



## Energy and Telecommunications Interim Committee

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### 62nd Montana Legislature

#### SENATE MEMBERS

ALAN OLSON--Chair  
VERDELL JACKSON  
JIM KEANE  
CLIFF LARSEN

#### HOUSE MEMBERS

TONY BELCOURT--Vice Chair  
ROBYN DRISCOLL  
HARRY KLOCK  
AUSTIN KNUDSEN

#### COMMITTEE STAFF

SONJA NOWAKOWSKI, Lead Staff  
TODD EVERTS, Staff Attorney  
DAWN FIELD, Secretary

# MINUTES

July 16, 2012 - Day 1  
8:30 a.m.

Montana Board of Oil and Gas Conference Room  
Billings, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

#### **COMMITTEE MEMBERS PRESENT**

SEN. ALAN OLSON, Chair  
SEN. VERDELL JACKSON  
SEN. JIM KEANE  
REP. ROBYN DRISCOLL  
REP. HARRY KLOCK  
REP. AUSTIN KNUDSEN

#### **COMMITTEE MEMBERS EXCUSED**

REP. TONY BELCOURT, Vice Chair  
SEN. CLIFF LARSEN

#### **STAFF PRESENT**

SONJA NOWAKOWSKI, Lead Staff  
DAWN FIELD, Secretary

#### **AGENDA & VISITORS' LIST**

Agenda, Attachment #1.  
Visitors' list, Attachment #2.

## **COMMITTEE ACTION**

The Energy and Telecommunication Interim Committee:

- approved the minutes of the May 2012 meeting;
- approved PSC proposed legislation - revise motor carrier regulations to conform with federal requirements;
- approved PSC proposed legislation - revise RPS statutes;
- approved One-Call Report for publishing and distribution; and
- approved re-drafting of LC 319 from the 2011 session (revise definition of eligible renewable resource to include hydroelectric facility expansion).

## **CALL TO ORDER/ROLL CALL**

00:00:01 SEN. OLSON called the meeting to order at 8:31 a.m. The Secretary noted the roll, Sen. Larsen and Rep. Belcourt were excused (Attachment 3). SEN. OLSON reviewed the meeting agenda.

## **WELCOME BY MONTANA BOARD OF OIL AND GAS CONSERVATION**

00:00:37 Tom Richmond, Administrator, Board of Oil and Gas Conservation, welcomed the Energy and Telecommunication Interim Committee (ETIC) to the facility. He gave a brief history of the Board and the building.

00:02:49 SEN. OLSON briefly discussed security policies for both tours and requirements for tour participants.

00:04:43 **Sonja Nowakowski, Research Analyst, Legislative Services Division (LSD)**, reminded everyone that the meeting would not resume until after the lunch break. SEN. OLSON recessed the meeting until 2:00 p.m.

## **BREAK FOR TOURS**

### **PPL MONTANA'S J.E. CORETTE PLANT**

Overview of Operations - Tom Olson, Plant Manager, and PPL staff provided an overview of plant operations and a guided tour of the plant.

### **BILLINGS PHILLIPS 66 REFINERY**

Steve Wade, Phillips 66, gave the ETIC an overview and guided tour of the Billings Phillips 66 plant and operations.

## **LUNCH BREAK**

06:20:51 SEN. OLSON reconvened the ETIC at 2:52 p.m.

## **PSC REPORTS AND DRAFT LEGISLATION**

06:21:41 Ms. Nowakowski reminded the committee received an ETIC staff memorandum regarding Public Service Commission draft legislation (EXHIBIT 1) and materials relating to the three PSC legislative proposals in advance of the meeting. She said the PSC would discuss the proposals and that the ETIC must decide if it wished to have them drafted as agency bills. If not, she said, the PSC would have to find an individual sponsor. Ms. Nowakowski said that this is the committee's opportunity to provide insights, comments, and constructive criticisms.

06:24:52 **Travis Kavulla, Chair, Public Service Commission (PSC)**, provided a brief update on current and upcoming PSC dockets and activities (EXHIBIT 2).

06:35:21 Commissioner Kavulla noted that the PSC has retained a national consultant to look into planning and procurement rules. He said it is an appropriate time to look into this, considering NorthWestern Energy's (NWE) desire to own more generation.

#### **Committee Questions**

06:37:42 SEN. KEANE asked if rules would be in place soon. Commissioner Kavulla said that he did not have a time frame at this time. He said that a stakeholder workshop is scheduled for August and predicted that it would be late in 2012 or early 2013 before the process would be complete.

06:39:14 SEN. KEANE asked that Ms. Nowakowski be kept informed. Commissioner Kavulla said he would do so. He said he would be sure to invite her to the August meeting and would also provide written updates.

#### **Proposed PSC Legislation**

06:40:18 Commissioner Kavulla discussed two "housekeeping" bills as proposed by the PSC (EXHIBIT 3):

- Revise motor carrier bills to conform with federal laws (EXHIBIT 4); and
- Revise 76-4-104, MCA, revise small water utility requirements (EXHIBIT 3).

#### **Committee Questions**

06:45:13 SEN. KEANE asked if the PSC consulted with realtors on the small water utility bill. Commissioner Kavulla said no because it is still conceptual.

06:46:08 SEN. KEANE asked about the PSC's role in this issue. Commissioner Kavulla said that the PSC already has jurisdiction and that the bill would ask a subdivision developer to plan for how water utility rates will be set and who will own it.

06:47:10 REP. KNUDSEN said that this has been an emerging issue in his district because of all of the new housing developments in eastern Montana. He discussed the issue further.

06:48:08 **Jason Brown, Staff Attorney, PSC**, presented the third PSC legislative proposal: revise various proposals in the renewable portfolio standard (RPS) statutes (EXHIBIT 3). He referred to a proposed bill draft (EXHIBIT 5) and a list of several contradictions in statute (EXHIBIT 6) that the legislation would fix.

#### **Committee Questions**

06:54:22 There were no questions.

#### **Public Comment**

06:54:47 **Jeff Fox, Renewable Northwest Project**, said that he does not see problems with any of the bill drafts, as currently proposed.

### **Committee Action**

- 06:56:40 **REP. KNUDSEN moved to support the motor carrier clean-up bill and the revise RPS language bill.** SEN. OLSON suggested that each bill draft proposal be voted on separately. **REP. KNUDSEN moved to approve drafting of the revise RPS language bill. The motion passed on a 5-2 roll call vote. SEN. KEANE and SEN. OLSON voted no, Sen. Larsen voted yes by proxy (Driscoll) Attachment 4.**
- 06:58:38 **REP. KNUDSEN moved to approve drafting of the motor carrier clean-up bill. The motion passed on a unanimous roll call vote. Sen. Larsen voted yes by proxy (Driscoll) Attachment 5.**

### **Directions to Staff**

- 06:59:49 Ms. Nowakowski said that she would work with the PSC on preintroduction of the bills and that either REP. KNUDSEN could carry them or the PSC could find its own sponsor.

### **ONE-CALL UPDATE**

- 07:00:39 Ms. Nowakowski said that the draft One-Call Report (EXHIBIT 7) has been out for public comment since June and that only a limited amount of comments were received (EXHIBIT 8). She noted that the findings and conclusions are listed on page 2 of the report and asked that the members notify her if changes or additions are needed. She said that with ETIC approval, the report will be printed and available in early September.

### **Public Comment**

- 07:02:34 There was no public comment.

### **Committee Action**

- 07:02:57 **SEN. KEANE moved to publish the draft One-Call Report. The motion passed on a unanimous voice vote.**

### **CARBON STORAGE AND ENHANCED OIL RECOVERY**

- 07:03:38 **Greg Schnacke, Denbury Resources, Inc.,** discussed a PowerPoint presentation explaining Denbury Resources and enhanced oil recovery (EXHIBIT 9). Mr. Schnacke also provided a brochure outlining Denbury's CO<sub>2</sub> strategy (EXHIBIT 10).
- 07:22:17 Mr. Schnacke updated the ETIC on what is going on nationally in carbon capture and storage, and greenhouse gas reporting requirements.

### **ETIC Questions and Discussion**

- 07:29:29 SEN. JACKSON referred to page 9 of Mr. Schnacke's presentation and asked how primary recovery numbers were figured. Mr. Schnacke explained how production averages, based on industry numbers, were used to make that determination.

- 07:31:00 SEN. JACKSON asked, in the secondary recovery process, if the CO<sub>2</sub> is gas or liquid when it is put back underground. Mr. Schnake said it could potentially be both and explained further.
- 07:32:28 SEN. JACKSON asked about CO<sub>2</sub> production. Mr. Schnake referred to page 20 of his presentation and discussed CO<sub>2</sub> sources and projected production time lines.
- 07:34:12 SEN. KEANE asked about the timing for infrastructure installation, noting that the Cedar Creek Anticline will be out in about five years. He asked if Bell Creek would be done in conjunction with Cedar Creek or if one would be done ahead of the other. Mr. Schnacke said that work began on Bell Creek when pipeline development in Wyoming started, so both were happening at the same time. He said that when the pipeline reaches Bell Creek next year, it will be able to accept CO<sub>2</sub>.
- 07:36:02 SEN. KEANE asked if Bell Creek will be developed to full production before continuing up to Cedar Creek. Mr. Schnacke said parts of Bell Creek will be producing but that portions of the work will be done in phases. He explained several examples.
- 07:37:02 SEN. OLSON asked what Montana has done regarding CO<sub>2</sub> sequestration and if sequestration is being encouraged. Mr. Schnacke said that support of the tax credit is encouraging but that the central assessment tax procedure is confusing. He discussed his concerns further.
- 07:41:01 SEN. KEANE asked Mr. Schnake to let the ETIC know if there is something the committee could assist with. SEN. OLSON asked how work is progressing in Wyoming. Mr. Schnacke said he thought that the company was ending its involvement with the federal government in terms of technical assistance and pursuing the private market.
- 07:43:09 SEN. OLSON asked about in situ development and how it is progressing in Montana. Mr. Schnacke said that more CO<sub>2</sub> is needed in order to move forward on such projects.

#### **Public Comment**

- 07:44:02 There was no public comment.

#### **OTHER BUSINESS**

- 07:44:17 SEN. KEANE said that he would like to discuss LC 319 from the 2011 session (revise definition of eligible renewable resource to include hydroelectric facility expansion) and what it would take to bring it back. Ms. Nowakowski said it would just be a matter of staff working with the committee to make sure it is drafted as they wished and it would have to be put out for public comment before a final vote in September.
- 07:45:58 **SEN. KEANE moved to re-draft LC 0319 as an ETIC bill, noting that he doesn't want the bill to contain any fractions.** Ms. Nowakowski asked him to

confirm that the bill should be drafted as it was originally, before it was amended in the 2011 session. SEN. KEANE said yes.

#### **Discussion**

07:46:57 There was no discussion.

07:47:01 **The motion passed on a unanimous roll call vote, SEN. LARSEN voted yes by proxy (Keane).** Ms. Nowakowski said the bill draft would be put out for public comment until the September meeting.

#### **Approve May Minutes**

07:48:14 **SEN. JACKSON moved to approve the minutes of the May 17 and 18, 2012, meeting. The motion passed on a unanimous voice vote.**

#### **Update on HB 142 Report**

07:48:37 Ms. Nowakowski said that the members received a copy of the HB 142: Review of advisory councils and statutorily required reports (EXHIBIT 11) and said that there will be some slight changes in style but that it is essentially complete.

07:49:20 Ms. Nowakowski updated the ETIC on the September meeting agenda.

07:50:18 SEN. OLSON asked to have an update of the 20x10 program. Ms. Nowakowski said she would ask Lou Moore, DEQ, to provide an update.

07:51:11 SEN. KEANE asked to discuss safety issues for producers relater to certain pipelines. SEN. OLSON that the ETIC could look at that, as well as where the Land Board is in siting pipeline.

#### **Instructions to Staff**

07:52:11 SEN. OLSON reminded everyone that the ETIC meeting will reconvene at 7:30 a.m. for only a short time before departing to tour the Sanjel training facility.

#### **PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC**

07:53:05 There was no public comment.

#### **RECESS**

07:55:01 SEN. OLSON recessed the meeting until 7:30 a.m. on July 17, 2012.

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