

TRANSITION ADVISORY COMMITTEE

February 15, 2002

Room 317, State Capitol Building

Original Minutes with Attachments

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes and Exhibits are on file at the offices of the Legislative Services Division.

COMMITTEE MEMBERS PRESENT

Sen. Fred Thomas	Art Compton
Rep. Tom Dell	Pat Corcoran
Rep. Roy Brown	Gene Leuwer
Rep. Jim Keane	Bob Nelson
Rep. Steve Gallus	Dave Kinnard
Rep. Alan Olson	Kathy Rice
Sen. Alvin Ellis	Dave Wheelihan
Sen. Walter McNutt	Russ Ritter
Sen. Emily Stonington	Jerry Driscoll
Sen. Don Ryan	Kathie Roos

COMMITTEE MEMBERS EXCUSED

Sen. Linda Nelson
Rep. Stanley Fisher
Matt Brainard
Stephen Bradley

STAFF MEMBERS PRESENT

Jeff Martin, Legislative Research Analyst
Todd Everts, Legislative Attorney
Robyn Lund, Secretary

VISITOR'S REGISTRATION

Attachment 1

AGENDA

Attachment 2

COMMITTEE ACTION

- Approved minutes from the previous meeting
- Accepted NCSL proposal for study

I CALL TO ORDER

Roll call was taken.

MOTION/VOTE: REP. OLSON moved to approve the November 15, 2001, minutes. Motion passed unanimously.

II SHORT-TERM POWER SUPPLY FOR LARGE INDUSTRIAL CUSTOMERS IN THE WAKE OF ENRON

PAT CORCORAN, Montana Power Company (MPC), said that on November 28, 2000, Enron's bonds were downgraded to junk status. Enron then suspended bill payments. On November 29, 2001, MPC stopped purchasing and selling power to Enron. Energy imbalance had been contracted with Enron, but is now purchased elsewhere. There were about six Enron customers in Montana. On December 4, 2001, four large customers had their schedules cut by Enron. On December 5, the remaining customers had their schedules cut. On December 6, one of those large customers began scheduling power with another supplier. December 8, the remaining 5 customers also switched to alternative suppliers, including MPC. There is still one customer buying from Enron. At this point in time, MPC is owed \$500,000 associated with that.

SEN. THOMAS asked if the prices with current contracts are higher or lower than those with Enron. **MR. CORCORAN** didn't know, but he speculated that they would be lower

SEN. RYAN asked if the contracts were long term or short term. **MR. CORCORAN** didn't know.

SEN. ELLIS asked how bankruptcy affects contracts with entities that are not creditors. **MR. CORCORAN** didn't know the answer to that question.

III TRANSFER OF POWER

??Report on settlement agreement to purchase Montana Power Company (MPC) transmission and distribution property by NorthWestern Corp.

Dennis Lopach, NorthWestern Corp., said that the Public Service Commission (PSC) approved the settlement agreement on January 31, 2002. See **Attachment 3**, a copy of the order. Following the issuance of the order, the Montana Power Co. and NorthWestern have been working to close the transaction. Touch America has started trading under that name. This was the last step in the merger agreements. It will be important for NorthWestern to spend time with MPC employees. It will be appropriate to listen to them before any changes are actively pursued. They are grateful to the PSC

and the parties that negotiated with them. The approval process by the commission was complex and lengthy. The PSC held a hearing on the settlement on January 16, 2002. It was a long day of testimony. There were concerns expressed by the PSC about the impact of the settlement. They also discussed alternatives to the settlement agreement. The parties who presented the agreement asked the PSC to either accept or reject the settlement proposal, but not to reshape it.

The agreement settled the Tier Two transition costs and the sale docket. This was important from NorthWestern's perspective because if the transition costs seemed to be a black hole. The parties had discussed the possibility that rather than a future revenue stream to pay for QF contracts, have a credit being owed to customers by the utility. A lot of the mechanics of the negotiation had to do with what position NorthWestern would take on the stranded costs and MPC seeing the sale as a stand-alone proceeding. The industrial customers and a number of other choice customers had an effect on the agreement.

The PSC took the agreement out to nine public hearings. It was an interesting process to go through the discussion and to watch the reaction. These are not issues that are easily communicated to people who have not been watching the process. The hearings made it clear that the public is not actively following the issue or understanding it. It is frustrating to realize what a communication gap there is. The public is very distrustful, but doesn't want to be too involved. They public is simply worried about rate changes. We all face the challenge of how to make these issues more understandable and how to communicate better. We need to avoid rushing the issues. He hopes that we will be able to get to a more open deliberative process.

Update on default supply portfolio related to settlement agreement

Mr. Lopach said that it was clear that the public was more interested in the portfolio than the Tier Two docket. The portfolio docket is set to be heard in March [note: that hearing was postponed until April 9, 2002] by the PSC. There is already a great deal of testimony and discovery in that proceeding. The supply contracts that MPC has signed are obligations of the corporation that NorthWestern is acquiring, so they will see through that portfolio case as it was presented. There have been issues about the bidding process and suggestions made by some entities that were unable to obtain a contract that the process was somehow flawed. It is his hope that the rebuttal testimony will address those issues. Some of the issues that have been raised go beyond the portfolio and supply contracts. Those issues include things like integrated resource planning, conservation as a part of the portfolio, or pricing if industrials return to the default supply.

NorthWestern's role as default supplier and role after the transition period ending July 1, 2007

Mr. Lopach said that an example of the issues is if integrated resource planning is needed. That process was replaced when the Legislature put in place the provisions for the supply of electricity. The

question is whether the utilities should acquire conservation as part of the portfolio and has been raised in the Human Resources Council. There is also a question of whether that type of conservation activity is consistent with what the Legislature wanted. There is actually a statutory provision that the PSC should have procedures in place by July 2002. Some of these issues are nearer in term than others. Some questions are bigger and need more time. They are going to recommend to the PSC that the bigger policy issues be moved to the back burner. As directed by the PSC, they started discussions on energy policy issues dealing with how the transmission and distribution provider should be regulated, should metering be a competitive service, etc. Some of those discussions could lead to a request to modify existing legislation. If there is any initiative for legislation, those issues need to be clarified. There needs to be broad participation. It is the PSC that should be in the middle of this process. The PSC has demonstrated that they can handle these complex issues. People should be in agreement by November or December in order to lead to decent legislation.

SEN. THOMAS said that it would be better to work all things out ahead of time, but the Legislature has a process that they must follow. Everything the Legislature does is in the open. HB 474 was not a last minute thing, but there are people who will take that position. Those people will manipulate the system and make things up. The Legislature has to follow the process that is outlined in the Constitution. **Mr. Lopach** said that it is a perception issue. The public is right that there is a lot of activity that gets crammed into a relatively short time frame. We all know that it wasn't unusual. The deadlines are a tremendous motivating force.

REP. BROWN asked if some of the portfolio contracts are for many years, extending beyond 2007, will there be new stranded costs. **Mr. Lopach** said that is one of the issues that the PSC has been asked to address in the portfolio filing. NorthWestern's position is that they will inherit the portfolio from MPC. The people who assemble the portfolio feel that set of contracts is a good thing for the customers. They are not easy issues, but there are a wide range of positions to present.

SEN. ELLIS said that the Senate Energy Committee considered 3 dozen bills. Every amendment in HB 474 was a remnant of one of those bills that had passed both houses. He asked if the option of buying back conservation is always in the market? **Mr. Lopach** said that there are opportunities. They are looking at a regulatory driven approach. It is not unlike the USBP program. He would also agree that the concepts included in HB 474 were discussed in depth. **SEN. ELLIS** asked, with regard to buying new power, isn't that what self-generating contracts do all the time. **Mr. Lopach** said that is some of the balancing that the PSC will have to deal with. The threat of new generation is what motivates an existing provider to look at what is an appropriate price level.

REP. DELL said that legislative policy in the middle of an energy crisis is what HB 474 is. He doesn't recall any deals being cut. They were trying to create a plan to deal with crises that could be seen on the horizon. He didn't have the confidence in the PSC that they would act prudently and efficiently. He hears a trend to allow the commissions in other states to have that flexibility. **Mr. Lopach** said that it comes down to that the PSC does what the Legislature tells them to. In some areas they have enough

flexibility to reach a standard. He got involved on Dec 29, 2000. That didn't leave a lot of time to have a dialog with the PSC before the session began. He feels that the concepts and principles in HB 474 make good sense for the customers and the company. The context in which that decision was made was a difficult one. The PSC needs the opportunity to address the complex of issues and then report to the Legislature. You can expect them to justify what they are doing. It is usually a better forum than that which is found during the session.

SEN. STONINGTON said that TAC has also been discussing the need to look forward. She is interested that NorthWestern has discussed with the PSC about looking beyond 2007. She would urge that some of the TAC members be included in the work that the PSC is doing and that the PSC should be involved in what the TAC is doing. **Mr. Lopach** said that he had discussed that with Chairman Thomas. They didn't come to any conclusions, but that one way that you keep this discussion from being too open-ended is to involve staff. NorthWestern brought in someone to do this same type of thing. It was very informative to have him answer some questions that they had been formulating. There would be a role for someone to help put everyone on the same page and encourage the discussion as it goes forward.

MR. DRISCOLL asked who owns Milltown dam and the liability behind it. **Mr. Lopach** said that MPC LLC will. **MR. DRISCOLL** asked if they are assessed \$100 million for clean up, where will those funds come from. **Mr. Lopach** said that the final order is the final release of all claims of the generation business to the ratepayer. The owner of the dam has an exclusion of liability due to the Superfund. There are discussions that the exclusion may be contested. The odds of that liability coming to bear on NorthWestern are remote, in his opinion. **MR. DRISCOLL** asked if it comes to bear on NorthWestern, will NorthWestern ask for a rate increase to pay for that. **Mr. Lopach** said that part of the deal with MPC includes a fund that is a cash back; it is \$55 million that NorthWestern negotiated for. There are re-licensing issues with regard to the dam. It is hard to skip to any conclusion about the outcome.

REP. GALLUS asked about the executive structure of NorthWestern. **Mr. Lopach** said that he couldn't give that at this time. They will have to wait and see how it gets implemented.

SEN. RYAN asked about the education of the consumers of Montana. In the session, HB 474 was a combination of every idea that came forward before. At the end of the process the people making the decisions still didn't know what all it meant. He asked what options the PSC has with the portfolio. **Mr. Lopach** said that there are a lot of issues and certain steps are required by law. There need to be rules in place with regard to choice by July 1. There needs to be a rate to replace the buy back rate. The PSC can do what it has been asked to do. It is clear that the PSC has strong views on a lot of these things. They have been counseled to hear the testimony before they give a position. They haven't said what their position is, so he doesn't know. The PSC expects to have a substantial role. **SEN. RYAN** said that as we look at the final order, it is important to recognize that the work that **MR. NELSON** did with the Consumer Counsel is very important to the consumers of Montana. **Mr.**

Lopach said that education is an issue that he talked about because it was very much in his mind. He thinks that everybody involved needs to think about whether there is a better approach for education than what is being done. Is there a message that needs to get to the public? The material is complicated and there needs to be a lot of exposure before the public will start to understand it.

SEN. ELLIS said that with regard to regulated markets in the WSCC, almost all have had larger rate increases than we have. Over a 10-year period the Montana consumer will pay 1.8% more per year for their power, which is less than the rate of inflation. **Mr. Lopach** said that if you think of the frame of reference for the average person, it is going to be the costs to them. What someone else is paying is more immediate. The focus is on “what is it going to cost me.”

SEN. THOMAS asked, on the portfolio and the Great Falls wind project, in this case should the PSC look at the portfolio as a whole package and either accept it or reject it as a whole package. **Mr. Lopach** said that the PSC could say they think the contracts make sense, they could say, “Why are we being asked to determine prudence?” He thinks they have a wide range of options open to them. **SEN. THOMAS** asked, in dealing with the portfolio, will the industrials want back in to the default supply at some point in time? **Mr. Lopach** said that it is helpful to the industrials to have an option when they are negotiating with a potential supplier. He thinks the industrials hope to preserve that option, but they think they can get a better deal in the market than the default supply would offer. The portfolio doesn’t procure power on the possibility that some of that load may return. **SEN. THOMAS** said that the law allows the industrials and cities and towns back to default supply, what is the status there? **Mr. Lopach** said that the cities and towns are in the same boat as the industrials. If they want back, what will NorthWestern do about it? This is a concern.

MR. RITTER said that Montana Resources (MRI) follows the power price daily. The price of copper has returned a little, to the point that they would like to reopen the mine. They are looking for the best price. Utilities seem to be a big target. He appreciated the education issue, but to think that everybody will understand what is going on is unrealistic. He doesn’t think that everybody cares what is going on. He would hope that someone could spend some time to make it easier to understand, but he doesn’t think that will be the solution.

SEN. THOMAS said that there is only so much time left to work on the portfolio. The PSC will also be working on a way for people to leave the default system. The focus is not just 2007, it is now. There is the aggregation area that needs to be focused on by the PSC; there needs to be some rules as to how long you need to buy power for. He asked if Mr. Lopach would look into the education issue and what NorthWestern is going to do in this regard. The law requires education efforts in the area. He thinks people do want to know more about this, and they want to know the truth. **Mr. Lopach** thinks that NorthWestern can do a lot with education through advertising and bill stuffers. The public tends to believe more of what they hear if it comes from someone not in the business. The public enjoys the benefits over the long term, without appreciating the details.

REP. GALLUS asked at what point would copper prices and energy prices cross and make it reasonable to reopen the mine. **MR. RITTER** said that the prices are just part of the mix. There are some environmental issues with reopening the mine. Another thing is that one of the owners of the mine is having some financial difficulties. If copper continues to go up, that would be positive. At this point they are not able to open. MRI needs to get the other factors worked out before they can reopen the mine.

IV COLUMBIA FALLS ALUMINUM CO. (CFA)

Haley Bowdery, CFA, said that in September 2000 CFA started shutting down. When they shut down, they were operating under a contract that was to end October 1, 2000. Discussions with Bonneville Power Administration (BPA) lead to an agreement for CFA to stay shut down. They have an option on October 1, 2002, to start up one pot line, which is about 70 megawatts. On October 1, 2003, CFA will be able to get a larger contract. They have been working on the facility while it was shut down, planning to reopen. On December 31, 2001 the first half of the workforce was cut. The workforce has dropped to 300. On Tuesday they decided to restart one pot line by mid March. That power will come from somewhere other than BPA. They have an agreement with BPA that they will forgo BPA power until October 1. The plant will be making aluminum again in mid-March. The decision to start operating was a major decision. They are excited to get going again.

SEN. THOMAS asked if there 300 employees that continued to earn an income and how long will they continue to earn an income. **Mr. Bowdery** said that is going until October 1, 2003. Approximately 140 of those people will be running the one line that will start soon.

MR. DRISCOLL asked what happens to the rest of the 300 employees who will not be running the pot line. **Mr. Bowdery** said that they are still working at the plant, getting it ready to run. They will stay there.

SEN. RYAN asked what potential there is for finding power on the open market and can the power get to CFA. **Mr. Bowdery** said that it can get there. The open market is favorable right now. It is close; there isn't a lot of excess power out there right now. **SEN. RYAN** asked if there is a priority order as to which aluminum companies come back on. **Mr. Bowdery** said that the companies are in head-to-head competition. Since the aluminum production in the Northwest shut down, other producers have started.

SEN. ELLIS asked if CFA is the only plant that has announced reopening. **Mr. Bowdery** said they are the only one. They announced reopening on the same day that Kaiser announced bankruptcy.

SEN. THOMAS asked who the power was bought from. **Mr. Bowdery** said that it was bought off the open market, made up of numerous contracts.

V REPORT FROM USBP SUBCOMMITTEE

REP. DELL said that the Legislature requires TAC to monitor and evaluate universal systems benefits programs (USBP). By July they need to evaluate the funding and make recommendations to future needs for the program. Specifically they are to look at the existence of markets to provide any or all of the USB benefits that are now provided, or whether other means for funding of the programs have been developed. That was the draft work plan, which was approved by the subcommittee. There was a presentation by the implementers of the USB, regulators of the USB, overview of the program regulators, overview of the conservation programs, overview of how other states are funding and implementing their USB programs.

There were generally positive reports about the accomplishments of the program. There was a common theme that there needs to be flexibility in the USBP. Needs vary throughout the state. The flexibility is needed in terms of how the program is applied. There is a historical difference in the cooperative experience and the MDU experience as far as the needs of their customers. Local needs may be different throughout the state, which is why flexibility is needed.

There needs to be a mechanism to ensure benefits of the USBP are realized by the MDU customers. It is perceived by some as a tax. Are MDU customers getting the benefits of USBP? This came up as something that may need to be explored.

The USBP provides a lot in Montana. What they heard was fairly positive.

VI OVERVIEW OF UNIVERSAL SYSTEMS BENEFITS PROGRAMS

MR. EVERTS referred to **Attachment 4**. There is a statutory requirement for TAC to make recommendations regarding the ongoing need for USBP by 2002. Examples of USB programs are low income, energy assistance, cost effective conservation and research, market transformation, irrigation energy conservation and efficiency (passed in the last session), and renewables.

The comprehensive regional review that was done in 1996 recommended that there be a 3% funding level for public purpose programs. During that time it was thought that a number of states would be going to competition. In 1997, there was a funding level established for USBP of 2.4% of 1995 retail sale revenue. It created programs, allowed large customers to self-direct USB activities. It also created a minimum level of 17% of the entire USB for low income. Cooperatives were allowed to pool their expenditures and credits. Some funding mechanisms were created. In 1999, the program was worked on. Most changes came from the TAC.

The funding mechanism includes a recovery of the costs that is authorized in the restructuring legislation to be imposed and assessed at the meter by the distribution facility. PSC is required to set USB rates for those utilities within its jurisdiction. It is a complex funding scheme. If the 1995 retail sales were

\$100, the USBP funding level would be \$2.40 minus any credits. Any leftover money flows to the state account for distribution. The cooperatives are allowed a statewide pool. If the overall funding is \$2.40, a minimum of 40 cents (17%) must be put aside for low-income programs. Irrigation would receive 14 cents (6%).

There are reporting requirements for the utilities. The total USBP obligations in 2000 is \$13,607,559.

For supplemental information see **Attachments 5, 6, and 7.**

REP. BROWN asked if there were any concerns expressed about the initiative on HB 474 and how it would affect the USB programs. **REP. DELL** said that there were no concerns expressed. **MR. EVERTS** said that there wasn't concern expressed to the Subcommittee. There is an extension from 2003 to 2005 of the funding obligation level in HB 474. **REP. DELL** said that it is an important extension, but that it could be corrected in the next session. **REP. BROWN** would agree that is the case, however, there were some votes in the last session that failed. It isn't sure that it will be extended. **REP. DELL** said that is part of the mission of TAC; they can make recommendations. What would replace it if it did go down? We need to look at it now, so that the Committee can make recommendations to the next session.

MR. LEUWER said that the people who worked on that extension are aware of the issue of the initiative. If HB 474 is repealed, there is possible termination. The interest continues to be there.

SEN. STONINGTON asked if there was some tie between USBP and federal requirements.

MR. EVERTS said that it isn't required for the state. **SEN. STONINGTON** asked if the original motivation would be out of the Governor's review. **MR. EVERTS** said that was the impetus. There were a lot of parties interested, a lot of calculations done. The idea was that the programs were there previously and they were trying to ensure that they would stay.

SEN. STONINGTON said that large customers were allowed to self-direct qualifying public purposes. What does that mean? **MR. EVERTS** said that large customers are singled out to allow them to make conservation efficiency and low income donation expenditures and then that will be credited to them against their obligation. **SEN. STONINGTON** asked if there is a review of those expenditures to ensure that they are spent for those purposes. **MR. EVERTS** said that they are required to submit a report. The Department of Revenue receives those, but only reviews them if there is a challenge. It is not a proactive review by the department.

SEN. STONINGTON asked if there had ever been a challenge. **MR. EVERTS** said that there had been and it was dismissed.

SEN. ELLIS said that the low income programs through USB are not the only programs that will help people pay their bills. We should know what other programs are out there. **REP. DELL** said that is part of the task.

SEN. THOMAS said that it is important to look at what else is available. He is concerned that if HB 474 is repealed the program is dead.

SEN. RYAN asked if the initial funding is \$2.40, a minimum of 40 cents is to low income and 14 cents is to irrigation, is that a cumulative of 54 cents. **MR. EVERTS** said that those are minimum funding levels established. **SEN. THOMAS** asked where the irrigation dollars come from. **MR. EVERTS** said that it has to come out of fund other than the low income funds.

SEN. RYAN said that it would be a total amount of 54 cents. **MR. EVERTS** said that was correct.

MR. DRISCOLL asked if the effective date was July 1, 2001, to have 6% of the moneys go to irrigation, if HB 474 is repealed for a period, the agricultural community would be out of luck.

MR. EVERTS said that there was money for irrigated agriculture previously, HB 474 just directed more money toward that effort. **MR. CORCORAN** said that last year 3% of the funds went to irrigation. HB 474 raised that to a minimum of 6%. **MR. DRISCOLL** said that if you repeal HB 474, they may put money to irrigated agriculture, but it is not a requirement.

SEN. THOMAS said that the initiative would repeal the extension, but not the USBP. It effectively repeals the extended assistance for irrigators. **MR. CORCORAN** said that the programs would likely have already played out for that year.

REP. DELL said that we should all be concerned that there isn't double dipping in terms of abuse of this program. As a committee we need to be educated and prepared to answer the questions that TAC is mandated to answer. There are some things that can be done to make it a better program, but it was encouraging.

SEN. ELLIS said that the Energy Star Program was discussed yesterday. They identify refrigerators, washing machines, and other items as items that are energy efficient. The manufacturer has to earn that label. If you get the energy star it shows that in the long run that product will cost less.

REP. DELL said that it helps the public make the best economic decision based on energy efficiency.

VII REPORT FROM TRANSMISSION SUBCOMMITTEE

MR. WHEELIHAN said that there had been two informational meetings. Who are the players, what are their roles and responsibilities, what are the problems in Montana, and how do they relate to the country are issues that were discussed at those meetings. There was an eminent domain presentation. There was a presentation on the Regional Transmission Organizations (RTO.) BPA, MPC, CFA, and the Cooperatives all participated, and left the impression that there are mixed feelings as to whether this will be good or bad for Montana. There was a discussion about AC versus DC lines. There was an update by the Western Area Power Administration (WAPA) and the transmission study that they are doing. There was a brief discussion about federal legislation and how it applies to transmission. The

committee adopted a work plan yesterday. They intend to narrow down to what the role of the state in transmission issues is and what issues the state can and should influence.

VIII RECOMMENDATION TO CONTRACT/NOT CONTRACT WITH NCSL TO CONDUCT ASSESSMENT OF MONTANA'S ELECTRICITY AND RESTRUCTURING POLICIES

MR. MARTIN referred to **Attachments 8**. The idea for the NCSL study came up at the November meeting. There was talk of having someone do an assessment of where the state may go from here. NCSL was suggested as the best source for that study. Matthew Brown, NCSL, submitted a proposal that dealt with what we have done, where we can go from here, issues on USBP and transmission. The proposal came back with a cost of \$18,000. Therefore, there was interest in scaling the study back. As a result, it would look less at transmission and USBP. There is talk about doing an independent assessment of Montana's energy policy to either fine tune the policy or outline new policies. One of the interests that was expressed is how to keep money and control in the state. The NCSL work plan is shown in Attachment 8.

REP. GALLUS asked if the Committee feels that they have exhausted all of the other resources that are available to them. **MR. MARTIN** said that the only way we can be sure that we have exhausted all the resources is to put out an RFP to see what is available. NCSL does have the expertise to do what the committee wants. This is a lot cheaper than what would be offered by most other consultants.

MR. RITTER asked where do the funds come from. **SEN. THOMAS** said that it would come from the TAC funds that are to run and operate this committee. Those funds are available.

SEN. THOMAS said that in the discussions there are still questions about what the state does and what the options are. There is the question of competition. There are questions about the long-term contracts, what happens after 2007, and more. There are still policy analyses that needs to be followed and put into the law. There are still issues surrounding the default supply as to how it will work and what it will look like down the road. The industrials don't want back in. Flathead Electric Cooperative (FEC) took care of its own needs. The thought that has been promoted was if somebody else lays out what the state has and what it doesn't have, it helps focus and helps take political activities out of the decision making. He had a conversation with another individual who could do the study. That person wanted to look at the actual resources that we have and that we need. This would have potentially been more valuable 3 years ago than now.

MR. RITTER said that he would support the study. He was interested in the other individual because there isn't going to be any generation in the state unless there is a transmission plan. He would like to see the hardware issue in the study, regardless of who does the study. The people he represents are really into the transmission as a serious issue.

REP. GALLUS asked about the WAPA transmission study that was federally funded and will be out in June. Would that be redundant? **MR. WHEELIHAN** said that WAPA was going to take scenarios dealing with where the most likely generation would be in the state and what needs to be done to move that energy where it needs to be.

SEN. THOMAS said that transmission is a key issue. WAPA has \$450,000 to study transmission; they are in the middle of that study. In the first Transmission Subcommittee meeting BPA did a great job helping the members to understand what is there and what is not there. The Subcommittee is going to communicate with BPA to look at transmission. WAPA and the BPA will be able to bring all the transmission data that the Committee will need. The NCSL study would be irrelevant to what WAPA and BPA are doing.

SEN. STONINGTON said that the WAPA study is intended to do what-if scenarios. They are going to say, "If you build this line it will have..." They are going to do it in a priority order as far as freeing up transmission and generation to go elsewhere. That is a different issue than what would be looked at in the study by NCSL. That study is a question of state policy. The questions that need to be asked as we look forward include, what do we have jurisdiction over; what should we have jurisdiction over; what can we have jurisdiction over. Are we appropriately positioned to follow the market the way it is going to develop? We don't know if a competitive retail market is ever going to develop. That is one of the questions the PSC is raising themselves. What we need to be addressing is, does the PSC have the adequate authority to look at the things that they are looking at. This study offers a look at what other states have done, where we are, and the next step in what we need to do in planning for the state's energy future. The state as a whole will benefit.

REP. DELL said that he supports this. He attended an NCSL workshop and it was the most useful thing that he had done as far as education. The island mentality is a mistake.

REP. BROWN said that he is skeptical of what we will get out of this. He doubts that it will tell us what to do to solve the problem. NCSL does have a lot of information about various states and what they are doing. He doesn't see why we can't keep having NCSL coming back occasionally to explain different issues without having to pay \$12,000 for it. If he felt like we would get some really constructive information he would go along with it.

SEN. RYAN said that we need to go forward with this. NCSL will have the ability to look at the Montana Power Authority (MPA), the PSC and its authority. This will be done in a non-partisan arena.

MOTION: **REP. GALLUS** moved to accept the proposal of the NCSL study.

Discussion:

REP. KEANE said nothing ventured, nothing gained.

VOTE: Motion passed 8-2 on a roll call vote with **REP. BROWN** and **REP. OLSON** voting no. **Attachment 9.**

IX **OTHER BUSINESS**

MR. CORCORAN said that the MPC sale to NorthWestern has closed.

MR. WHEELIHAN invited a representative of the Kiewit company to speak.

Clark Fritz, Keiwit Mining, would like to invite the Committee to look at the Texas plant. It is a clean coal technology. The plant is 12 years old.

SEN. THOMAS asked where the mine is located. **Mr. Fritz** said that it is north of Houston. **SEN. THOMAS** asked if it would be similar to the projects being looked at in Montana. **Mr. Fritz** said that was correct.

REP. KEANE asked where the coal comes from. **Mr. Fritz** said that it is a mine mouth powered plant.

MR. MARTIN referred to **Attachment 10**, a letter from Matthew Brown. The representative from the National Renewable laboratory is going to be in Montana March 14. There will be a presentation for state agencies on wind energy policies. Mr. Brown suggested that members of TAC may find it useful to attend a separate presentation on that same day. **SEN. THOMAS** asked where it would be. **MR. MARTIN** said it would be in Helena. **SEN. THOMAS** said that the committee would be invited to attend on their own, if possible.

MR. MARTIN said that for the next meeting we are looking at an annual report for TAC. The other thing that he is working on is doing a property tax implications of the acquisition of the state of the hydro electric facilities.

SEN. THOMAS said that Sen. Toole had been invited to bring his initial proposal in front of the Committee. They have also asked for tax issues that would result from Toole's initiative.

MR. RITTER asked if it would be advantageous to include in any kind of tax study the positive things of new generation facilities being built in the state, and its additional revenue in the tax study.

SEN. STONINGTON asked if there was a date for the April meeting. **SEN. THOMAS** said they would have to work on that.

There being no further business, the meeting was adjourned.

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