TRANSITION ADVISORY COMMITTEE

July 12, 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
Sen. Linda Nelson	Pat Corcoran
Rep. Roy Brown	Gene Leuwer
Rep. Jim Keane	Bob Nelson
Rep. Steve Gallus	Kathie Roos
Rep. Alan Olson	Kathy Rice
Sen. Alvin Ellis	Dave Wheelihan
Sen. Walter McNutt	Jerry Driscoll
Sen. Emily Stonington	
Sen. Don Ryan	

COMMITTEE MEMBERS EXCUSED

Rep. Tom Dell	Matt Brainard
Rep. Stanley Fisher	Russ Ritter
Stephen Bradley	Dave Kinnard

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 April minutes
- Made bill drafts requests related to recommendations adopted at the April meeting

I CALL TO ORDER – ROLL CALL – APPROVAL OF MINUTES

MOTION/VOTE: **REP. KEANE** moved to approve the minutes of the April meeting. Motion passed unanimously.

MR. MARTIN said that the agenda has been revised. See Agenda, **Attachment 2**. Agenda Item 6 is an item that MR. RITTER has been working on and the people who were going to offer information about federal law related to energy production on Indian reservations and the impact of electricity rates on the mining industry were not able to attend. Also, proponents of Initiative 145 may not attend.

II CITIES, TOWNS, AND SCHOOL DISTRICTS AGGREGATED ENERGY CONTRACTS

Alec Hansen, Montana League of Cities and Towns, said that since April of 1999, the League and school districts have been in the energy market buying supplies for its members. In 1999, they signed a contract that saved $1.10 per hour. In 2001 they were able to save 60 cents per megawatt. In July of this year they signed a contract with NorthWestern Energy Marketing (**Attachment 3)**. It is a 5 year contract; the price is $33.11 per megawatt hour. It serves 29 cities and towns, and 60 school districts. This contract will save the cities and towns $369,000 per year through a combination of rates and transmission credits. This is a firm full service contract with no penalties for load variations. The cities and towns know that the price of electricity for the next 5 years will be no higher than $33.11. This compares with a default rate of $37.37.

Hanson said that there were some problems negotiating the contract. In June they discovered that the price that had been offered them would be difficult for the company to meet. The price was originally lower. The new price was agreed upon with the provision that at no time over the 5 years of the contract would the rate for cities be anymore than $1.50 below the default rate. They believe that this is insurance against a volatile and unpredictable market. The index margin guarantees that there will always be a margin with the default supply. Attachment 3 lists all of the cities and towns participating in the program and shows their savings.

The question is, why were they able to get a lower price than the default rate. Part of the reason is that the load they offer is well balanced. The municipal load is fairly manageable and most load use can be moved off peak. They also had the advantage of being able to supply detailed load information. This information was an advantage to the companies. The only concern now is what will happen in 5 years when the contract expires. There is always the possibility of the contract ending during a high market cycle. Hanson said that the advantage of the contract is the savings come out of the taxpayers' budgets. The League of Cities and Towns is satisfied with the contract. They had a lot of bidders that worked to put the bid together. They are actually going to pay more than they did a year ago because the rate freeze is gone.

SEN. RYAN asked whether other cities and towns can join in this. **Mr. Hansen** said that if others want to come in, the company would have to agree to it. Some of these loads are selective loads. The new ones are the ones that are on this contract, but were not on the previous contract.

SEN. THOMAS asked if there was a contract before this. **Mr. Hansen** said that the earlier contract was below the rate freeze price. They have not saved a tremendous amount of money in the past; the big savings are going forward because the margin between their price and the default price is greater. **SEN. THOMAS** asked if the price could go down, but not up. **Mr. Hansen** said that the maximum price was $33.11. The minimum price was a margin under the default price. **SEN. THOMAS** would like a list of the schools involved.

REP. KEANE asked how many bidders there were for the contract. **Mr. Hansen** said that there were 2. The previous contract was with Energy Northwest of Great Falls. Some companies were reluctant to bid against because they didn't know the default rate. The default rate came so late in the game that it would have been impossible to submit that.

SEN. RYAN asked if this is a 5 year contract, will they be facing a similar situation in 5 years that they will be waiting to find out what the next default rate will be. **Mr. Hansen** said that if they figure out how to remove this ahead of time at a fair price they will do so. The price is based on what they thought they could afford to pay and what was likely a fair price over the 5 year period.
SEN. THOMAS asked if the preference is to have the option to negotiate their own contract rather than having the default supply as the only option. **Mr. Hansen** said that if there is a choice, then you should exercise those options. The League of Cities and Towns decided that they were going to become actively involved in the market and identify some savings. They are going to continue to be involved in this market.

<u>III FINAL ORDER OF PUBLIC SERVICE COMMISSION RELATED TO NORTHWESTERN ENERGY'S DEFAULT ENERGY SUPPLY PORTFOLIO</u>

• ***Public Service Commission staff***

Will Rosquist, Public Service Commission (PSC) staff, said that the first section of the final order addresses some of the concepts that were included in HB 474 and is an explanation of how the PCS interpreted some of the terms and phrases in HB 474. The legal discussion also includes a discussion of preapproval, which is a well-known concept in utility regulation, but not included in HB 474. The order discusses why preapproval isn't desirable because it shifts risks related to management onto customers. There is a statement of the PSC objective of the order. That is to apply regulatory principles in ways that protect customers and allow for a financially healthy utility.

The next section of the order are the findings on NorthWestern's portfolio. Based on the record and the law, the PSC reached three conclusions: (1) the portfolio consisted of contracts with PPL, Duke

Energy, and qualifying facilities; (2) contracts with PPL and Duke Energy were secured using industry accepted practices; and (3) the company had not procured but proposed to procure several long-term contracts. The reason for this has to do with the regulatory outline that was contained in those contracts, which essentially meant that the company was not bound by the terms of those contracts absent specific PSC approval. Therefore the PSC treated those contracts as if they were filed pursuant to the provisions in HB 474 that allow the PSC to do public comments on proposed contracts.

The next section discusses energy efficiency. The PSC concluded that NorthWestern should consider supply-side resources, as well as demand-side resources, when evaluating conservation resources to meet the needs.

The section on transmission relates to a proposal by NorthWestern to apply the Federal Energy Regulatory Commission (FERC) wholesale transmission tariff to establish the costs a retail default supply customers would have to pay as opposed to the way transmission rates are set now, which are based on a PSC evaluation of the assets. The PSC found that it didn't have enough evidence to determine whether the FERC tariff was an appropriate course of action at this time.

The next section contains the Commission's comments on the resources that it determined not procured. The PSC identified a number of concerns related to those resources. It found that had the resources been procured, the PSC would likely have determined that the company had not acted prudently or that the company did not have its prudency review of the supply resources. The company's decision-making process was searching for resources and choosing resources that it would be best to include in the portfolio. The Commission raised concerns about the level of due diligence, the financial viability of some of the projects, and whether the method that the company used to identify resources was consistent with industry accepted practices.

There is a comment on economic development. The PSC found that its fundamental task is to establish just and reasonable rates. The best thing that the PSC can do to facilitate economic development in the state is to focus on that task.

There is a section on remedies and how NorthWestern can improve the process going forward. They tried to provide the company with some guidance.

MR. DRISCOLL asked about the qualifying facilities (QF). What does NorthWestern pay for power out of Toston Dam? **Mr. Rosquist** said that all of the existing QF's came into the portfolio at the same price. The price may be higher, but the default supplier pays $32.75 a megawatt hour. There are transition charges related to the difference. **MR. DRISCOLL** asked if the QF's get that money in addition to the price that the default supplier is paying. **Mr. Rosquist** said that the QF's get their contracted rate through the settlement agreement approved by the PSC. As an aggregate, the company is recovering the $32.75 through the rate and the competitive transition charge applied to most QF contracts will help cover the cost of the QF contract. **MR. DRISCOLL** asked if the QF's that were approved are still getting their contract rate. **Mr. Rosquist** said that they were. **MR. CORCORAN** said that, in the current year, those competitive transition charges are worth about $14 million. NorthWestern Energy is responsible for paying the QF's their full contract costs. The average rate is in the range of $50 to $60 per mega1watt. As a result of the settlement, there was $62 million from the generation sale that were used to reduce those out-of-market QF costs. There was additional $60 million put in by NorthWestern as a result of the settlement. NorthWestern is responsible for paying the actual contract costs over the 27-year period.

SEN. THOMAS asked if all residential and industrial customers are paying that as well. **MR. CORCORAN** said that all retail customers are paying QF competitive transition charges. **SEN. THOMAS** asked about the League of Cities and Towns. **MR. CORCORAN** said that they would be paying it also. **SEN. THOMAS** asked how long the QF contracts are for. **Mr. Rosquist** said that they vary. **MR. CORCORAN** said that the contracts have 27 to 30 years remaining. **SEN. THOMAS** asked if the QF contracts were approved by the PSC. **Mr. Rosquist** said that the PSC doesn't approve contracts with QFs, but it established tariff rates for the QF contracts. The company is free to negotiate for different rates. The costs of the QF's are related to Commission action in setting the avoided cost rates. **SEN. THOMAS** asked if the Commission is involved in this. **Mr. Rosquist** said that the PSC would have approved it through rate recovery in a rate case related to QF costs. The Commission doesn't approve the specific contracts, but they do approve cost recovery related to those contracts. **SEN. THOMAS** asked if the PSC could have rejected those contracts by saying that the company could not recover the long-term costs of the QF contracts. **Mr. Rosquist** said that the PURPA statute (Public Utility Regulatory Act of 1979) entitled the QFs to get contracts with the utility and the utility was obligated to pay the rates established by the Commission. To the extent that the company entered a contract, assuming commission established tariffs, it would be very difficult to deny the company rate recovery for that. There could be circumstances surrounding negotiation of a QF contract that might lead to partial unbalance of cost related to a QF contract.

REP. BROWN asked about the contract cost of the Toston Dam. **MR. CORCORAN** said that the $50 to $60 is the average of the QF contracts. Toston is the 3rd largest QF project and is relatively high priced.

SEN. ELLIS asked who else was involved in the decision on rates of the QF's. What setting existed when those QF's came on line? **Mr. Rosquist** said that the PSC established the rates at which the QF costs were established. The PSC conducted a number of avoided cost proceedings where interveners brought testimony. The idea of those cases was to establish what Montana Power Company's (MPC) avoided costs were and how to set the avoided cost tariffs under which the QF's can enter contracts with the company. **SEN. ELLIS** asked if the avoided costs were overestimated in that the contract escalated the price for the QF's at a higher rate than what has actually occurred in the market. **Mr. Rosquist** said that is essentially correct. The cases were designed to estimate what MPC was projecting in costs itself and what costs it would not incur if it purchased power from these facilities instead.

SEN. STONINGTON asked how the process works so that the League of Cities and Towns was able to negotiate a price less than the default supply. **Mr. Rosquist** said that the portfolio is a large aggregated load. There may be characteristics related to the load that the League of Cities and Towns has put together that make it more economical to serve than the default load. The League of Cities and Towns has put together loads that are complimentary to each other, making them attractive and easy to serve. **SEN. STONINGTON** asked if that is looked at in the prudency review. **Mr. Rosquist** said that it was something that was looked at in this case in terms of the company. There are different costs to serving different periods in the load, and that is something that is looked at. **SEN. STONINGTON** asked for the current status of the default supply. **Mr. Rosquist** said that the price of the default supply doesn't reflect the costs of the contracts that the PSC determined were not procured in the order. It does reflect the costs of the PPL-Montana and Duke contracts, as well as some additional costs**. SEN. STONINGTON** asked how long the price is good for. **Mr. Rosquist** said that the price was good until June 30, 2003. The annual cost tracking mechanism in HB 474 allows for adjustment every year.

SEN. STONINGTON asked about the statement that reads, "While it (NorthWestern Energy) recognizes that demand-side resources are available on its system, it is not sure how the procurement of such resources should proceed under existing legislation." **Mr. Rosquist** said that witnesses testified at the hearing that they were unsure whether the Universal Systems Benefits (USB) charge statutory provisions is where energy efficiency and conservation is addressed in Montana law. Maybe it is not the role of the default supplier to pursue additional efficiency and conservation resources. The PSC tried to clarify that. The PSC said that the default supplier should pursue energy efficiency and conservation the same as it does supply side resources. They need to put together the best mix of resources. **SEN. STONINGTON** asked what authority does that carry with it. **Mr. Rosquist** said that it carries some authority to the extent that if the company comes before the PSC in the future and the company has ignored that, there may be a demand side resource that is less expensive, it could expose the company to some cost disallowance.

SEN. RYAN asked if we have a couple long-term contracts that form a base load and NorthWestern Energy is now on the spot market to fill in the variables, then in a year there will be a true-up to see if the company over collected those spot market contracts. **Mr. Rosquist** said that the company has gone ahead and procured some supply. They will be covering their needs throughout the year. There will be a true-up for those costs and they will set the rates for the next year. **SEN. RYAN** asked if they will be able to enter into a long-term contract in the next year and add it to the current portfolio. **Mr. Rosquist** said that they are free to enter into a long-term contract any time in the next year. The PSC said that they were not going to pre-approve cost recovery. **SEN. RYAN** asked about the load factor in helping establish a lower rates. If we take the stable load of the League of Cities and Towns out of the default, does it make the default load more unstable, therefore driving up the costs. **Mr. Rosquist** said that is possible.

SEN. RYAN asked whose obligation is it to get additional power if one of the suppliers shuts down for a month. **Mr. Rosquist** said that it would be NorthWestern's obligation to get that.

SEN. ELLIS asked how the PSC expects the supplier to document that they addressed the demand-side supply alternative. **Mr. Rosquist** said that it is possible to do RFP's for demand-side resources. The company needs to keep a record of when it decides that it needs to add a resource and what the company did to decide what resource to add. This record would show what resource options were available and explored.

REP. KEANE asked if the $1.62transition charge is over the period of the contract, will it increase after a year? **Mr. Rosquist** said that $1.62 is the amount that the customer consuming 750 kilowatt hours will pay. The actual competitive transition charge is a per kilowatt hour charge. Based on the settlement, that rate can change slightly from year to year. There will be annual true-ups related to the collection of those costs. **REP. KEANE** asked if that number will double over the next few years. **MR. CORCORAN** said that if the existing load will stay the same, it will be slightly less than double. But the retail load will continue to grow, and the rates will be spread over more people.

SEN. THOMAS asked when the PSC expects that something will be filed with them concerning conservation. **Mr. Rosquist** said that he didn't have any expectations at the moment. They are looking at what the next steps should be. It may involve a commission facilitated discussion of procurement principles. That discussion may involve an assessment of demand-side resources that are available. That should occur in the next 6 months to 1 year. **SEN. THOMAS** asked about pre-approval. The law didn't allow PSC to pre-approve contracts. **Mr. Rosquist** said that in the last session the PSC testified and advised the legislature not to require pre-approval.
SEN. THOMAS asked with the Duke Power contract being for 1 year, if a good project was to come forward that would lower the overall price of the portfolio, but it needed pre-approval for the rate recovery, is there a way that the PSC can approve that so that those people can get the project built. **Mr. Rosquist** said that under the law there is a way to do that, the PSC could do that. The debate that they just had in the portfolio and the way they have approached that in the past is whether it is a good idea or not. If it is in the public interest to pre-approve, there is a way to do it.

SEN. STONINGTON asked about role of renewables in the default supply. **Mr. Rosquist** said that NorthWestern had filed to make a separately priced renewable offered to the default supply customers. The PSC will be noticing that and giving interested parties an opportunity to comment. At some point, the PSC will take action on that. **SEN. STONINGTON** asked if the Wind Harness proposal was that offering. **Mr. Rosquist** said not at this point. The idea at this time was to use an environmental through Bonneville Power Administration (BPA). Customers will be able to pay 2.00 for 100 kilowatt hour blocks for environmental attributes that come from renewable energy that is procured by BPA.

- ***NorthWestern Energy***

Dennis Lopach, NorthWestern Energy, said that the default supply case was a complicated proceeding. They are all at a point of taking stock and trying to decided where they are at and where they are going. They continue to have the opportunity to work with new developers. Any opt-out clauses must be exercised within a week from today. The electric market in the west continues to be fascinating to watch. The prices in the Northwest are very low, but in California there is unusually hot weather. The FERC has now raised the price cap that was imposed last June. It will be interesting to see how this all plays out. It is likely that in the Northwest volumes and prices will rise over time. NorthWestern thinks that it can get through the next year in the good shape. There is a fair amount of market exposure that should be a concern.

The market is hard to read and you never know where it is going to go. If the default supplier does everything perfectly, it will get its money back. It is a role that they intend to keep discussing with the PSC and the Legislature. They hope to continue a dialog of what is expected of the default supplier. There is a fair amount of absence of what does the default supplier do. The customers want choice if it means low, stable prices.

The default supplier can simply be a conduit for market price. If the market is volatile, then the rates will be also. The way around that is with some long-term contracts that tend to stabilize price. The PSC said that the company is free to sign long-term contracts and bring them in for recovery on an annual basis. The company can sign the contracts on their own credit, but remain subject to risk as to whether it will recover costs. There is so much uncertainty for the default supplier, it will continue to raise the issue of does this make sense. Some of the contracts are very long term in nature. From NorthWestern's perspective, it would be good to spell out a procurement process. During the next 6 months, it will look at whether agreement can be reached about legislative changes. Documentation is extremely important for them. There is a fair body of literature that supports that the default supplier should not be required to maintain low prices, rather it should be left to reflect the market. There has not been a viable, aggressive retail market developed in the US.

NorthWestern expects to be talking to the PSC about a whole range of issues. He is speaking to National Conference of State Legislatures (NCSL) about possible legislation based on models around the country and what makes sense. They hope to continue that discussion. Another possibility is to revive something called the Least Cost Advisory Committee, would allow stakeholders to look at options. They think that this is a way of developing information and exchanging it among stakeholders. Mr. Lopach wants move through some of those issues quickly. There are some opportunities for development and continuing risks in the market. It is not clear where the process would go beyond that because there is a disagreement on how risks are allocated.

SEN. STONINGTON asked, what impact does it have on the default supply when a group like League of Cities and Towns pulls out of the load. **Mr. Lopach** said that the continuing opportunity to move to choice is governed by the PSC and the rules that are adopted. The reality is that when the industrial customers were lost, the load became less attractive and a more expensive load to serve. It

has cost implications. **SEN. STONINGTON** asked if the issues of how many customers can leave and how they can leave and the impact on the contracts part of the discussion that NorthWestern is having about the default supply. **Mr. Lopach** said yes.
SEN. STONINGTON said that if what they are looking at is ways to structure that and the role that the PSC should play in that and what authority the PSC has versus what guidance is needed from the Legislature, she would urge that those conversations take place soon and include members of the TAC. **Mr. Lopach** said that they share the perspective of trying to get the discussions started. If there are energy issues that need to be dealt with, he hopes that they can be dealt with early in the session.

SEN. THOMAS asked when NorthWestern is planning to come before the PSC with a provision on conservation. **Mr. Lopach** said that in the satellite hearings they were being perceived as opposed to conservation. NorthWestern didn't think that there was enough conservation to affect the portfolio. The decision was made that demand-side resources need to be evaluated with supply-side resources. He feels that the default supplier should be asking the market what it is capable of doing on the demand side. He would recommend going forward with an RFP to see what the market is able to do. This can go forward sooner rather than later. **SEN. THOMAS** asked if there are significant number of customers leaving the default supply. **Mr. Lopach** said that the movement caused a drop in the load from 1,050 to 900 megawatts. **SEN. THOMAS** said that people left this July. **MR. CORCORAN** said that there were 3 larger customers that chose to go to the competitive market. The lighting customers were new to choice. Starting July 1 was the first time in 4 years that the default supply prices are close to market prices. You predict the base load for the portfolio, but you need to recognize and plan for some sort of volatility.
SEN. THOMAS asked what the sizes of loads left are. **MR. CORCORAN** said that there are very few large customers at this time and there are a number of medium size commercial customers that are looking at choice. **SEN. THOMAS** asked if it is the PSC policy decision of having the supplier bring the costs in and then they decide if those costs were prudently incurred. We are trying to balance this. It seems that the utility, the PSC, and the Legislature have to figure that issue out. **Mr. Lopach** said that he agrees. It is really a tension between the traditional role that the regulators have played, reacting to what the utilities have done. There has been an attempt to build consensus on resource decisions. In the last session the PSC felt that they should be more central to the energy policy. The process that they are in with the PSC gives the opportunity to try and bring forward some initiatives. This is the time when these decisions should be explored. **SEN. THOMAS** said that the PSC has done a heck of a job in difficult times, but this area is so difficult to deal with. If the law says, here is what will be done, then the PSC is not needed. But yet, the PSC has to come around and say that they will get off of the old regulatory ideas and join what is going on now. It will take all of the parties working together to get this thing done.

SEN. STONINGTON said that the default supplier is trying to make money and still get the best price for the customers. In this, the customers lose some trust in the supplier. The customers are depending on the PSC. This is the difference between the default supply and the League of Cities and Towns.

SEN. THOMAS asked about making money on the default supply. **Mr. Lopach** said that there is no profit in the default supply. The profit is in delivering the energy to the customers.
SEN. STONINGTON said that what full cost recovery is, has to be negotiated with the PSC. **Mr. Lopach** said that the regulatory process hasn't changed that much. The way that the company operates with the PSC hasn't change. This issue of whether some change doesn't make sense for the state needs to be addressed in the next 6 months.

IV PUBLIC SERVICE COMMISSION RULES ON COMPETITION AND CUSTOMER CHOICE

Mr. Rosquist said that these rules are a result of an informal consensus. The rules set forth the terms and conditions for leaving and returning to the default supply service. In the upcoming year there is the chance for 10% of the default supply load to move to choice. A customer electing to move to the competitive supply market will be required to stay in the competitive supply market for at least 1 year. Those returning will be required to stay for at least 1 year. There are some special requirements for customers with loads of more than 5 megawatts. The rules give NorthWestern some flexibility to enter contracts with large customers that require customers to pay for what they would have paid if they choose to leave the default. The rules also have minimal provisions for an initial demand response program. The rules address emergency service: if a customer in choice has a supplier that fails to supply, then NorthWestern will act as the emergency supplier, but NorthWestern has no obligation to have that energy available. They may have to go to the market. In the event of an emergency, failure on the part of the supplier to deliver the supply, the first course of action would be to recover costs from supplier for providing the emergency supply. Failing in an attempt to recover the costs from the supplier, the customer will become liable for those costs.

SEN. THOMAS asked if the 10% of the customers that can leave would be below the thresholds that are authorized by law. **Mr. Rosquist** said that it is 10% of the default supply load.
SEN. THOMAS asked if that is an annual figure. **Mr. Rosquist** said that these are interim provisions that only apply to the upcoming year. **SEN. THOMAS** said that if someone leaves, they can't return for 1 year. **Mr. Rosquist** said that was correct.

SEN. STONINGTON asked what happens if a 90 megawatt customer leaves, and then 10 days before the next year is up they come back, but the default supplier hasn't had a chance to negotiate for that extra 90 megawatts. **Mr. Rosquist** said that the 10% is based on the comfort level of how much of the load could leave and come back without causing great difficulties for the default supplier. **SEN. STONINGTON** asked if the utility is comfortable with that.
MR. CORCORAN said that they were. **Mr. Rosquist** said that maybe in a situation where a customer wants to come back at high market prices, the rate to them may be different than the rate that of those who didn't leave.

REP. BROWN asked if some of the rules are more legislative issues than something that the PSC can make a rule for. **Mr. Rosquist** said that the 2001 Legislature wrestled with SB 243 where the Legislature looked at building into statutes the phasing of the amount of load that should be eligible to move.

SEN. ELLIS asked what percent of the default supply was approved and what was rejected during the recent hearing. **Mr. Rosquist** said that the percentages vary depending on the peak needs or the number of kilowatt hours. He believes that in terms of peak, the contracts that were actually procurement were between 50% and 60%. The PSC didn't necessarily reject anything. They said that the contracts hadn't been procured. **SEN. ELLIS** asked if there is any concern on the part of the Commission that they might be leaving the customer responsible for costs that might run up during the year because there are not contracts to cover the supply, but the market could turn adverse. **Mr. Rosquist** said that the PSC is very concerned about how the customer fairs in the default supply portfolio process. The Commission's decision in this case was a function of the record of evidence that was before the Commission and the obligations of the PSC to allow the recovery of prudently incurred costs. The PSC did its best to implement the law as it was written. **SEN. ELLIS** asked if the PSC would be comfortable in telling the default supplier that they should have not accepted the increased cost. **Mr. Rosquist** said that, at the time the company came to the PSC to recover those costs in the rates, the PSC would look at what was going on at the time that the decision was made and if those decisions were prudent.

V COMPETITIVE MARKETING OF ELECTRICITY SUPPLY

• ***Energy West***

Sheila Rice, Energy West, referred to **Attachment 4**. She said that Energy West Montana is the gas utility that serves Great Falls. They are a fully open utility. They were able to do that without any stranded costs. They have been able to put the systems in place to support a competitive environment. Energy West Resources was started in 1991 to serve large gas customers. Today they are serving 500 commercial customers. They are continuing to add customers within the 10% set by the PSC. They hope to continue to expand. They are a reseller of energy, not a generator. Energy West is entering the market in Oregon.

Ms. Rice said that creating a competitive market is not an impossible thing to do. The biggest problem Montana has is that it has partial deregulation and needs full deregulation. The incumbent utility should be the utility of last resort, not the default supplier. She doesn't believe that we can go from a regulated environment to a non-regulated one overnight. Choice needs to be encouraged. The idea of shopping credits has been used in some states. Other states have used customer allocations. We need to bring people to the table. Another idea is to limit the percentage of the load that someone can serve. This brings in other suppliers. Billing options must be part of customer choice. A green product could be marketed to customers. Buying groups, such as the League of Cities and Towns, is an idea that has worked in Ohio. Conservation itself is a product that can be offered to customers. The PSC also needs to look at unbundling the metering.

A fixed rate shields the customer from the market signals. She would propose monthly pricing. The default price should be market price. NorthWestern Energy would be happy if they never had to be a default supplier again. Timing is essential. The default supply price this year was announced just before the signing deadline. If full choice is the goal, that needs to be made clear now. The rules must be in place 2 years before open access. The utility supplier, the Legislature, and the PSC have a lot of opportunity to work together. As a marketer, Energy West wants to allow customers to leave anytime, and reduce transaction costs through automation. Energy West also feels that payments need to be allocated according to charges, and there is a 20% penalty for over or under scheduling.

People often talk about electricity and gas being basic needs that need to be regulated. There are other basics needs that are not regulated, such as food and clothing. The last thing we want is a deregulated, but non-competitive market. If we can work together, this will work.

SEN. THOMAS asked what products Energy West now offers to the different segments of the market. **Ms. Rice** said that their niche is large and mid-size commercial customers. No residential. This is the same for their natural gas. They need the right conditions to offer residential service. Those conditions would be full deregulation, not having to compete against the default supply, and billing issues.

SEN. STONINGTON asked how it would work if there wasn't a designated default supplier. **Ms. Rice** said that 4 competitive marketing companies could be allocated and people could choose which one they wanted. Suppliers could be assigned. **SEN. STONINGTON** asked if she could look at 4 different companies, and then she would sign with them for a contracted period of time. **Ms. Rice** said that was correct. **SEN. STONINGTON** asked if she could change after the contracted period of time, but would be committed for a certain period of time. **Ms. Rice** said that it would be similar to cell phone contracts. **SEN. STONINGTON** asked how far off that would be. **Ms. Rice** said that she would hope 5 years, but it won't happen on its own.
SEN. STONINGTON asked which pieces need to be legislatively considered. **Ms. Rice** said that there needs to be a commitment that full deregulation will occur. The simple statement that the incumbent supplier will not be the default supplier would be huge. This issues of what happens to the customers that don't choose needs to be addressed. Further ideas can be seen in Attachment 4.

SEN. RYAN asked if we have a situation where the default supplier has to get the lowest price, are we prohibiting a competitive market? In the default supply, with higher priced renewables included, are we prohibiting the default supply from being the lowest supply? **Ms. Rice** said that by telling the default supplier to go get the lowest price you are prohibiting a competitive market. If there were more than one supplier, there would be more options.

MR. CORCORAN said that the original language in SB 390 promoted this concept. In the 1999 session, additional language was added for many default suppliers. Ms. Rice is talking about promoting a full competitive market. **Ms. Rice** said that one of the impediments was the rate freeze.

• ***Commercial Energy***

Ron Perry, Commercial Energy, said that they are the largest provider of retail energy in the state of Montana. They provide electric service to almost 100 businesses, representing 10% of the commercial load in the state. They are still growing. Commercial Energy is a direct result of the law passed in 1997. Since their inception, they have saved their customers almost 1 million per year, while also providing variety for management services. But they have not come to realize their full potential. Their ability to serve customers is limited by their capital. He hopes that the committee realizes that not all energy companies are bad companies. Ethics and markets can coexist while serving the needs of customers. There is very little competition today. They have to invest and actively market to their customers; the default supplier doesn't have to do that.

Commercial Energy had to wait for the default portfolio and the rules on choice. They had to get the proceeding and demand that the rules on choice get dealt with. The PSC must not be fearful of raising a stern hand to force a time of closure. At the same time they need to apply the same stern hand to codes of conduct for competitive utilities. Energy market affiliates of the default supply need to not be provided any preference to its access of customers. All utility affiliates must function financially independent in a manner that can do no harm to the parent utility company.

Today Commercial Energy provides billing, collection, and customer service. They intervene in rate cases such as the portfolio case in order to advance their vision of the restructured future. In the portfolio case there was a great deal of discussion about adding new generation to the NorthWestern default supply. There were concerns about the amount that customers would pay for this versus the benefits they would receive. They feel that distributed generation is a better way. It would provide resource to the system in times when the system needs it most. Customers want to be part of the solution. The current USB funds don't address an end response or distributed generation as a load management tool. They would like that to be considered. They also request the possibility of self directed USB funds for customers under the current threshold of 1 megawatt. USB programs shouldn't be looked at as either gas or electric. They would like to see a more integrated, holistic approach. They also want to see the billing consolidated. Investing in competition means that we need to define rules ahead of time, have certainty in structure, and an opportunity to make changes around the edges to reflect the reality of the market.

VI ENERGY DEVELOPMENTS AFFECTING LARGE INDUSTRIAL CUSTOMERS

• ***Fuel Cells***

Jerry Thomas, Tran-Tech Center Inc., said that the Big Sky Economic Development received a grant 4 years ago to look at fuel cell applications. As a result, they brought together various groups to look at the potential for Montana to engage in those activities. They worked with rural cooperatives and others in exploring the technology.

Brian Gurney, Yellowstone Center for Applied Economic Research, offered a demonstration of a fuel cell. He referred to **Attachment 5**. The Center for Applied Economic Research believes that substantial opportunity exists for Montana to be a leader in this and other emerging new technologies. Conservation of energy relates directly to helping the economy. Together the campuses of Montana State University (MSU) present expert capabilities to industry in the state of Montana for developing and commercializing emerging distributed generation technologies in Montana.. The MSU Billings center is currently doing research on solid oxidized fuel cells in partnership with MDU. The program compliments the basic research that is being done in Bozeman. The center is also initiating research that will lead to specific recommendations regarding policies for emerging distributed generation technologies. In and effort to improve the process for introducing emerging technologies, the Center has been awarded a grant in partnership with the Montana Department of Environmental Quality (DEQ) to develop marketing and business processes for taking fuel cells to the market. As they approach this resource, they are confident that Montana has the opportunity to stimulate the economy through policies that facilitate market penetration of emerging distributed generation technologies. In support of this, the Committee may want to recommend that a portion of the USB funds be used for distributed generation research. The Committee may also want to address the capital investment burden that has shifted from utility providers to businesses and consumers when moving from centralized to distributed generation.

Their thrust goes in 2 directions. They believe that they have the resource base to draw substantial private sector research and development. Also, Montana is blessed with methane natural gas. Fuel cells can be placed in residences in Montana and generate electricity on site that is emission free and provides heat and water. What they have been able to accomplish to this date has been very substantial. They have been working with a firm to provide them 2 fuel cells at a residence. This is due to the support and generosity of Montana Dakota Utility (MDU).

John Delvo, MDU, showed the direct methanol fuel cell. When the cell stops you put more fuel in and it will start working again. He referred to **Attachment 6**.

MR. DRISCOLL asked for the price per kilowatt. **Mr. Delvo** said that the target is about $1000 per KW. The unit in Billings is a prototype. They will be working with the manufacturer as the technology develops. He further explained the fuel cell demonstration. A fuel cell converts power from chemical to electrical energy.

SEN. ELLIS asked if the cells are fuel specific. **Mr. Delvo** said that they chose a solid oxide because it is a simple performer and can be mass produced. But they don’t know the reliability issues.

Dan Stevenson, CTA Architects and Engineers, referred to **Attachment 7**. CTA is very involved in energy conservation and a holistic approach toward energy for their customers. Energy conservation is not tapped out as a resource to assist commercial, institutional, and industrial businesses in Montana. The easy conservation has been capitalized on by most of the large businesses. Some of the harder things to do remain to be completed. Architecture has to consider conservation in the beginning.

A fuel cell is a fuel processor, a fuel cell stack, and a power conditioner. There are 3 distinct parts of the machine. Fuel cells can be stacked and then put in a module. This is still a prototype. Soon products will be available in the 10 to 15 megawatt size. Fuel cells come in a variety of technologies. We are looking at theoretical efficiencies of in the 75% to 80% for conversion of natural gas to electricity. The hybrid part of the machine means that we have a fuel cell that runs off of the heat that the fuel cell generates.

Large scale fuel cell power will not be commercially viable in Montana for the next 5 to 10 years. Long range generation and economic development focused on fuel cells is a possibility in Montana. Generation plants that CTA has integrated into buildings that they designed are considered standby power. Distributed generation would require utilization of those standby generation plants. CTA has been active fuel cell project development since 1999. Recent efforts that CTA has been involved in include project development in Yellowstone National Park. It is a 4 ½ megawatt machine that is running. They are also doing application research for commercial and institutional fuel cell use.

There are several barriers to industrial fuel cell generation. Some of the development issues are related to the reformer technologies. How do we get the hydrogen out of propane or natural gas effectively? Hydrogen infrastructure is a big topic right now. Load following and power electronics are engineering issues. Manufacturing is also a problem. We need to get the technology into the manufacturing area. Costs range from $4,000 to $20,000 per kilowatt hour. These costs are not viable in the vast majority of cases. There are interconnect activity issues. Maintenance and replacement costs need to be considered in the price per kilowatt hour.

CTA is about a month from having contracts finished for a fuel cell project in Montana. Necessary actions include legislative support of environmentally responsible generation, legislative support of valid distributed generation research and demonstration of project implementation, simplify interconnection, and expand net metering for Montana's commercial, institutional, and industrial customers.

VII CLEAN COAL TECHNOLOGY

Linda Trocki, Bechtel Corp., referred to **Attachment 8**. Bechtel Corporation has been in business for 100 years. They are one of the largest power plant construction companies. They played a large role in the 1980's to make gas turbine combined cycle plants cost effective and environmentally compatible.

Clean coal was started by the Department of Energy in 1986 to improve the emissions from coal fired plants and to keep the economics competitive. Clean coal is a strong priority under the Bush administration and there will be several new projects starting soon. They want to minimize water usage, the size of the plants, and the solid waste. They want to do this in an economic way. Bechtel Corporation wants to continue to keep coal as a viable electricity generating option. They are trying to keep it competitive and environmentally acceptable. There have already been significant reductions in emissions of coal fired plants. The plants that are being permitted today are in the 0.1 pound per btu. This is a dramatic reduction.

From a social and environmental view, clean coal is very important. Bechtel wants to build the cleanest technology possible. Coal is the major source of electric generation in the US, followed by nuclear and hydro. The price of gas is increasing significantly and will likely continue. The price of coal has remained fairly stable. She referred to a graph that shows our nation's dependance on imported oil. The US is producing 28% of the world's current supply of natural gas.

The typical coal plant stores 30 days of supply of coal. Western coal doesn't require as much pre-treatment as eastern coal. There is a picture of typical coal plant in Attachment 8. Subclinical pulverized coal steam technology is what most plants today are. This is a decent technology, but the amount of fuel being utilized is lower than what they would like. Other technologies can be found in the Attachment. Integrated gasification plants are also recommended. The integrated gasification plants need some work, but are preferable in the long term.

With respect to CO_2 production, maintenance of new trees and forestation is the most effective. In terms of forestation, if you want to have trees use all the CO_2 for an 800 megawatt plant you would need 600,000 acres of trees. They feel that the US, from a point of view of security of supply, coal is very abundant. Bechtel believes that it makes sense to use this resource. As far as the technology viability, the supercritical plants are ready to by build today.

SEN. STONINGTON asked if any of the Montana coal plants being planned are clean coal technology. **Ms. Trocki** said that she wasn't sure of the ones that are being planned today. Likely the next plant that Bechtel builds will be supercritical, but she is not aware of what other companies in the state are proposing.

SEN. THOMAS asked how much cleaner a plant built today is as compared to Colstrip. **Ms. Trocki** referred to the graph in Attachment 8 that shows the best available technology. Depending on when Colstrip was built, it would fall on the curve.

SEN. THOMAS asked about dedicating one of the Otter Creek tracts of coal to a project designed to serve Montanans across the board. **Ms. Trocki** said that now would be the time to start looking at such a choice. It takes 5 years to develop a coal fired project. She assumes this would be a good compliment to what Montana has. **Nora Blum** said that it would be a great opportunity for the state.

They do think that there is good potential. They have done projects in a public/private partnership and this is an area that they would be interested in pursuing further.

REP. KEANE asked if Bechtel would be interested in partnering with Montana. **Ms. Blum** said that they would explore the concept with the state. They have done similar things in the past.

VIII INITIATIVE MEASURE 145 TO BUY THE DAMS

MR. MARTIN said that the initiative has qualified in 44 districts, with 23,819 signatures.

- ***Initiative Sponsor***

Sen. Toole was unable to attend.

- ***Energy Producers Against Private Property Confiscation (Taxpayers Against I-145)***

Tammy Johnson, Taxpayers against I-145, said that there is a copy of the initiative that can be seen as **Attachment 9**. There is nothing secure about this proposal. It goes far beyond buying back the dams. These dams have never been owned by the state of Montana. This creates a new commission, within the requirements for commission members there is nothing more than being a registered voter. How does a newly elected bureaucracy have the knowledge to become involved in an incredibly volatile energy market? This is a difficult business to be in and knowledge of the business is needed. This initiative does not offer security. There are several things required in the initiative. Assuming that the commission can find the knowledge to make these decisions, the study will cost between $6 million and $12 million. At a time when this state is grappling with tremendous budget problems, how are we going to find the money to fund a what-if study? It is a tremendous burden on the state.

While we are making a tremendous push for economic development in the state, this initiative sends the opposite signal. We can have some discussion about the confiscation of private property. The people who own these dams are not willing sellers. Energy is a crucial thing, but so is food and shelter. If it is going to become acceptable for the state to confiscate this property, then why not grain to make bread. That would be in the common good of the people as well.

When we shift property from the private sector to the government, those taxes are lost. That burden will be shifted to the public. There needs to be a mechanism designed for reimbursement to the local government, who are going to lose in excess of 10 million dollars if the initiative is adopted. In addition, the state will have to become indebted through revenue bonds. Ms Johnson does not see how the state of Montana can generate power to the degree necessary to compete in a volatile energy market and still get a good rate to the citizens of Montana. This initiative leaves out cooperative customers, larger business and industry, but they still get to share in the tax burden to fund the commission and replace the lost tax revenue. We are creating an entirely new class of state employees that no other state employee would be allowed to participate. The Initiative would mean higher taxes, potentially higher rates, and would be a risky business.

SEN. ELLIS said that there are some potential problems that she didn't cover. Forty-one percent of the proposed dams to be purchased belong to Avista Corporation, which is a regulated utility in Oregon. He can't believe that the US constitution would allow for those to be confiscated. The amount of power listed is the base-plate power rate, the firm generation of the dams is significantly less. It would seem to him that if PPL was concerned about losing their dams, they would need to make sure that all the power from the dams was contracted for. Contract law would require that the owner of the dams meet those contracts. **Ms. Johnson** said that there is no hydro facility that operates anywhere near the name plate. The dams are dependant on the river. She would suggest that there is further potential liability that has not been discussed. This state will bog itself down with lawsuits. The owners of these dams won't let them go without a tremendous fight, nor should they. No one else will want to come to the state wondering whether the state might take their property as well.

REP. GALLUS asked about Section 5 of the initiative, if this passes and a new commission does take these facilities, what would be the base of sale. **MR. CORCORAN** said that wholesale transactions are where a generating entity is selling to another wholesale entity. Retail sales are those that would be conducted as part of the default portfolio, as an example. **REP. GALLUS** asked about the current congressional debates regarding in stream flows on the Missouri. It would be in the Committee's best interest to get informed about that. **Ms. Johnson** said that there is a huge debate about that. With the state operating facilities like that, with the various political pressures in the state government, she can only imagine the attempts at influence and the arguments about the decisions like that. The problems associated with that for the state are tremendous. The private entities have to go before FERC to license facilities, the state of Montana would not have to do that.

SEN. ELLIS said that the only dam on the Missouri that the Corp of Engineers regulates is the Fort Peck, which is below the PPL dams.

SEN. RYAN said that what we are going to have is a petition to have an election for new commissioners. If the 5 commissioners can't agree on whether it is a good idea, what have we created?

Ms. Johnson said that the initiative doesn't contemplate that. there is no guarantee that there is a buyer for this power or that it would be bought by the default supplier

MR. DRISCOLL said that Toston price is $66. **MR. CORCORAN** said that the current contract price is $61.50. That escalates to $136.39 in 2029.

SEN. THOMAS asked for the information that Ms. Johnson had done research on.
Ms. Johnson said that she would share that information when she could.

• ***Property Tax and Revenue Implications***

MR. MARTIN referred to **Attachment 10**. The report reviews property tax implications in each county in which dams are located. It shows the dams that could be purchased if the initiative is passed and the initiative study finds that it would be a good idea to buy the dams. All the dams listed on this page are owned by PPL, except Noxon Rapids Dam, which is owned by Avista.

Table 4 provides an example of a detailed analysis by taxing jurisdiction in Cascade County. The initiative provides that the Legislature would develop a reimbursement for local governments. The reimbursement would not apply to state levies that aren't assessed by the taxing jurisdiction. Page 9 shows the relative importance of the dams in each county. It is more important in some counties than in others. Mr. Martin discussed how the tax burden might be shifted depending on the reimbursement scheme. The initiative is unclear as to whether there would be replacement revenue.

Mr. Martin noted that the data in the report is already stale because the taxable value of the dam will be different in 2007, which is the first year the dams would be owned by the state. The total amount of property tax revenue that would need to be replaced would depend on which dams were acquired by the state, the market value at the time of acquisition, the tax rate and mill levies applied to the dams.

Mr. Martin also pointed out that any change in the tax rate on commercial property leads to a change in the effective tax rate on railroad property. If the tax rate falls on other commercial property falls, the tax rate on the railroad and airlines may fall.

<u>IX</u> <u>OTHER BUSINESS</u>

MR. CORCORAN referred to **Attachment 11**. This is an update of information provided by Bill Pascoe at the April 26 meeting. There are a couple new charts. There is a chart that shows percentage increases in a customer's bill. The relative increases are anywhere from 0 % to 145%. All of these graphs are a result of the default supply portfolio.

SEN. RYAN asked if the Attachment is based on 750 kilowatt hours per homeowner.
MR. CORCORAN said that was correct. You do need to pay attention to the amount of usage because it can cause the numbers to vary.

<u>X</u> <u>COMMITTEE UPDATE ON NCSL AND PNWER MEETINGS</u>

• ***National Conference of State Legislatures (NCSL)***

SEN. STONINGTON said that the meeting she attended was based on energy efficiency. She referred to **Attachment 12**. There was a visit from one of the FERC commissioners. Matthew Brown, NCSL, has a great network of people that he is working with. They visited 4 Times Square, which is a sky scraper that is now 100% occupancy and used amazing energy efficiency ideas. They also toured Battery Park City which is a planned development next to the World Trade Center. This is being built all as green buildings. The point is that green sells. There were presentations from service benefit fund programs around the country.

Sen. Stonington said that there are some ideas that could be developed in Montana. One idea is a renewable energy offering. Some states require a certain percentage of all load growth to be renewables. The idea is that we might want to mandate time of use rates or seasonal rates. In the deregulated environment, that rate discrepancy is not seen in the bills. Some states are looking at how to encourage energy efficiency, starting in government buildings. Another idea is to allow net metering for renewables on a broader scale than is currently allowed. States deal with USB programs in a variety of ways. There are pluses and minuses to the different models. Pay As You Save is a program where an individual consumer can install energy efficiency measures and get the money up front and then pay through the savings in their energy bills. There is so much going on with energy efficiency technologies, and they would move much faster with incentives. She referred to California's 2020 program, which was hugely successful. We need to be moving toward encouraging and requiring some of these ideas.

SEN. THOMAS said that these would be on the agenda at the next meeting.

MS. ROOS asked if this would be included in Matthew Brown's report. **SEN. STONINGTON** said that she intended to talk with him, but didn't know what he was including in the report.

- ***Pacific North West Economic Region (PNWER), Montana-Alberta Energy Connection***

DAVE WHEELIHAN said that the purpose of the meeting was to see what Alberta was contemplating. There had been some discussion about trying to interconnect with Alberta in some of the subcommittees. Representatives from Alberta said that they have an oil sands project that they believe has more recoverable potential oil than is recoverable from the Middle East. To get this into a form that it can be refined, steam is injected into the sands using turbines to liquify the oil. A byproduct is energy. They don't have adequate markets in Alberta to handle all the generation. What they would like to do is try and tap US markets. He referred to **Attachment 13**. They are proposing to build a 1,500 kilometer transmission line. This would be a 2000 megawatt DC line. They are contemplating several different routes, one coming through Montana. If they were to do this in Montana, they would want to discuss with the Legislature about a utility corridor. They were giving quotes in the 3 cent range delivered to the Mid Columbia. This line would be built sometime between 2004 and 2007.

SEN. STONINGTON asked what a utility corridor is. **MR. WHEELIHAN** said that it is a site that you could put a path through Montana where people could put transmission lines, cable lines, gas pipelines and other similar things. If you were within that corridor there would be a property tax break. **SEN. STONINGTON** asked if the assumption is that the state would play some sort of role in providing access through that corridor. **MR. WHEELIHAN** said that they would want to work with the state in facilitating that.

SEN. THOMAS asked about the 3 cent rate. **MR. WHEELIHAN** said that they can deliver across the transmission line at that price. It is the cost they can generate it and deliver it for.

SEN. STONINGTON said that paying for and new siting for transmission is what everyone wants to know about. The money is there, but nobody knows how to take on the siting issues.

SEN. THOMAS asked for recommendations from MR. WHEELIHAN. **MR. WHEELIHAN** said that we should ask them to come discuss this with the full committee. **SEN. THOMAS** said that the Committee will work that in there. There is so much going on in the energy debate that Montana has the potential to get left behind again. **MR. WHEELIHAN** said that if it was successful, it might be worth looking at what it does to transmission flows to the east.

XI REVIEW OF RECOMMENDATIONS ADOPTED BY THE COMMITTEE ON APRIL 26

MR. EVERTS said that for most of the actions that were taken in terms of recommendations, we will have to wait and see whether the initiative passes before the implementation of these actions. The first recommendation was that regardless of what happens with HB 474, the USB program should be extended until 2005. The Committee recommended that the Montana State investment Act be repealed. They endorsed the current transition period. The Committee recommended that the status quo in HB 474 on the ability of large customers to opt in and out of the default supply should be kept. They also recommended that NCSL look at the default supply issue in general. Further recommendations were to leave the cooperative laws as are, to repeal the Montana Power Authority, to repeal the Consumer Electricity Support Program, and the language in HB 474 eliminating the authority of the statewide Montana Electric Buying Cooperative be designated as a default supplier be retained.

MR. MARTIN said that if the committee wants to go forward with these recommendations they need to make bill draft requests.

MOTION/VOTE: **REP. OLSEN** made a motion to start writing the bill drafts. Motion passed unanimously.

XII OTHER BUSINESS – SCHEDULE NEXT MEETING – INSTRUCTIONS TO THE STAFF – ADJOURN

MR. MARTIN said that the Committee contemplated having Matthew Brown at the September meeting with a draft report, then a final report in November.

SEN. THOMAS suggested that Matthew Brown get in touch with Sheila Rice and Ron Perry.

MR. WHEELIHAN said that the TAC Transmission Subcommittee meeting will be postponed due to the special session.

MR. MARTIN said that Matthew Brown will be looking at what other states are doing and what other committees are doing. There has been some discussion of restructuring the TAC. The other interim committees have oversight responsibilities of the agencies. It may be desired to have the oversight authority of the PSC. That would entail that the committee look at the executive proposals of the PSC, including budget proposals and any legislative proposals. **SEN. THOMAS** said that would be a good idea.

SEN. STONINGTON asked about funding for the PSC. **MR. MARTIN** said that could be one of the issues that the committee looks at. He thinks that it is a percentage of revenues assessed against utilities operating within the state. **SEN. STONINGTON** asked if that is what the Committee would have oversight of. **MR. MARTIN** said that could be one of the issues that the Committee looked at.

SEN. THOMAS said that a pre-report from Matthew Brown may be helpful, allowing the Committee to be more prepared. **MR. MARTIN** said that he would talk to him about that.

SEN. ELLIS asked if that meeting date was set yet, and are any meetings anticipated beyond that. **MR. MARTIN** said that it is scheduled for the September 19.

SEN. STONINGTON said that anything that the members want to put forward as a committee bill has to be decided on on that day.

SEN. THOMAS said that it may be difficult to cut the Transmission Subcommittee off at that point. **MR. WHEELIHAN** said that things are developing and they are hoping for additional information at the next meeting.

There being no further business, the meeting was adjourned.

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