



## Energy and Telecommunications Interim Committee

### 65th Montana Legislature

#### SENATE MEMBERS

MARY MCNALLY--Chair  
NATE MCCONNELL  
TOM RICHMOND  
SCOTT SALES

#### HOUSE MEMBERS

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

#### COMMITTEE STAFF

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

# MINUTES LOG

May 17, 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.

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#### **COMMITTEE MEMBERS PRESENT**

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

SEN. TOM RICHMOND  
SEN. SCOTT SALES

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

#### **COMMITTEE MEMBERS EXCUSED**

SEN. NATE MCCONNELL

## **STAFF PRESENT**

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

## **VISITORS' LIST** ([Attachment 1](#))

## **AGENDA** ([Attachment 2](#))

### **COMMITTEE ACTIONS**

The Energy and Telecommunication Interim Committee:

- Adopted the minutes from March 15-16, 2018;
- Voted to have staff work with the PSC staff to clarify language in section 1 and put LCSQF1 out for public comment;
- Voted to create a bill draft that removes section 1 of LCSQF1 and replace it with competitive solicitation similar to HB 475 (2017);
- Voted to table LCGAS2, LCGAS3, LCGAS4.

### **CALL TO ORDER AND ROLL CALL**

00:00:01 Sen. McNally called the meeting to order at 9:04 a.m. The secretary called the roll. ([Attachment 3](#)) Sen. McConnell was excused and left his proxy with Rep. Bishop. ([Attachment 4](#))

### **ADMINISTRATIVE MATTERS**

#### **Adoption of March Meeting Minutes**

##### **Motion/Vote**

00:01:24 Rep. Skees moved to approve the March meeting minutes. The motion carried unanimously by voice vote of those present and voting.

##### **Budget Update**

00:01:52 Trevor Graff, research analyst, Legislative Services Division (LSD), provided an update and said there is \$15,700 remaining in the ETIC budget.

Committee questions and discussion None

### **ENERGY HANDBOOKS**

00:02:56 Mr. Graff said a link will be available for the energy handbook. He said the committee received a copy of the introduction, including the table of contents and executive summary for each section. ([Exhibit 1](#))

Committee questions and discussion

00:03:44 Sen. McNally asked staff to let the committee know when the link is available.

Public comment None

## **MT ENERGY RESOURCES: FUTURE OF COLSTRIP POWER LINES AND ENERGY EXPORT**

### **Introduction**

- 00:04:51 Sonja Nowakowski, staff, LSD, said in its work plan the ETIC dedicated time and resources to a review of opportunities for developing Montana's Energy Resources. She said that at the March meeting the committee heard from Absaroka Energy and questions were raised about the use of the Colstrip power lines.
- 00:06:00 Ms. Nowakowski introduced the speakers participating in the discussion.

### **BPA/Governor's Office Task Force Update**

- 00:07:17 Mark Reller, Montana liaison, Bonneville Power Administration (BPA), presented information on the Montana Renewable Resource Development Action Plan.
- 00:08:07 Mr. Reller discussed the project structure.
- 00:10:08 Mr. Reller discussed the topics for the planning subcommittee.
- 00:12:37 Mr. Reller discussed the topics for the operations subcommittee.
- 00:14:53 President Sales entered the meeting at 9:19 a.m.
- 00:15:40 Mr. Reller discussed the topics for the policy and commercial subcommittee.
- 00:17:51 Mr. Reller discussed the rate case dispute with NorthWestern Energy (NWE).
- 00:18:24 Mr. Reller said a final action plan should be available by the end of June.

### **Committee questions and discussion**

- 00:19:11 Rep. Zolnikov asked Mr. Reller about creating incentives to develop projects in Montana and lowering the BPA rates on the Intertie.
- 00:20:51 Rep. Skees asked Mr. Reller to provide a copy of the action plan to the committee before the ETIC meeting in July.
- 00:21:17 Sen. McNally asked Mr. Reller about the action plan and three basic projects.
- 00:22:28 Sen. McNally thanked Mr. Reller.

### **Utility Perspectives**

- 00:22:55 Sen. McNally provided an introduction.

### **Panel Discussion:**

- Shauna Tran, director, Load Serving Operation, Puget Sound Energy.  
Brendan McCarthy, State Environmental Policy manager, Portland General Electric.  
Mike Cashell, vice president, Transmission, NWE.
- 00:24:00 Ms. Tran **(Exhibit 2)**
- 00:27:04 Ms. Tran provided a transmission system overview. **(Exhibit 3)**
- 00:37:28 Mr. McCarthy gave a PowerPoint presentation. **(Exhibit 4)**
- 00:53:50 Mr. Cashell

### **Public comment**

01:09:31 Anne Hedges, Montana Environmental Information Center.

Committee questions and discussion

01:11:33 Rep. Zolnikov asked the panelists about investing in Montana resources and the state's regulatory environment.

01:13:16 Mr. McCarthy

01:15:28 Ms. Tran

01:16:15 Rep. Zolnikov asked Ms. Tran about lowering costs in order to become more competitive.

01:18:06 Mr. McCarthy said that one of the elements of the request for proposal (RFP) is the delivery requirement and encouraged Montana to continue in regional discussions.

01:19:56 Rep. Bishop asked Mr. Cashell about having the remedial action scheme (RAS) in place in order to utilize as much transmission as possible.

01:21:57 Mr. Cashell commented on the importance of Colstrip generation.

01:23:00 Rep. Skees asked Mr. McCarthy if Oregon considers hydroelectric power as part of NWE's renewable portfolio standard (RPS) and about the chart that shows hydroelectric power decreasing and then leveling off.

01:24:48 Rep. Skees asked Ms. Tran if PSE considers hydroelectric power as part of its RPS in Oregon or Washington.

01:25:17 Rep. Skees asked Mr. Cashell about the transmission of wind generated in northeastern and central Montana.

01:26:38 Rep. Skees asked Mr. Cashell about selling coal from Montana to the eastern part of the U.S. and the limitations.

01:28:48 Sen. McNally asked Mr. Cashell about the demand for coal versus other types of power in the eastern U.S.

01:30:25 Sen. Richmond asked about frequency and voltage support. Mr. Cashell explained the process of producing energy.

01:34:06 Rep. Skees asked Mr. McCarthy and Ms. Tran about the increasing demand for renewable energy and possible legislation in Washington and Oregon that would require a percentage be generated in state. He also asked about increasing generation of renewable energy in Montana.

01:34:54 Mr. McCarthy

01:35:56 Ms. Tran

01:36:44 Rep. Skees asked Mr. McCarthy and Ms. Tran about the amount of generation provided in network compared to the amount bought on the open market.

01:37:00 Ms. Tran

01:37:16 Mr. McCarthy

01:38:05 Rep. Zolnikov asked Ms. Tran about the RPS standard required in Washington. Ms. Tran redirected the question to Nina Odell, director, Government Affairs, PSE.

01:38:42 Ms. Odell

01:39:46 Rep. Zolnikov asked Ms. Odell about the current RPS standard. Ms. Odell said it is 20 percent. She indicated later, in an email to staff, that the standard is 15 percent by 2020. - Later clarification emailed.

01:40:24 Rep. Zolnikov asked Ms. Odell about the limitations on the RPS standard and if it needs to come from the western part of the state.

01:40:52 Sen. McNally thanked the panelists for their participation.

01:41:13 Recess  
01:49:00 Reconvene

### **Energy Developers Perspectives**

01:49:38 Sen. McNally provided an introduction.

### **Panel Discussion:**

Jeff Fox, Renewable Northwest  
Bill Pascoe, Pascoe Energy

01:50:12 Mr. Fox gave a PowerPoint presentation. **(Exhibit 5)**  
02:07:09 Mr. Fox provided information on wind energy property taxes. **(Exhibit 6)**  
  
02:13:58 Mr. Pascoe

Public comment None

### **Committee questions and discussion**

02:24:58 Rep. Skees asked Mr. Fox about the technology being developed to store wind energy.  
02:27:08 Mr. Pascoe commented on energy storage using batteries versus pumped hydroelectric storage.  
02:28:12 Rep. Skees asked Mr. Pascoe about the RPS in Washington and Oregon and if pumped storage hydro would qualify in their RPS.  
02:29:06 Rep. Zolnikov asked about federal regulations and the future of coal in Montana.  
02:30:30 Mr. Pascoe commented on the clean power plan and state regulations.  
02:32:10 Sen. McNally thanked the panelists for their participation.

## **SJ2: RENEWABLE ENERGY CREDITS/CERTIFICATES**

### **Introduction**

02:33:26 Jameson Walker, staff attorney, LSD, provided an introduction and said the committee received information on renewable energy credits (REC). **(Exhibit 7)**

### **Background and Overview**

02:35:05 Dan Lloyd, Department of Environmental Quality (DEQ), gave a PowerPoint presentation on REC's in Montana. **(Exhibit 8)**

Public comment None

### **Committee questions and discussion**

02:49:37 Rep. Zolnikov asked Mr. Lloyd if eliminating current law would mean that Montana renewable resources wouldn't be able to participate and sell REC's to other markets.  
02:50:27 Rep. Zolnikov asked Mr. Lloyd about the current status of the development of the RPS.  
02:51:27 Rep. Zolnikov asked Mr. Lloyd about eliminating current laws and becoming more competitive.

02:53:37 Sen. McNally provided an opportunity for representatives from the utilities to respond to Rep. Zolnikov's question.

02:54:36 Recess for lunch at 11:58 a.m.

04:27:24 Reconvened at 1:31 p.m.

## **QUALIFYING FACILITIES**

### **Litigation Update**

04:27:54 Justin Kraske, chief legal counsel, Montana Public Service Commission (PSC), provided an update on pending qualifying facilities (QF) litigation.

04:28:22 Mr. Kraske discussed the QF1 cases that involve setting the standard avoided cost rate for QF's of 3 megawatts or less and the contract length.

04:32:06 Mr. Kraske discussed the Montana Sun solar cases.

04:33:40 Mr. Kraske discussed the Martin Wilde, Windata, LLC litigation v. the PSC and NWE.

04:34:25 Mr. Kraske discussed Bear Gulch Solar et al v. Montana PSC et al, pending in federal district court, that involves a series of solar QF's being developed by Cypress Creek Renewables.

### **Public comment**

04:37:09 John Alke, NWE.

04:44:45 Brian Fadie, Clean Energy Program director, Montana Environmental Information Center.

### **Committee questions and discussion**

04:46:43 Rep. Zolnikov asked Mr. Alke about the amount of time it will take NWE to recoup its investment in Colstrip.

04:48:17 Rep. Zolnikov asked Mr. Alke about depreciation rates.

04:49:16 Rep. Zolnikov asked Mr. Alke about contract length and the time it takes to recoup investments.

04:51:36 Rep. Zolnikov commented on contract lengths and using different business models.

04:52:54 Mr. Alke commented on what a utility has to do to require and own an asset versus a QF developer.

04:54:20 Rep. Zolnikov asked Mr. Alke if he supports moving symmetry into the bill.

04:55:54 Rep. Skees asked Mr. Alke about the accuracy of the cost assumptions in the 25-year contract length model.

### **LCSQF1**

04:58:24 Ms. Nowakowski provided an introduction and said committee members will need to decide whether or not to move the bill drafts forward for public comment and make any changes.

04:59:34 Ms. Nowakowski discussed LSQF1. **(Exhibit 9)**

### **Public comment**

05:02:27 Mr. Fox.

05:06:30 Glenn Oppel, speaking on behalf of Mark Klein, Montana Sun.  
05:08:51 Mr. Fadie. **(Exhibit 10)**  
05:12:52 Travis Kavulla, vice chairman, PSC. **(Exhibit 11)**  
05:17:58 Mr. Kavulla provided a copy of a presentation from VK Clean Energy Partners.  
**(Exhibit 12)**  
05:33:08 Diego Rivas, senior policy associate, Northwest Energy Coalition.  
05:37:28 Laura Farkas, Water Projects Bureau, Water Resources Division, Department of  
Natural Resources and Conservation.

#### Committee questions and discussion

05:40:22 President Sales asked Ms. Nowakowski if symmetry is included in the bill draft.  
05:40:59 President Sales asked Mr. Fox to clarify his statement about symmetry.  
05:41:46 President Sales asked Mr. Oppel about the number of jobs that will be created  
by solar projects in the Billings area. **(Exhibit 13)**  
05:43:02 Sen. McNally asked Mr. Kavulla about the competitive bid process.  
05:45:15 Rep. Zolnikov asked about an overview of competitive solicitation as a possible  
alternate solution. Ms. Nowakowski said she did receive the request from Rep.  
Zolnikov as an amendment, but that amendments are not prepared for interim  
committee bills. She said the ETIC can discuss and then request competitive  
solicitation be added to this bill or as a separate bill.  
05:46:27 Rep. Zolnikov asked Ms. Nowakowski about the issues discussed by Mr.  
Kavulla.  
05:47:47 Rep. Zolnikov provided an overview and reason for the QF discussion.  
05:48:59 Sen. Richmond said he does not support the bill draft. He said he does support  
shorter contract lengths of 10-15 years.

#### Motion/Vote

05:50:09 Sen. Richmond moved to not consider LCSQF1. The motion failed 2-5 by  
voice vote with Sen. Richmond and President Sales voting aye. Sen.  
McConnell was excused.  
05:50:49 Rep. Bishop commented on the bill draft.

#### Motion

05:51:38 Rep. Bishop moved to put LCSQF1 out for public comment.

#### Discussion on the Motion

05:52:15 Rep. Skees  
05:52:46 Rep. Bishop  
05:53:15 Rep. Skees  
05:53:33 Ms. Nowakowski  
05:54:36 Rep. Bishop withdrew the motion.  
05:54:47 Sen. McNally  
05:55:05 Rep. Skees  
05:55:10 Sen. McNally  
05:55:49 Ms. Nowakowski  
05:56:15 Sen. McNally  
05:56:25 Sen. Richmond

05:58:29 Rep. Zolnikov  
05:59:10 Sen. McNally  
05:59:29 Rep. Zolnikov  
05:59:38 Ms. Nowakowski  
06:00:11 Rep. Skees  
06:00:32 Rep. Zolnikov  
06:00:40 Ms. Nowakowski  
06:01:16 Rep. Bishop

**Motion**

06:01:55 Rep. Bishop moved to put LCSQF1 out for public comment.

**Discussion on the Motion**

06:02:08 Sen. McNally  
06:03:08 Rep. Bishop amended her motion and to have staff work with the PSC staff to clarify language in section 1 and put LCSQF1 out for public comment.  
06:03:17 Sen. McNally  
06:03:37 Rep. Skees  
06:03:50 Ms. Nowakowski

**Vote**

06:04:22 The motion carried 6-2 by voice vote. President Sales and Sen. Richmond voted no. Sen. McConnell voted aye by proxy.  
06:05:02 Sen. McNally requested that staff add competitive solicitation language in the bill. Ms. Nowakowski said she will include a copy of HB 475 (2013) in the July meeting materials.

**Motion**

06:05:51 Rep. Zolnikov moved to create a bill draft that removes section 1 and is similar to HB 475.  
06:06:17 Sen. McNally repeated the motion.  
06:06:31 Rep. Skees  
06:06:48 Rep. Zolnikov  
06:07:09 Sen. McNally

**Vote**

06:07:45 The motion carried 5-3 by voice vote. President Sales, Sen. Richmond, and Rep. Skees voted no. Sen. McConnell voted aye by proxy.

**HB 219: NET METERING COST/BENEFIT STUDY**

**Introduction and Review of NWE Study**

06:08:49 Sarah Norcott, attorney, NWE, provided an overview and introduction to NWE's net metering benefit-cost analysis study. ([Exhibit 14](#))  
06:09:35 Ms. Norcott discussed HB 219 (2017).

- 06:12:02 Ms. Norcott discussed key conclusions and different categories instrumental in the study.
- 06:23:12 Ms. Norcott discussed NWE's next steps.

### **PSC Process and Review**

- 06:25:26 Will Rosquist, Regulatory Division administrator, PSC, provided information on the PSC process and review.

### **Public comment**

- 06:28:10 Andrew Valainis, executive director, Montana Renewable Energy Association.  
**(Exhibit 15)**
- 06:31:29 Mr. Rivas.

### **Committee questions and discussion**

- 06:34:22 Rep. Zolnikov asked Ms. Norcott about the availability of the additional data.
- 06:35:45 Rep. Zolnikov asked Ms. Norcott about the data used in the study.
- 06:36:58 Rep. Zolnikov asked Ms. Norcott if forfeited credits were taken into account in the value of net metering.
- 06:37:48 Rep. Bishop asked Mr. Rosquist about the PSC's perspective on the study.
- 06:41:04 Rep. Bishop asked Mr. Rosquist if the PSC will have a public opinion about the data that is separate from the overall results of the rate case.
- 06:42:54 Sen. McNally commented on the value of having public access to the underlying data.
- 06:43:40 Recess
- 06:54:30 Reconvene

## **HJ 28: NATURAL GAS CUSTOMER CHOICE**

### **LCGAS 1 and LCGAS 2**

- 06:55:17 Mr. Graff discussed LCGAS1. **(Exhibit 16)**
- 06:56:52 Mr. Graff said the committee received administrative rules regarding switching customers from the independent supplier back to the regulated utility.  
**(Exhibit 17)**
- 07:05:35 Mr. Graff discussed LCGAS2. **(Exhibit 18)**
- 07:05:59 Mr. Graff said the committee received written testimony from Montana Dakota Utilities (MDU). **(Exhibit 19)**

### **Public comment**

- 07:07:30 Tim Richmond, Big Sky Gas.
- 07:10:17 Gary Forrester, MDU.
- 07:12:36 Mr. Rivas.

### **Committee questions and discussion**

- 07:16:50 Rep. Skees asked Mr. Rivas about his recommendation to allow the cost effective burden to be on the supplier bringing the gas choice.
- 07:19:09 Rep. Skees asked Mr. Rivas about offsetting the administrative cost for MDU.

07:20:12 Sen. McNally asked Mr. Graff about the potential problem of charging people twice for the universal system benefits program (USB).  
07:21:30 Rep. Skees asked Mr. Graff if LCGAS1 includes language that the natural gas choice supplier is in charge of their own storage or if they would use MDU storage.  
07:22:18 Rep. Skees asked Mr. Forrester about storage.  
07:23:52 Rep. Skees asked Mr. Forrester about the cost to MDU for natural gas customer choice.  
07:25:39 Rep. Skees asked Mr. Rosquist about LCGAS2 and how the PSC will determine if natural gas choice is in the public interest of the consumer.  
07:27:42 Rep. Skees asked Mr. Rosquist about the cost to the PSC to undertake the analysis.

### **LCGAS 3 and LCGAS 4**

07:29:08 Mr. Graff discussed LCGAS3. **(Exhibit 20)**  
07:30:06 Mr. Graff discussed LCGAS4. **(Exhibit 21)**

### **Public comment**

07:31:35 Mr. Richmond.  
07:33:56 Mr. Forrester.  
07:38:17 Mr. Kavulla.

### **Committee questions and discussion**

07:46:17 President Sales commented on natural gas customer choice.  
07:47:50 Rep. Zolnikov provided his comments on customer choice.  
07:49:08 President Sales commented on previous bills and testimony that was heard during past legislative sessions.  
07:51:01 Rep. Skees asked Mr. Rosquist about rate increases for all NWE customers when customer choice was implemented. Sen. McNally said it is difficult to compare because NWE operates under a different set of statutes.  
07:52:54 Rep. Skees asked Mr. Forrester how customer choice will increase costs for MDU compared to Big Sky Gas.  
07:56:36 Rep. Zolnikov asked Mr. Forrester if MDU makes a profit from new meters and distribution. Rep. Zolnikov redirected his question to Mr. Kavulla.  
07:58:20 Rep. Zolnikov commented on MDU's opposition to customer choice. He said it is not clear from the numbers how much it will cost to put customer choice in place.  
07:59:34 Sen. Richmond said that when MDU makes a profit on its equipment, the ratepayers are paying the profit to MDU.  
08:00:00 Rep. Bishop asked Mr. Richmond about customer protection and what it means for Big Sky Gas to be ready for the coldest day.  
08:03:17 Sen. McNally commented on the study bills. She asked about committee action.

### **Motion**

08:05:03 Rep. Zolnikov moved to put LCGAS1 out for public comment.

### **Discussion on the Motion**

08:05:24 Mr. Graff  
08:05:40 Sen. McNally

08:06:20 Mr. Graff  
08:06:49 Sen. McNally  
08:07:33 Mr. Graff

**Vote**

08:07:41 The motion failed 4-4 by roll call vote with Rep. Skees, Sen. Richmond, President Sales, and Sen. McNally voting no. Sen. McConnell voted aye by proxy. ([Attachment 5](#))

**Motion/Vote**

08:09:09 Rep. Skees moved to table LCGAS2, LCGAS3, LCGAS4. The motion carried 5-3 by voice vote with Rep. Bishop, Sen. McNally, and Sen. McConnell voting no. Sen. McConnell voted no by proxy.

**HJ 28 Draft Report**

08:10:01 Mr. Graff discussed the HJ 28 draft report and requested direction from the committee regarding the findings. ([Exhibit 22](#))  
08:10:53 Ms. Nowakowski said staff will make changes to the findings based on the committee's action today.  
08:11:08 Sen. McNally asked staff about further direction. Mr. Graff said he will edit the report and have it ready for public comment and the July ETIC meeting.  
08:11:25 Sen. McNally requested that the committee members review the material on IRP's and resource planning for the meeting tomorrow.

**RECESS**

08:12:23 Sen. McNally recessed the meeting at 5:16 p.m.

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