



Energy and Telecommunications Interim Committee

65th Montana Legislature

SENATE MEMBERS

MARY MCNALLY--Chair
TOM RICHMOND
SCOTT SALES

HOUSE MEMBERS

DEREK SKEES--Vice Chair
LAURIE BISHOP
NATE MCCONNELL
ZAC PERRY
DANIEL ZOLNIKOV

COMMITTEE STAFF

TREVOR GRAFF, Lead Staff
JAMESON WALKER, Staff Attorney
NADINE SPENCER, Secretary

MINUTES LOG

March 15, 2018
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.

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

SEN. MARY MCNALLY, Chair
REP. DEREK SKEES, Vice Chair

SEN. TOM RICHMOND
SEN. NATE MCCONNELL

REP. LAURIE BISHOP
REP. ZAC PERRY
REP. DANIEL ZOLNIKOV

COMMITTEE MEMBERS EXCUSED

SEN. SCOTT SALES

STAFF PRESENT

TREVOR GRAFF, Lead Staff
JAMESON WALKER, Staff Attorney
NADINE SPENCER, Secretary

VISITORS' LIST (Attachment 1)

AGENDA (Attachment 2)

COMMITTEE ACTIONS

The Energy and Telecommunications Interim Committee (ETIC):

- Adopted the minutes from January 16, 2018.

CALL TO ORDER AND ROLL CALL

00:00:00 Sen. McNally called the meeting to order at 1:34 p.m. The secretary called the roll. [\(Attachment 3\)](#) Sen. Sales was excused.

ADMINISTRATIVE MATTERS

Adoption of January meeting minutes

Motion

- 00:01:09 Rep. Skees moved to adopt the minutes from January 16. The motion carried unanimously by voice vote of those present and voting.
- 00:01:45 Sen. McNally said the committee received information from the Regulatory Assistance Program (RAP) regarding items on the agenda for tomorrow. [\(Exhibit 1\)](#)
- 00:02:34 Sen. McNally said the committee also received an updated agenda and copies of the PowerPoint presentations.

Budget Update

- 00:03:08 Trevor Graff, research analyst, Legislative Services Division (LSD), said the ETIC has spent \$12,480 and there is \$24,500 remaining in the budget. He said the average cost for a meeting is \$3,500.
- 00:03:59 Rep. Bishop asked Mr. Graff about the cost for a one-day meeting verses splitting a meeting over two days.

ENERGY HANDBOOKS

- 00:05:05 Mr. Graff said the energy handbook is in the final edit stage and he is meeting with the Department of Environmental Quality (DEQ) next week. He said the final draft will be ready for committee approval at the May meeting and will be printed for the July meeting.
- 00:06:16 Sen. McNally asked about receiving a preview copy. Mr. Graff said he can send a copy to any committee member interested.

DEQ Perspective

00:06:50 Laura Andersen, chief, Energy Bureau, DEQ, said Jeff Blend coordinated DEQ's efforts with the ETIC staff and that one of the roles of the Energy Bureau is to provide information and statistics on energy generation and use in Montana.

Committee questions and discussion

00:08:10 Sen. McNally commented on the interactive maps that will be included in the handbook and said she is looking forward to seeing the final draft in May.

Public comment None

PUBLIC SERVICE COMMISSION UPDATE

00:08:59 Will Rosquist, Regulatory Division administrator, Public Service Commission (PSC), provided an update on PSC activity.

00:09:32 Mr. Rosquist discussed rulemaking proceedings on amending PSC rules on small water utilities.

00:11:37 Mr. Rosquist discussed rulemaking proceedings on the Public Utility Regulatory Policies Act (PURPA) implementation.

00:13:47 Mr. Rosquist said the PSC will hold a public hearing on April 4 on NorthWestern Energy's (NWE) request for a wavier from the community renewal energy project requirements for 2015-16.

00:14:55 Mr. Rosquist said the PSC will hold a public hearing on May 17 on the request by Avista to merge with Hydro One.

00:15:04 Sen. McConnell entered the meeting at 1:49 p.m.

00:16:06 Mr. Rosquist discussed SB 11 (2017) that requires the PSC to biennially review its interconnection rules for net metering systems.

00:18:19 Mr. Rosquist said that on January 26 NWE submitted its proposed tariffs to implement the PSC's small generator interconnection rules.

00:18:56 Mr. Rosquist discussed NWE's natural gas general rate case.

00:20:10 Mr. Rosquist discussed other docket hearings involving Montana Dakota Utilities (MDU), Energy West, and NWE.

00:21:42 Mr. Rosquist discussed the status of the net metering energy cost/benefit study.

00:22:52 Sen. McNally asked Mr. Rosquist to provide a copy of his comments. **(Exhibit 2)**

Public comment

00:23:16 Jeff Fox, Montana policy manager, Renewable Northwest.

Committee questions and discussion

00:25:24 Rep. Bishop asked Mr. Rosquist about the merger of Avista with Hydro One and the petitions to intervene by the AFL-CIO and the city of Colstrip.

00:29:31 Sen. McNally welcomed Sen. McConnell as a new committee member of the ETIC.

00:29:46 Sen. McConnell introduced himself and said he looks forward to serving on the committee.

HJ 28: NATURAL GAS CUSTOMER CHOICE

00:30:07 Sen. McNally provided an introduction.
00:30:42 Mr. Graff said the committee received a response to the questionnaire that was sent to Big Sky Gas. **(Exhibit 3)**

Big Sky Gas Questionnaire Response

00:31:16 Rob Cantrell, Crius Energy, said Big Sky Gas is owned by Crius Energy. He gave a PowerPoint presentation on Crius Energy and the responses to the questionnaire. **(Exhibit 4)**
00:33:29 Mr. Cantrell provided an overview of Montana's natural gas system.
00:37:09 Mr. Cantrell discussed natural gas choice customer savings.
00:44:12 Mr. Cantrell discussed customer complaints.
00:46:10 Mr. Cantrell discussed key points related to competition and customer choice.

Public comment

00:49:19 Mike Green, attorney, Crowley Fleck.
00:51:18 Diego Rivas, senior policy associate, Northwest Energy Coalition. **(Exhibit 5)**

Committee questions and discussion

00:57:01 Rep. Skees asked Mr. Cantrell about the chart comparison of supply rate for natural gas and if the price includes distribution.
00:58:12 Rep. Skees asked Mr. Green about the comments he made on the distribution and supply rate costs. Mr. Green said the PSC has a chart that provides a comparison of the full delivered rate.
01:00:18 Rep. Skees asked Mr. Rosquist for a copy of the chart. **(Exhibit 6)**
01:01:20 Rep. Skees asked Mr. Rosquist about the supplier of last resort.
01:03:02 Rep. Bishop asked Mr. Cantrell about the comparison of cost between NWE and Big Sky Gas.
01:06:31 Rep. Bishop asked Mr. Cantrell about an assessment of how to monetize potential customer savings.
01:08:45 Rep. Skees asked Mr. Cantrell about the expansion of natural gas customer choice in other areas and the affect on customer cost.
01:12:07 Sen. McNally asked Rep. Skees about his reference.
01:12:33 Rep. Skees asked Mr. Green about MDU's estimate for initial start-up costs for customer choice. **(Exhibit 7)**
01:13:47 Rep. Skees asked Mr. Green about the on-going operation and maintenance expense.
01:16:22 Rep. Skees asked Mr. Green about cost when other companies are supplying natural gas.
01:19:08 Mr. Green discussed the PSC chart on current gas prices.
01:19:53 Sen. McNally asked Mr. Rosquist about the chart comparing customer rates.
01:24:16 Sen. Richmond asked Mr. Cantrell about the transportation system and purchasing capacity.
01:28:07 Sen. Richmond asked Mr. Cantrell if there is a published tariff for each pipeline.
01:28:35 Sen. Richmond asked Mr. Cantrell about allocating capacity if the pipeline is oversold.

01:30:46 Recess
01:42:46 Reconvene

State Customer Choice Standards

01:43:20 Mr. Graff gave a PowerPoint presentation (**Exhibit 8**) on state standards for consumer protection. (**Exhibit 9**)
01:46:55 Mr. Graff said the committee received information from the PSC regarding licensing procedures and standards for third-party natural gas suppliers under Montana law and PSC rules. (**Exhibit 10**)
01:47:07 Sen. McConnell asked Mr. Graff about the standards for quality, safety, and reliability information.
01:48:14 Mr. Graff continued his presentation.
01:49:21 Mr. Graff discussed other state standards.

Committee questions and discussion

01:59:33 Rep. Skees asked Mr. Rosquist about "adequate firm deliverability" and what it means in Montana code. Mr. Rosquist said he will need to consult with PSC staff and follow-up with the committee.
02:01:00 Sen. McConnell asked Mr. Graff about the historical context of deregulation after the Natural Gas Utility Restructuring and Customer Choice Act was passed in 1997. Mr. Graff said he recommends directing the question to people with expertise that are in the audience.
02:01:59 Sen. McConnell redirected his question to Mr. Green.
02:05:18 Sen. McNally asked about the drop-off in the percentage of customer gas choice. Mr. Cantrell provided information on the markets in other states.

HJ 28: MDU Proposal

02:08:29 Mr. Green presented information on the proposed amendment from MDU. (**Exhibit 11**)
02:15:25 Mr. Cantrell commented and said they oppose MDU's proposal.

Committee questions and discussion

02:16:35 Sen. Richmond asked Mr. Green about open access to transmission facilities and gaining capacity on the WBI system.
02:19:49 Sen. McConnell asked Mr. Green about the proposal and the standard under Title 69 for evidentiary hearing and discovery.
02:21:18 Sen. McConnell asked Mr. Green about the proposal and if it would create an opportunity for competitors to ask Big Sky Gas for documents to support or not support its case if it wanted to create choice.
02:23:36 Rep. Bishop asked Mr. Rosquist about the legislature's ability to direct gas choice if the authority to open up gas choice was granted to the PSC.
02:26:18 Rep. Bishop asked Mr. Cantrell about customer choice in other states.
02:30:25 Rep. Zolnikov asked Mr. Rosquist about examples from the past when the legislature delegated authority to the PSC to adopt a policy.

02:33:02 Rep. Zolnikov commented on the delegation of authority and allowing the PSC to make decisions.

02:33:33 Rep. Skees asked Mr. Green about gas choice and the transfer of power between Energy West and NWE and if the legislature was involved in the process.

02:36:15 Rep. Skees asked Mr. Green if the legislature directed MDU or Montana Power to provide choice after deregulation or if it was decided by the PSC.

02:37:17 Rep. Skees asked Mr. Rosquist about MDU's proposal and what constitutes "in the public interest".

02:39:37 Rep. Skees said that the legislature is just as capable of determining what constitutes "in the public interest" as the PSC.

Public comment None

Committee action

02:40:40 Sen. McNally thanked the committee and said the significant issues have been brought forward.

02:41:07 Mr. Graff said he needs direction from the committee in order to have a bill draft ready for the meeting in May.

02:41:52 Sen. McNally commented on the committee deadlines.

02:42:16 Rep. Zolnikov asked Mr. Graff about the timeline for bill drafts.

02:43:38 Rep. Skees commented on the legislative proposal from MDU and said he recommends that the data collected during the evidentiary hearing be provided to the ETIC for review and possible draft legislation.

02:44:35 Rep. Zolnikov asked Rep. Skees if the bill draft will be for the next legislative session.

02:45:37 Rep. Zolnikov commented on the process and the amount of time it will take.

02:46:38 Rep. Skees asked Sen. McNally about requesting an estimate from Mr. Rosquist on the amount of time for the evidentiary process.

02:46:49 Sen. McNally asked Jameson Walker, staff attorney, LSD, about delegating legislative authority.

02:49:22 Rep. Zolnikov commented on making the issue of customer choice too complex and compared it to the study of net metering.

02:50:45 Sen. McNally commented on the history of deregulation in Montana.

02:51:21 Rep. Bishop commented on transferring legislative authority and the bill draft.

02:54:34 Sen. McNally commented on the different options for the bill draft.

02:55:11 Rep. Zolnikov said he recommends requesting two bill drafts, one to delegate authority, and one that gives customer choice.

02:55:45 Mr. Graff said he will need additional direction for customer choice.

02:56:12 Rep. Skees said he recommends one draft that allows the legislature to delegate authority and one that directs MDU to provide information on costs associated with customer choice.

02:57:13 Sen. McNally said there is more that can be considered other than the two options.

02:57:27 Sen. Richmond commented on the options.

02:58:17 Sen. McNally said the committee can provide direction to staff at the meeting tomorrow. She thanked MDU and Big Sky Gas for their participation.

HIGH-PERFORMANCE BUILDING PROGRAM UPDATE (17-7-214, MCA)

02:59:50 Russ Katherman, administrator, Architecture and Engineering Division, Department of Administration, provided an update on the high-performance building program.

Sen. McNally left the meeting and Rep. Skees took over the duties of the chair.

Public comment None

Committee questions and discussion

03:03:57 Sen. Richmond asked Mr. Katherman if the program was expanded to include public schools.

03:04:36 Sen. Richmond asked Mr. Katherman about the use of carry forward money to fund improvements.

03:05:29 Sen. Richmond asked Mr. Katherman about a program that allows the savings from the energy efficiency to be used to pay for the improvements.

03:06:30 Recess

03:07:15 Reconvene

Sen. McNally returned to the meeting and resumed the duties of the chair.

STATUTORY ADMINISTRATIVE RULE REVIEW

03:07:25 Mr. Walker said the committee received the administrative rule report. **(Exhibit 12)** He said he will forward a summary of the rules from the PSC after they have been published.

03:08:06 Mr. Walker discussed the rule regarding small water and sewer utilities and said the committee received a program evaluation prepared by Sonja Nowakowski, staff, LSD. **(Exhibit 13)**

Committee questions and discussion None

Public comment None

PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC

03:09:36 Mark Reller, Bonneville Power Administration (BPA), provided an update on BPA's process to look at the barriers and opportunities to additional renewable energy development in Montana.

Committee questions and discussion

03:14:53 Rep. Zolnikov asked Mr. Reller about the load balance study.

03:16:00 Rep. Zolnikov asked Mr. Reller about the stability of the transmission lines of Colstrip Units 1 & 2.

03:16:33 Rep. Zolnikov commented on the importance of the work being done and thanked everyone involved.

03:17:09 Sen. McNally said she appreciated the update and requested that the committee continue to receive updates in the future.

03:17:37 Rep. Skees asked Mr. Reller about the ability to use federal funding for infrastructure to expand BPA's transmission capacity and/or hardening the transmission system.

03:18:18 Rep. Zolnikov asked Mr. Reller about expanding transmission lines.

03:20:06 Rep. Bishop said she would like the committee to discuss draft legislation on qualifying facility contract lengths at the meeting tomorrow.

RECESS

03:20:54 With no further business before the committee, Sen. McNally recessed the meeting at 4:55 p.m.

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