

MINUTES

**MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON ENERGY AND TELECOMMUNICATIONS

Call to Order: By **CHAIRMAN KEN TOOLE**, on February 3, 2005 at
3:00 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Ken Toole, Chairman (D)
Sen. Brent R. Cromley (D)
Sen. Aubyn Curtiss (R)
Sen. Jeff Essmann (R)
Sen. Dan Harrington (D)
Sen. Dave Lewis (R)
Sen. Greg Lind (D)
Sen. Dan McGee (R)
Sen. Gary L. Perry (R)
Sen. Glenn Roush (D)
Sen. Carol Williams (D)

Members Excused: None.

Members Absent: None.

Staff Present: Casey Barrs, Legislative Branch
Claudia Johnson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: None.
Executive Action: None.

INFORMATIONAL HEARING ON ELECTRICAL RATES

CHAIRMAN TOOLE introduced **Greg Jergeson, Commissioner, Chairman of the Public Service Commission.**

Commissioner Jergeson discussed the transmission of electricity and the transfer of electricity across Montana and some of the regional states. He talked about the transmission in eastern Montana that is shared with other states. He said the transmission from eastern Montana goes across 14 states to western Pennsylvania, and one Canadian Province. He informed the Committee about the Regional Transmission Organization (RTO). The organization encourages the development of regional state committees, and how this committee is a part of the oversight structure of the RTO. The states involved in creating the organization are involved in the responsibility to oversee how the Midwest Independent Transmission System Operator, Inc. (MISO) is operating, and to react and respond to how they are incurred, such as tariff administration, and organizing the planning and expansion of transmission.

Commissioner Jergeson introduced **Bill Malcolm, Manager, State Regulatory Affairs for MISO, Helena,** who said the Transmission System's Operator, is located Indiana. He gave an overview who Midwest ISO is. He distributed a handout, which explains how the ISO operates.

EXHIBIT(ens27a01)

Questions from Committee Members:

SEN. LIND asked **Mr. Malcolm** if demand pricing plays a role in the regional wholesale pricing in supply and demand. **Mr. Malcolm** replied, they are looking at locational marketing, but there is only one standard pricing.

SEN. LEWIS asked about HB 388, the state putting \$750 million out to build transmission lines, and asked **Mr. Malcolm** to give his general observation on this. **Mr. Malcolm** replied, he avoids in-state controversy.

SEN. CURTISS asked about having consideration for DC service. **Mr. Malcolm** replied, it is mostly AC service. The lines were not involved in the blackout that occurred in the Midwest several years ago.

CHAIRMAN TOOLE asked **Mr. Malcolm** if the Midwest grid connects to Montana's grid. **Mr. Malcolm** said that Montana is unusual,

because it interconnects the whole western state from Monarch over, and from Miles City east, is the whole eastern system.

COMMENTS FROM THE PUBLIC ON THEIR POWER RATES

{Tape: 1; Side: A; Approx. Time Counter: 20 - 25}

Ed Surley, Montana State University (MSU), distributed a handout showing the trends for the MSU campus in natural gas and electricity costs. He explained how the trends work for MSU, and how they conserve energy.

EXHIBIT(ens27a02)

{Tape: 1; Side: B}

Laura Howell, University of Montana (U of M), distributed two handouts. The first handout explains the U of M gas and electrical trends for the campus (see Exhibit 3). The second handout is the average annual electricity and rates (see Exhibit 4).

EXHIBIT(ens27a03)

EXHIBIT(ens27a04)

{Tape: 1; Side: B; Approx. Time Counter: 6 - 16.8}

Paul Pacini, 303 State St. Helena, distributed two handouts. The first handout is written testimony which he read (see Exhibit 5) The second handout is a topic on wind generation. He explained that legislation currently exists for the use of Montana's wind resources (see Exhibit 6).

EXHIBIT(ens27a05)

EXHIBIT(ens27a06)

Jim Nolan, Department of Public Health and Human Services (DPHHS), distributed a handout on Low Income Energy Assistance Program (LIEAP). He explained to the Committee how the program works.

EXHIBIT(ens27a07)

{Tape: 2; Side: A}

The Committee members and **Paul Pacini, Jim Nolan, Laura Howell, and Ed Surley** discussed electrical and gas usage and its costs.

The information hearing recessed at 4:30, then met at 7:00 p.m at the Lewis and Clark Library for the public forum.

PUBLIC FORUM AT THE LEWIS AND CLARK LIBRARY

The Committee reconvened at the Library at 7:00 p.m.

{Tape: 2; Side: A; Approx. Time Counter: 13 - 25}

CHAIRMAN TOOLE introduced himself. He informed the audience this public forum is a continuation from the regular Senate hearing this afternoon. The meeting is to hear the voices of the people on their power bills and how they are dealing with them.

CHAIRMAN TOOLE introduced **Tom Schneider, Commissioner with the Public Service Commissioner**, who explained the use of natural gas that a consumer uses to heat their home and water, uses about a 120 dekatherms (dk), divided by 12 months. The amount of gas used in the winter is different than the amount used in the summer. He said that a "typical" customer might use 2½ dk for a 2 to 3 month summer period, but the customer may use 20 to 25 dk in the winter. He stated, if there is \$100 a month charge for the summer time, it can double that amount for the winter time. He informed the audience the reason for the higher costs in the winter time, is that NorthWestern Energy (NW) doesn't own any electricity generating plants. The power is gone because it has been sold. He said that NW also doesn't own any natural gas properties. When NW purchased Montana Power, the energy properties were not included in this price. NW, as a utility, has to purchase all of their natural gas and electricity from the market place. He talked about the power crisis in California, and the one that took place in the Midwest. He said, since these crises occurred, it has been determined that the market has been manipulated, as shown in the failure in the way the market in California worked. He added, the element of supply and demand is also included in this. He discussed Enron being involved that set the crisis off.

{Tape: 2; Side: B}

Mr. Schneider discussed the Montana Consumer Council and the Low income groups, and other consumer groups who were involved in a settlement, where there was a five year fixed price of natural gas. The price was set each year for that portion of supply, which was about 40 percent of the supply for Montana. He talked about those prices that had been set for the old properties, was set between \$1.50 and \$1.75 for the five year period. When the five year period expired, everything that had been purchased

would now become market price. NW purchases gas supplies from Wyoming, North Central Montana, and from Canada. He said this is all part of a integrated pipeline system that transports gas all around the country. Since this time, the hubs (market) have gone up dramatically.

Sara Louise Hanna, Helena, distributed written testimony, which she read.

EXHIBIT (ens27a08)

Dave Morey, Office of Public Assistance (OPA), DPHHS, talked about how OPA provides services to those people who are below the poverty level. He also informed the Committee of a program called Emergency Assistance that is provided to low income people, that is through the TANIF program. He discussed several of his experiences of these people he has had to deal with. He receives emergency calls approximately 2 to 3 times a week from people that have received cut off notices from the power company. He said they have no where to turn. He talked about the elderly on Medicaid who don't qualify for LIEAP emergency assistance (because they do not have children). He said that most of the people in the state of Montana do not have a clue of the problems going on in the state. He said that many people who call are living in 500 square foot homes, and the wind blows right through them, so they do not retain the heat, thus, they have a high power bill. He thanked the Committee for this opportunity to allow these people to speak.

{Tape: 2; Side: B; Approx. Time Counter: 17 - 19}

George McCauley, Helena, informed the Committee he has a 900 square foot home, and his power bill was over \$200, of which \$190 was natural gas. He wanted to know why Montana cannot produce its own energy. He said "we don't have to make a profit", and everyone benefits. He said outside sources should make money from "our resources". He said if everyone did this we would all be better off.

Charlotte Thomas, representing Montana AARP, and Montana Retired Teachers, informed the Committee that she wasn't going to reiterate what has already been said. She has talked to a number of people that have agreed to write down what their power bill has been starting with November through January. She had a presentation on the board showing what these people have paid on power bills. Several examples are: Dan Matfield, November was \$140, December was \$105.42; Evelyn Newberg, who wrote down her power bill for November was \$92.74, December was \$168, and January, was \$297. Jeanette Matfield; November was \$101,

December was \$142, and January was \$224. Shirley Bennett, November was \$130, December was \$352, and January was \$522. Charlotte said her November bill was \$142, December \$222, and January was \$311.

{Tape: 3; Side: A}

Archie Nunn, Helena, thanked the Committee for the opportunity for this public hearing. He said that something has to be done this session. It is critical what people are going through. He doesn't understand how these utilities got this way. He doesn't believe that Montana will ever have a stable economy as far as the utilities are concerned until something like this happens. He told the Committee that "we depend on you to do that".

Jackie Boyle, AARP Montana, said that Montana has 143,000 members. She said that AARP started receiving calls about two years ago asking what can they do about their utility bills. She distributed a brochure that AARP put together to inform people where to find assistance. AARP surveyed 1,100 members in November, and the results show that 85 percent of those surveyed said their bill has gone up 93 percent in the last three years. AARP believes that a reform needs to be done on the Universal System Benefits Program (USBP), a utility program that funds low income energy assistance. The significant increase in the power bills have the elderly making the choice between eating, heating their homes, and their medicine. She said in speaking with the LIEAP program earlier today, there are as many as 80,000 households that are eligible for the federal assistance program and only 20,000 have signed up for it. She said there is another 60,000 households that are eligible that are not receiving assistance. She learned at a conference that those people on fixed incomes pay out 33 percent of their monthly income on their energy bills. She hopes that this legislative session can provide more assistance to more households, create a statewide public energy assistance program that is fair and comparable for all people in the state no matter what utility provider they have. She hopes that the PSC monitor energy needs and set natural gas USB rates; clarify all energy providers and energy users low income assistance obligations so that all of the utility companies are paying into low-income energy assistance. The PSC should also rate the USB funds that are dedicated to low-income energy assistance, and strengthen and clarify accountability. By making these reports, they may be able to increase the funds available to the programs that provide essential low-income assistance without placing the extra burden on the people in the state who pay on their own utility bill.

{Tape: 3; Side: A; Approx. Time Counter: 8.3 - 13}

Neil Haight stated that listening to the accounts of the increases on these people and their power bill scares a person. He said, "in 1997, we gave away one of the greatest attractions to economic development. We had a stable, and dependable Montana Power Company, and it was a well run company. We gave it away, and we don't have much to show for it." He said it is his fervent wish, that the legislature must do whatever it can to authorize transmission lines, power plants, power generated plants, to enable a utility business to keep them regulated under the PSC.

Jeanette Matfield, informed the Committee that she has been at the Capitol building for the last three days, and she overheard a remark today that really upset her. She said an elderly lady was presented with the AARP, and had told **Jeanette** she didn't want to live, that she just wanted to die. She cannot afford to live, "I cannot afford to eat, take my medicine or pay my utilities". She said when our elderly are talking like this, it is time that Montana takes a look at what can be done to help these people.

Marvin Reese said he is retired. He informed the Committee that this last summer, he spent over \$3,000 on energy compliance by putting in new energy windows on his modular. His bill in November was \$121, December \$185, and January was \$242. He stated that his bill was charged for 34 to 36 days for the last two months. He didn't understand why the power company cannot send out their billing every 30-days.

Ed Eaton, AARP, informed the Committee that the testimony heard tonight goes beyond the problems they have heard. He said it is a main street problem that every dollar that doesn't get spent for food, and every dollar that doesn't go into medicine; means that cars are not being bought, and homes are not being upgraded. He stated that NW "flexes" the bill from the individual, then in turn gives that money to Pennsylvania Power and Light, who shifts it to their shareholders in Pennsylvania. He said Montana needs to be looking at how to encompass this in the state, and retain the income in the state, instead of exporting it.

Chris Partridge, KIMA, a residential small commercial energy audit program for NW Energy, encouraged people that have not had a audit done to please call them. She said there isn't any eligibility requirement, but the heat and water heating have to be provided by NW Energy. The home has to be at least five years old. They have a number of cost effective ways for people to reduce their bills. The program is funded by USB. She stated this program is available to anyone, regardless of their income.

Renee Worley, Volunteer for AARP, informed the Committee that she is concerned because several senior centers have closed, because they couldn't afford to pay their bills. She has heard that some of the senior citizens are riding around in the public transportation during the day to keep warm.

Pam said she works for the local LIEAP program here in Helena. She has noticed a increase in calls they are receiving for assistance compared to when she worked there over seven years ago. She said the prices in Helena are going up. There are more mentally ill people asking for assistance from LIEAP. Helena Housing used to sponsor people who could not sign up to for power in their own name, and now they will not be doing that anymore.

Gene Louer, Executive Director for the Rocky Mountain Development Council (RMDC), informed the Committee that RMDC is the agency that operates the LIEAP weatherization energy share program in Helena. His office is seeing more people that are over the 150 percent of income, which is the federal LIEAP cutoff, coming in applying for energy assistance. He said the only place they can help these folks is through the energy share, because it isn't tied to monthly income, but based on need by a local committee who decides the allocation of that money. He talked about the people that are in need of the energy share assistance that are currently on the LIEAP program. He said the only bill that he is aware of here at the legislature that will impact them this season is HB 332-the supplemental bill, sponsored by **REP. ROSIE BUZZAS**. He asked the Committee to support that bill. He said it will put \$750,000 in this biennium current year, for weatherization activities and energy share. He stated that HB 2 will provide in the next year approximately \$8.4 million for these issues and asked the Committee to support that one also. He said that SB 34, 307, and HB 141, are all the USB funding bills, and asked the Committee to also support these bills.

Patrick Judge, MEIC, pointed out that the USB program will have \$8 million each year from NW customers to help assist the low-income programs. **Mr. Judge** said that a coalition has been working for the last couple of years to try and find a solution to increase the funding available for low-income assistance and weatherization program to find a permanent solution to help people with their energy bill in the future.

Gene Fenderson, stated that people shouldn't be having to beg for help. He said that Montana is one of the most energy-rich states in the United States, and "our people are having to come before the legislature begging for help." He said since the legislature started in January, the hoards of power and energy companies are filling the halls of the legislature like geese on a lake. He

said people out there should understand what is going on now, and what has gone on in the past. Until the people tell those in power that there shouldn't be anymore power plants built, nor any more drilling done, and until the energy people are told that the people have had enough, then legislation will not be passed for permits for oil fields.

{Tape: 3; Side: B}

Mr. Fenderson told the audience that the people who care are those sitting before us tonight, and there is a whole bunch of people at the Capitol every morning, but they don't seem to care.

Bill Malcolm, Commissioner, PSC, thanked everyone for coming out on this cold night. He informed everyone that their testimony didn't fall in deaf ears. He told them that **Commissioner Greg Jergeson, the PSC Chairman from Chinook**, and **Commissioner Brad Molnar, Billings**, are in the audience, so three out of the five PSC Commissioners were in attendance this evening.

ADJOURNMENT

Recessed: 4:30 p.m.

Adjournment: 8:00 P.M. at the Lewis and Clark Library.

SEN. KEN TOOLE, Chairman

CLAUDIA JOHNSON, Secretary

KT/cj