Mr. Johnson about Mountain Water Company and what the PSC's process for evaluating rates will be and how long it will take. Mr. Johnson redirected to Mr. Kraske.

00:53:45 Rep. Steenberg said that Mountain Water argued during the hearing that its rates were justifiable due to additional tax costs it is paying and asked Mr. Kraske how the PSC takes that into consideration in its review and decision.

00:55:08 Rep. Steenberg thanked Mr. Kraske and said he looks forward to the hearing on May 31. Mr. Kraske said the hearing will be broadcast on the PSC's website.

00:55:36 Mr. Johnson said the ETIC received the PSC's 2015 Chairman's Report. [\(Exhibit 1\)](#)

CONSUMER COUNSEL OVERVIEW

00:56:36 Bob Nelson, Montana Consumer Counsel, via phone, provided an update on activities that the Consumer Counsel has been involved in.

00:57:20 Mr. Nelson said they are working with NorthWestern Energy in the second piece of the compliance filing for the reacquisition of the hydroelectric facilities based on the transfer of the Kerr Dam properties to the Confederated Salish and Kootenai Tribes (CSKT).

00:57:42 Mr. Nelson said the Consumer Counsel is involved in several electric cost tracker dockets.

00:58:38 Mr. Nelson discussed the NorthWestern Energy docket involving the Havre Pipeline Company.

00:59:06 Mr. Nelson discussed Montana Dakota Utilities.

01:01:03 Mr. Nelson discussed Mountain Water Company.

Public Comment: None

Committee Questions and Discussion: None

FIELD TRIP

- FH Stoltze Land and Lumber Company, 600 Halfmoon Road, Columbia Falls.
 - Hungry Horse Dam, 2501 Colorado Blvd., Hungry Horse.
- 01:03:07 Sonja Nowakowski, research analyst, Legislative Services Division, provided information on the scheduled field trips.
- 01:03:37 Recess 10:06 a.m.
- 01:03:38 Reconvene 4:04 p.m.

MONTANA ONE-CALL LAWS AND FEDERAL COMPLIANCE

01:04:15 Dale Schultz, Montana Utility Coordinating Council, provided an update on the "Call Before You Dig" law. [\(Exhibit 2\)](#)

Public Comment: None

Committee Questions and Discussion:

- 01:11:40 Sen. Larsen asked Mr. Schultz about the members of the stakeholder group. Mr. Schultz said he will put together a list from the sign in sheets for the three meetings that were held.
- 01:15:06 Rep. Regier asked Mr. Schultz if the stakeholders are looking to put together one bill or a series of bills. Mr. Schultz said that right now they are looking at just one bill.

ADMINISTRATIVE MATTERS

Adoption Of March Meeting Minutes

- 01:17:10 **Motion/Vote:** Sen. Driscoll moved to adopt the March 11 minutes. The motion carried unanimously by voice vote.

Administrative Rule Update

- 01:18:06 Todd Everts, staff attorney, Legislative Services Division, presented the administrative rule report. **(Exhibit 3)** He said there was only one procedural rule that the Public Service Commission had up for adoption on internal procedures regarding commission decisions and orders.
- 01:18:32 Rep. Regier asked Mr. Everts if it was a benign rule.

Committee Discussion on the Field Trip:

- 01:19:00 Rep. Regier
- 01:19:16 Sen. Ankney
- 01:19:34 Rep. Regier
- 01:19:38 Rep. Steenberg
- 01:19:55 Rep. Regier

PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC

None

- 01:20:38 Rep. Regier said that the ETIC will reconvene at 8:00 a.m. tomorrow and depart for the landfill gas to energy project.
- 01:21:07 Rep. Regier recessed the meeting at 4:21 p.m.

CI0099 6161nsrc.