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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

September 11, 2015
Room 172, Capitol Building
Helena, 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.

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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. CHRISTOPHER POPE
REP. TOM STEENBERG
REP. DANIEL ZOLNIKOV

STAFF PRESENT

SONJA NOWAKOWSKI, lead staff
TODD EVERTS, staff attorney
NADINE SPENCER, secretary

AGENDA AND VISITORS' LIST

Agenda, Attachment 1.
Visitor's list, Attachment 2.

COMMITTEE ACTIONS

The Energy and Telecommunications Committee:

- Approved the meeting minutes log from June 5;
- Elected to send Sen. Larsen and Sen. Ankney to a meeting hosted by the Washington State Legislature, in Spokane, on Colstrip Units 1 and 2.
- Approved a letter to send to Washington Utilities and Transportation Commission (WUTC) with its comments in accordance with WUTC Docket UE-151500.

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.
- 00:00:34 Rep. Regier requested a moment of silence to remember the victims of the September 11, 2001 terrorist attacks.

ADMINISTRATIVE MATTERS

Adoption of ETIC final work plan

- 00:01:29 Sonja Nowakowski, research analyst, Legislative Services Division (LSD), said the ETIC received a copy of the final work plan outlining the time allocations adopted at the June meeting and the best way for the ETIC to meet its goals by September 2016, Exhibit 1.

Adoption of June ETIC minutes

- 00:03:09 **Motion/Vote:** Rep. Pope moved to accept the minutes log from June 5. The motion carried unanimously by voice vote.

PNWER UPDATE

- 00:03:30 Sen. Larsen gave an update on the Pacific Northwest Economic Region (PNWER) Annual Summit in July, Exhibit 2.

Committee questions and discussion:

- 00:08:02 Sen. Ankney said as a result of a conversation he had with a legislator from Washington state about Colstrip Power Plants I and II, during a PNWER meeting held in Montana this summer, a meeting has been scheduled in October with legislators from Washington and Montana.
- 00:09:47 Sen. Larsen said host committees for PNWER are expected to raise \$150,000 from private enterprise to contribute to the cost of sponsoring the PNWER event. He said Montana exceeded the amount and was able to lower the cost for participants to attend this summer in Big Sky.
- 00:10:47 Rep. Regier asked if there was a theme or a major issue that was discussed at the conference. Sen. Larsen said there were 21 focus areas.

STATUTORY ADMINISTRATIVE RULE REVIEW

- 00:11:59 Todd Evert, staff attorney, LSD, presented the legislative administrative rule review report, Exhibit 3.

Public comment: None

Committee questions and discussion: None

111d COMMITTEE UPDATE

- 00:13:12 Ms. Nowakowski presented an update on the 111(d) Subcommittee meeting on September 10.

Committee questions and discussion:

- 00:16:35 Rep. Ankney said there will be an indirect affect to plants outside of Montana that it ships coal to. Rep. Regier said what other states do with their carbon emissions will affect Montana as well as what Montana does with the rule.
- 00:17:59 Rep. Regier said the subcommittee will monitor how to comply with the rule and work with the Department of Environmental Quality (DEQ) to provide input.
- 00:19:59 Sen. Driscoll said California and Oregon have been proactive in their approach to carbon emissions which is why they will be able to increase carbon emissions under the rule.
- 00:20:31 Rep. Steenberg said the final rule opens up a possibility that Montana can work with other states to figure out the nuances.
- 00:21:20 Rep. Zolnikov said there may be changes to the law that affect the rule.
- 00:21:57 Sen. Ankney said the rule is similar to the sage grouse conservation plan in that the governor from each state will be asked to come up with a plan and the legislature will be tasked with funding the plan.
- 00:22:47 Rep. Regier agreed. He said several states are getting together to file a lawsuit to stop the rule.
- 00:23:12 Sen. Larsen said funding has to go through the legislature in order for the governor to have the appropriations to implement the plan.

- 00:23:53 Rep. Zolnikov said the renewable portfolio could be tweaked as a solution to adjust rates.
- 00:24:20 Sen. Connell said he and other members of the legislature were part of the Greater Sage-Grouse Habitat Conservation Advisory Council and were able to explain the plan and be advocates for its support during the legislative session. He said he anticipates a similar approach with the 111(d) rule.
- 00:25:18 Sen. Connell commented on the revenue impact the rule will have on the state.

Public comment: None

COLSTRIP UNITS 1 & 2 - WASHINGTON STATE

- 00:27:14 Ms. Nowakowski said the WUTC opened a docket to assess the economic risks associated with continued operation of, and the costs to retire, Colstrip Units 1 and 2. She said they are accepting written comments until September 15, Exhibit 4.
- 00:29:25 Ms. Nowakowski said the Washington State Legislature is also taking steps to continue its discussion of closing Colstrip Units 1 and 2. She said they are considering scheduling a meeting in Spokane in October and are inviting legislators from Montana. She said the Environmental Quality Council (EQC) is sending Sen. Keane and Sen. Ripley to the meeting.
- 00:31:23 Ms. Nowakowski asked if the ETIC wanted to submit comments to the WUTC and if it wants to allocate money from its budget to send members to the meeting in Spokane.

Public comment: None

Committee questions and discussion:

- 00:32:02 Sen. Ankney submitted a letter for consideration that he wrote on behalf of the ETIC to the WUTC, Exhibit 5.
- 00:33:02 Sen. Ankney asked if the hearing the Washington legislature and the discussion the WUTC are having is on the remediation for environmental clean-up of Colstrip 1 and 2 and whether the costs will be paid for by the rate payers. Ms. Nowakowski said that during the Washington legislative session there were concerns about what the remediation costs would be to close Colstrip Units 1 and 2 and who would pay those costs.
- 00:34:11 Rep. Regier opened discussion on sending a letter to the WUTC.
- 00:34:28 **Motion:** Sen. Driscoll moved to send Sen. Larsen and Sen. Ankney to the meeting in Spokane.

Discussion:

- 00:34:52 Sen. Larsen said the meeting in Spokane is the result of a discussion he and Sen. Ankney had with Rep. Jeff Morris, from Washington, during the PNWER conference.
- 00:36:56 **Vote:** The motion carried unanimously by voice vote.

- 00:37:05 Rep. Regier said any ETIC member can attend the meeting and asked when the meeting is scheduled. Ms. Nowakowski said it is tentatively scheduled for October 28.
- 00:37:44 Sen. Ankney summarized the letter he wrote.
- 00:40:08 Rep. Regier asked Sen. Ankney why the WUTC is focused on closing Colstrip Units 1 and 2.
- 00:41:18 Sen. Connell said the letter should include an invitation to the WUTC and Washington legislators to attend a public hearing in Colstrip or Rosebud County. Rep. Regier agreed.
- 00:43:01 **Motion:** Sen. Ankney moved to send a letter from the ETIC in accordance with WUTC Docket UE-151500.

Discussion:

- 00:43:21 Rep. Regier said members of the ETIC can review the letter and provide comments before the end of the meeting.
- 00:43:46 Sen. Connell said the letter can also be sent to all members of the Washington legislature.
- 00:44:20 Sen. Driscoll requested the vote be postponed until the end of the meeting. Rep. Regier said the ETIC can vote on the idea of the letter now and approve the final draft this afternoon.
- 00:45:08 Sen. Ankney asked if the ETIC needs to make a motion to send Ms. Nowakowski to the meeting in Spokane. Sen. Larsen agreed that Ms. Nowakowski should attend the meeting.
- 00:45:59 Rep. Pope asked if the ETIC is legally bound by the data in the letter. Sen. Ankney said the letter is meant as a comment only. He said staff provided the facts that are in the letter. Ms. Nowakowski said the data was taken from a memorandum sent to Director Kadas, Department of Revenue. She said the numbers are tentative and used as illustrations.
- 00:48:36 Sen. Larsen said the letter is a correspondence rather than a binding agreement. Mr. Evert said he agreed.
- 00:49:14 **Vote:** The motion carried unanimously by voice vote.
- 00:49:23 Rep. Regier said the ETIC will discuss any changes to the letter this afternoon.

Public comment: None

PUBLIC SERVICE COMMISSION OVERVIEW

- 00:50:22 Brad Johnson, chairman, Public Service Commission (PSC), presented an overview of PSC activity.
- 00:55:22 Mr. Johnson discussed the proposed rate case from Montana Dakota Utilities (MDU).

00:56:29 Mr. Johnson discussed the City of Missoula's attempt to acquire the assets of Mountain Water Company.
00:57:14 Mr. Johnson discussed the PSC's approval of an agreement with Century Link.
00:59:07 Mr. Johnson said the PSC has issued its final rule on SB 396 (2015) for transportation network carriers and has issued four certificates of authority for carriers who will be providing service to Montanans.
01:00:01 Mr. Johnson discussed the Clean Power Plan.

Public comment:

01:04:54 Ben Brouwer, policy director, Montana Renewable Energy Association (MREA)
01:06:49 Duane Catlett, Northern Plains Research Counsel
01:08:31 Diego Rivas, senior policy associate, Northwest Energy Coalition

Committee questions and discussion:

01:13:18 Rep. Pope asked Mr. Johnson about the PSC's role in helping to promote energy efficiency on the state's power grid.
01:17:16 Rep. Pope asked Mr. Johnson if he feels Northwestern Energy created questionable investments in energy efficiency and then tried to pass it onto its customers. Mr. Johnson said he did not know.
01:18:08 Rep. Pope asked Mr. Johnson what steps the PSC has taken to ensure that Northwestern Energy hasn't gotten a false signal that the PSC is interested in it ceasing and not pursuing energy efficiency on the state's power grid.
01:19:53 Rep. Regier asked Mr. Brouwer about the MDU rate case and what a reasonable surcharge is for net metering.
01:21:18 Rep. Zolnikov asked about funding for the Connect America Fund (CAF) Phase II. Mr. Johnson said it is funded by the Federal Communications Commission (FCC).
01:22:58 Rep. Zolnikov asked if the CAF Phase II is going to help Century Link profit. Mr. Johnson said it will.

CONSUMER COUNSEL OVERVIEW

01:25:26 Bob Nelson, Montana Consumer Counsel, presented an overview of the Counsel.

Public comment: None

Committee questions and discussion:

01:32:41 Sen. Driscoll asked Mr. Nelson who can help the ETIC fund a cost benefit analysis.

HJ 7: NEXT GENERATION 9-1-1

Introduction

- 01:34:15 Ms. Nowakowski presented an introduction to the HJ 7 (2015) next generation 9-1-1 study, Exhibit 6.
- 01:35:56 Ms. Nowakowski said there are three 9-1-1 funds: basic, enhanced, and wireless enhanced funds.
- 01:40:11 Ms. Nowakowski asked the ETIC how it wants to move forward on the study.

Role of GIS

- 01:41:40 Stewart Kirkpatrick, state GIS coordinator, Montana State Library, gave a PowerPoint presentation on the role of GIS in next generation 9-1-1, Exhibit 7.

Stranded Funds

- 02:13:47 Quinn Ness, chief, Public Safety Communications Bureau, State Information Technology Services Division, Department of Administration, discussed the 9-1-1 Program Wireless Provider Cost Recovery Fund.

Public comment:

- 02:16:45 Jay Preston, Ronan Telephone Company and Hot Springs Telephone Company
- 02:20:45 David Voisvert, Blaine County
- 02:26:20 Bonnie Lorang, Triangle Communications and Nemont Communications and their wireless subsidiaries
- 02:29:38 Sandra Barrows, Triangle communication and Nemont Communication and their wireless subsidiaries, Exhibit 8.

Committee questions and discussion:

- 02:36:53 Rep. Steenberg asked Mr. Ness where he believes the stranded fund balance is going in relation to HB 575 (2013) and the disbursements that have been made.
- 02:39:49 Rep. Steenberg asked Mr. Ness about next generation 9-1-1 and the need for a state plan.
- 02:41:28 Sen. Connell asked Mr. Ness about the dependability of wireless systems and the lack of coverage in some parts of Montana.
- 02:46:26 Rep. Zolnikov asked Mr. Ness if there is any outreach done to make the public aware of available 9-1-1 services.
- 02:49:42 Rep. Pope asked if there will be other applications for the data used to build the next generation 9-1-1 database in order to help share the cost. Mr. Kirkpatrick said the data is valuable on a variety of levels.
- 02:52:45 Rep. Regier asked the ETIC if it wanted to include stranded funds in the 9-1-1 study. Rep. Steenberg said he supported including the funds.

02:54:20 Sen. Larsen asked Ms. Nowakowski about stranded fund legislation during the 2013 Legislative Session. Ms. Nowakowski suggested having stakeholders provide input at the January ETIC meeting.

SJ 12: NET METERING OTHER STATES

Introduction

02:56:31 Ms. Nowakowski presented an overview of what other states are doing on net metering, Exhibit 9.

Public comment:

02:59:50 Meredith Roberts, deputy director, Policy and Electricity Markets and deputy regulatory counsel, SolarCity

03:01:17 Pat Corcoran, vice president, Governmental and Regulatory Affairs, Northwestern Energy

03:02:40 Doug Hardy, Montana Electric Cooperatives' Association (MECA)

03:03:33 Recess

03:13:59 Reconvene

SJ 12: NET METERING SAFETY AND RELIABILITY

Introduction

03:14:29 Ms. Nowakowski said the SJ 12 study asks the ETIC to review safety and system reliability issues related to net metering. She said a background report focusing on interconnection was provided by staff, Exhibit 10.

Solar Electric Power Association

03:18:12 John Sterling, senior director, Research and Advisory Services, Solar Electric Power Association (SEPA), via phone, gave a PowerPoint presentation Exhibit 11.

03:18:36 Mr. Sterling presented an overview of SEPA.

03:21:02 Mr. Sterling defined what net metering is.

03:23:35 Mr. Sterling discussed rate making and net energy metering (NEM).

03:26:23 Mr. Sterling discussed costs and cost recovery for utility fixed costs.

03:29:23 Mr. Sterling discussed cost-benefit calculations and methodologies.

03:30:37 Mr. Sterling discussed the cost for solar energy.

03:33:44 Mr. Sterling discussed SEPA's 51st State Initiative.

Electric Power Research Institute

- 03:35:34 Barbara Tyran, director, Washington and State Relations, Electric Power Research Institute (EPRI), via phone, gave a PowerPoint presentation, Exhibit 12.
- 03:35:57 Ms. Tyran presented an overview of EPRI
- 03:37:45 Ms. Tyran discussed integration of resources and grid connectivity.
- 03:44:06 Ms. Tyran discussed the power system.
- 03:48:52 Ms. Tyran discussed the steps to apply a benefit-cost framework to the net metering discussion.
- 03:51:01 Ms. Tyran discussed the outcome of integrated grid technology pilots.

Committee questions and discussion:

- 03:53:16 Sen. Connell asked Mr. Sterling if the 51st State Initiative will be limited to an economic discussion or if it will include technical and engineering challenges.
- 03:56:06 Sen. Connell asked Ms. Tyran if the pilot trials have an adequate spread between rural and urban areas.
- 03:58:04 Sen. Connell requested that both Mr. Sterling and Ms. Tyran keep staff informed of new developments.
- 03:58:25 Rep. Pope asked about integrating solar users into a single power source. Mr. Sterling discussed community solar programs and aggregating rooftop assets in order to have more control of what they do. Ms. Tyran said there is a lot of potential with community solar and discussed demand response and how to harness the capability of the customer to serve the utility.
- 04:05:22 Rep. Regier asked if there have been any issues with covenants or zoning laws restricting the use of solar panels. Mr. Sterling said there has been with homeowners associations.
- 04:07:16 Recess
- 04:30:58 Reconvene

Public comment:

- 04:31:30 Mr. Hardy, MECA
- 04:31:56 Mr. Brouwer, MREA
- 04:35:18 Jeff Fox, Montana policy manager, Renewable Northwest

Committee questions and discussion:

- 04:38:32 Sen. Connell asked if the rules produced by the PSC in 2010 impacted the rural electric cooperatives in the state. Mr. Hardy said it did not.
- 04:39:26 Sen. Connell said the PSC has no legal authority over the electric cooperatives. Mr. Hardy agreed.
- 04:39:38 Sen. Connell asked Mr. Hardy about the difference in standards for wattage tolerance for net metering for utilities and rural electric cooperatives.
- 04:40:14 Sen. Connell asked about the number of net metering customers on rural electric cooperatives across the state. Mr. Hardy said it varies by co-op.
- 04:41:25 Sen. Connell asked if 15% and peak load is a reasonable firewall for limitation of

net metering to protect distribution lines. Mr. Hardy said it depends on the location.

04:45:34 Sen. Connell asked if the ETIC wanted to review and update the policy base upon which the PSC and the rural electric cooperatives operate. The discussion could be about the different tools and inverter technologies available to encourage improvement and expansion of distributed generation and also to protect line integrity.

RENEWABLE ENERGY CREDIT REPORTS

04:50:06 Ms. Nowakowski presented the renewable energy credit reports and the staff analysis, Exhibit 13.

Public comment:

04:57:00 Mr. Hardy

Committee questions and discussion:

04:58:10 Rep. Pope asked Ms. Nowakowski what the goal is for the data and RPS reporting.

04:59:23 Rep. Pope asked Ms. Nowakowski about reporting requirements for renewable energy credits.

PUBLIC COMMENT ON ANY MATTERS WITHIN THE JURISDICTION OF THE ETIC

05:00:32 Laura Andersen, chief, Energy Bureau, DEQ, said the agency is available to provide program support for the net metering study. She said in conjunction with the ETIC staff the bureau publishes *Understanding Energy in Montana*, an analysis of energy trends and issues in Montana, Exhibit 14.

05:02:02 Mike Green, partner, Crowley Fleck Attorneys, introduced himself.

Committee questions and discussion:

05:03:05 Sen. Ankney discussed the U.S. and China Clean Coal Industry Forum he attended in Billings.

05:08:35 Rep. Pope discussed decoupling and requested staff include it as a topic in the net metering study.

05:14:11 Rep. Zolnikov said he attended a conference that included a discussion of the 111(d) rule in Washington D.C. and he will be attending future conferences. He also discussed smart grids.

05:16:02 Ms. Nowakowski discussed the agenda for the January ETIC meeting.

Discussion on the direction for next generation 9-1-1 study:

05:17:20 Sen. Larsen

05:17:49 Ms. Nowakowski

05:18:16 Sen. Larsen

05:19:25 Rep. Zolnikov
05:19:56 Rep. Regier
05:20:20 Rep. Zolnikov
05:20:54 Rep. Regier
05:21:00 Ms. Nowakowski
05:22:07 Rep. Zolnikov
05:22:59 Rep. Regier
05:23:32 Sen. Larsen
05:24:54 Rep. Regier

SJ 12: NET METERING QUESTIONNAIRES

05:25:45 Ms. Nowakowski discussed the net metering questionnaire that was sent to stakeholders, Exhibit 15.
05:26:10 Sen. Larsen left the meeting.

Public comment:

05:28:51 Mr. Brouwer, Exhibit 16
05:39:01 Mr. Hardy, Exhibit 17
05:46:30 Mr. Corcoran

Committee questions and discussion:

05:57:01 Sen. Driscoll asked Ms. Andersen if there are specific questions that the ETIC should be asking in order to find out what the costs and benefits are. Ms. Andersen said the DEQ can help review the questionnaire and offer ideas for additional questions.
05:59:00 Sen. Driscoll asked Ms. Nowakowski if she can contact the PSC and Consumer Counsel for input as well. Ms. Nowakowski said she will also compile information on what rate design studies have been done in other states. She said she will contact the Consumer Counsel, the PSC, and DEQ for their follow up questions and provide it to the ETIC before the January meeting.
06:00:05 Rep. Zolnikov asked Mr. Brouwer to break down the quantified amounts on the net metering benefits and cost sheet that the MREA did on Northwestern Energy's estimates.
06:09:42 Sen. Connell asked Mr. Corcoran about standardizing modeling procedures.
06:13:27 Rep. Pope asked Mr. Corcoran to clarify the average annual bill impact from lost revenue for all net metered customers.
06:15:46 Rep. Pope asked Mr. Corcoran about costs and benefits from scheduled power.
06:18:02 Rep. Regier asked Mr. Brouwer who had input into the questionnaire sent to MREA.
06:20:37 Rep. Regier asked if the questionnaire was sent to all of the co-ops. Mr. Hardy said it was, but not all of the co-ops responded.

06:21:26 Rep. Regier asked Mr. Hardy if he had looked at MREA's responses to the questionnaire.
06:25:42 Rep. Regier asked Mr. Corcoran if he has had a chance to look at MREA's responses to the questionnaire.
06:26:15 Rep. Regier asked Mr. Corcoran if there was a connection between net metering and deregulation in the 1990's.
06:29:16 Rep. Regier asked if there will be time at the January meeting to discuss the questionnaires. Ms. Nowakowski said there will be.

OTHER BUSINESS

ETIC letter regarding WUTC Docket UE-151500

Discussion:

06:29:46 Rep. Regier
06:30:05 Sen. Driscoll
06:31:51 Rep. Regier
06:32:01 Sen. Driscoll
06:32:29 Sen. Connell
06:33:27 Rep. Regier
06:33:33 Sen. Connell
06:33:45 Rep. Zolnikov
06:34:45 Sen. Ankney
06:36:21 Rep. Regier
06:36:28 Sen. Connell
06:36:56 Rep. Steenberg
06:37:44 Rep. Regier

06:37:53 **Motion:** Sen. Ankney moved to send the letter to WUTC with the changes made by Sen. Driscoll, Exhibit 18.

Discussion:

06:38:21 Rep. Pope
06:42:53 Rep. Regier
06:43:06 Rep. Pope
06:43:25 Rep. Regier
06:43:43 Sen. Ankney restated his motion.

06:44:59 **Vote:** The motion carried 6-2 by roll call vote with Rep. Pope and Rep. Steenberg voting no. Sen. Larsen voted by proxy, Attachment 4.

Discussion:

06:45:35 Rep. Regier
06:45:39 Ms. Nowakowski
06:46:04 Rep. Zolnikov
06:46:21 Ms. Nowakowski

06:46:28 Sen. Ankney
06:46:49 Rep. Regier

SJ 12 NET METERING TOURS

06:47:06 Rep. Regier

06:48:16 Rep. Regier adjourned the meeting at 2:49 p.m. prior to the tours.

- Northwestern Energy, Exhibit 19
- River Rock Residences, Rocky Mountain Development

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