



Energy and Telecommunications Interim Committee

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58th Montana Legislature

SENATE MEMBERS
ROYAL JOHNSON
DON RYAN
EMILY STONINGTON
FRED THOMAS

HOUSE MEMBERS
DANIEL FUCHS
DAVE GALLIK
GARY MATTHEWS
ALAN OLSON

COMMITTEE STAFF
MARY VANDENBOSCH, Research Analyst
TODD EVERTS, Staff Attorney
REBECCA SATTLER, Secretary

MINUTES

January 30, 2004

Montana Electric Cooperatives Association Office
501 Bay Drive
Great Falls, Montana

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

Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

SEN. DON RYAN
SEN. EMILY STONINGTON

REP. DAVE GALLIK
REP. GARY MATTHEWS
REP. ALAN OLSON

COMMITTEE MEMBERS EXCUSED

SEN. ROYAL JOHNSON
REP. DANIEL FUCHS
SEN. FRED THOMAS

STAFF PRESENT

MARY VANDENBOSCH, Research Analyst
TODD EVERTS, Staff Attorney
DAWN FIELD, Secretary

VISITORS' LIST & AGENDA

Visitors' list, Attachment #1
Agenda, Attachment #2

COMMITTEE ACTION

The Committee:

- # approved a motion to have the Governor's Task Force be designated by the Energy and Telecommunications Interim Committee as the working group to study building codes.
- # approved a motion to have Energy and Telecommunications Interim Committee write a letter to the Department of Labor and Industry encouraging it to proceed with its initiation of the administrative rules to update energy efficiency.

CALL TO ORDER

CHAIRMAN OLSON called the Energy and Telecommunications Interim Committee back to order at 8:30 a.m.

REVIEW OF SIGNIFICANT ADMINISTRATIVE RULES, TODD EVERTS, ETIC STAFF ATTORNEY

Todd Everts, ETIC Staff Attorney, said the only administrative rules the Public Service Commission (PSC) is working on at this time pertain to the Montana High Level Radioactive Waste Act:

- # A hearing has been scheduled for April 8, 2004.
- # The proposed rules will coordinate actions of the Public Service Commission (PSC), the Montana Department Of Transportation (MDOT), Disaster and Emergency Services (DES), and the Montana Highway Patrol (MHP) in monitoring and providing permits for the transportation of radioactive waste across the state.

TRANSMISSION OF ELECTRICITY -- INITIATIVES AND SOLUTIONS

Mark Lindberg, Governor's Office of Economic Opportunity (GOEO), discussed energy transmission corridors in the northwestern region:

- # Transmission is the key to accessing new generation projects and markets and it will require a cooperative effort with other entities and neighboring states.
- # Montana is actively studying the issues and possible alternatives.
- # The GOEO wants to develop natural resources in Montana and thinks the market is there.
- # The information gathered to date indicates that Northwestern Energy is the key Montana transmission element.

Mr. Lindberg also discussed the history of how these corridors were developed and distributed two maps (EXHIBIT #1) showing potential generation development in the west and path development opportunities. Mr. Lindberg said the lower map shows the transmission market options out of Montana and that the five arrows indicate the corridors being considered for exporting energy. He also discussed the pros and cons of each corridor.

Mr. Lindberg said many groups in the Northwest are doing similar studies and he is working to establish a working relationship with these groups:

- # other governors' offices - specific points being focused on are policy, politics, and technical and engineering issues;
- # Northwestern Transmission Assessment Committee (NTAC) is the group addressing many of the technical and engineering aspects of developing new energy transmission corridors; and
- # Pacific NorthWest Economic Region (PNWER) is assisting with the interstate policy and political issues.

Mr. Lindberg reported on several projects "in progress":

- # Montana is in the initial stages of negotiating with Bonneville Power for a 3,000 megawatt corridor. The corridor has to be identified and cost recovery has not yet been addressed.
- # The Bull Mountain, the Otter Creek, and the Great Northern projects are considered the "big three" projects at this point. Stakeholder discussions have begun and while still preliminary, forward movement is taking place.

Mr. Lindberg also submitted additional materials to the Committee:

- # EXHIBIT #2 - 1981 USDA-Forest Service-USDI-BLM Utility-Transportation Corridor Study for Montana;
- # EXHIBIT #3 - Summary - 1981 Utility-Transportation Corridor Study for Montana; and
- # EXHIBIT #4 - CD-Rom - two maps providing reference information for Exhibits 2 and 3.

Ray Brush, NWE, commented on several issues relating to transmission:

- # At this point in time, the Montana infrastructure is sufficient to handle the current transmission needs.
- # There are potential problems with rules relating to "firm" transmission service and "non firm" transmission.
- # There will be problems with interruption of service that will be created when trying to coordinate firm and non firm transmission service.
- # NWE is in a unique position in the west: NWE is the transmission provider and shares transmission with anyone who wants to use it but it is biased towards its own generation needs.

Wally Gibson, Northwest Power and Conservation Council (NPCC), provided background information on his organization and said:

- # the NPCC is the former Northwest Power Planning Council and was formed in the 1980s for power planning purposes for the northwest region;
- # the NPCC traditionally has not had a seat on the on the Transmission Planning Committee because its focus has been on generation, demand side resources, and conservation but now transmission is linked to generation so the Council will have to address it;
- # transmission issues have become more complicated; and
- # the NPCC still does not do actual transmission planning but does interface with it just through working with the groups discussed in Exhibit #5.

Mr. Gibson also discussed a Power Point presentation, *REGIONAL TRANSMISSION PLANNING PROCESSES IN THE NORTHWEST* (EXHIBIT #5):

- # the four levels of transmission planning are done by:
 - ▼ individual transmission owners;

- ▼ the Northwest Power Pool: Transmission Planning Committee;
- ▼ Northwest Transmission Assessment Committee (NTAC); and/or
- ▼ RTO West.

Mr. Gibson then discussed the aspects of each of the four types of transmission planning (Slides 3-6 - Exhibit #5).

Brian Silverstein, Bonneville Power Administration (BPA), discussed issues related to the 2003 "blackout", said the biggest problems facing BPA are technical issues, siting issues and funding issues; and presented a Power Point presentation entitled, *INCREASING TRANSMISSION CAPACITY FROM MONTANA TO THE WEST* (EXHIBIT #6) which included information on:

- # BPA plans for new infrastructure;
- # current BPA infrastructure projects underway;
- # FERC policy for new generators; and
- # BPA planned next steps.

Larry Nordell, Montana Consumer Council (MCC), commented he has spent the last eight years trying get the region to develop more efficient use of energy and thinks the RTO West is the best proposed solution. Mr. Nordell then presented a Power Point presentation entitled, *MONTANA TRANSMISSION NEEDS AND OPPORTUNITIES* (EXHIBIT #7). Topics covered were:

- # purposes of transmission in Montana;
- # ways to meet these purposes;
- # capacity for new users;
- # inefficient management of existing capacity and several examples;
- # impact of inefficient management;
- # RTO formation;
- # obstacles that must be dealt with;
- # Montana issues; and
- # potential improvements and suggestions.

Greg Jergeson, Public Service Commission, presented an overview of the MISO and Organization of MISO States and discussed EXHIBIT #8:

- # active or developing regional or independent transmission organizations;
- # an overview of the Midwest ISO (MISO);
- # MISO and Montana;
- # MISO operations and duties; and
- # the organization of MISO states, MISO committees, and Montana representatives.

Mr. Jergeson also distributed a letter detailing information on an upcoming MISO training meeting in Glendive, Montana, scheduled for March 4, 2004 (EXHIBIT #9) and invited all Committee members to attend.

COMMITTEE QUESTIONS AND DISCUSSION

Rep. Matthews said he planned to attend the Glendive meeting. He asked if the North Dakota market had a need for Montana generation. Commissioner Jergeson said the real question was who would pay to deliver the power. New transmission capabilities would be best for reliability

for existing customers that would share in the cost of the new construction. If the new transmission benefits someone else and not the customers, then the beneficiaries should help pay and said it would have to be decided to what degree power should be "socialized".

SEN. STONINGTON asked Mr. Silverstein to elaborate on his earlier statement that the Federal Energy Regulatory Commission (FERC) thinks it is good for new generators to work up to the grid and to have all consumers pay. SEN. STONINGTON said this will be a critical issue to Montana since it is a net exporter of power. Mr. Silverstein explained there were two components of hooking up a generator to a grid: the interconnection and building the transmission from the points of interconnection to where the purchaser is. The costs that are rolled in the network are usually associated with the interconnection and the developer needs to finance that. Those costs are rolled into the rates of all transmission customers so there is an impact to all rate payers but it is a relatively small one. The big piece of the transmission facility is to move power over a long distances, particularly to remote markets. Those costs are funded by the developer for which they receive a credit since they are taking all the risk. The distinction is between the interconnection (getting the generation hooked up to the grid) versus actually building the expensive generation projects.

REP. GALLIK said it was his understanding that, at this point in time, none of the proposed new generation projects in Montana have put any of their requests into the BPA queue. REP. GALLIK asked Mr. Silverstein to explain the process for a new generation plant. Mr. Silverstein said one generation project does have a request into the BPA and the request was going through the necessary steps and studies in order to be approved. Other developers, if applying to use the Bonneville grid, will need to file a request. The same steps for approval would have to be followed.

REP. GALLIK asked how long the process would take from the time of application to the time the product is actually taken to market. Mr. Silverstein said it would depend on several factors such as what facilities are needed and what challenges face those facilities. He said new facilities could take years to move through the siting process and construction but if an existing facility wants to expand, the process probably would not take as long.

REP. GALLIK asked Mr. Brush, NWE, to answer the same questions. Mr. Brush said:

- # the process NWE uses is similar to BPA's;
- # the entire process would likely take an estimated 5 to 7 years; and
- # Montana's siting process and other variables would also be factors determining the length of time needed to complete a new transmission project.

REP. GALLIK said it was his understanding that the PPL Montana's hydropower is the cheapest type of energy available at this time and asked Mr. Nordell if he had a concern that PPL Montana could undercut the cost of power and cause financial hardship for a new generation facility. Mr. Nordell said it was a possibility. He said new generation's ability to set a price is constrained by what the competition might charge and PPL Montana could take advantage of that.

REP. GALLIK asked Mr. Lindberg if the Governor's Office had a suggestion or plan for potential legislation that might assist with this issue. Mr. Lindberg said he was not aware of any proposed legislation at this point in time.

REP. GALLIK asked, with regard to the federal energy bill, if there was anything in that bill that would assist with the transmission constraints that exist now. Mr. Lindberg said there was a portion on eminent domain that may assist with certain issues such as situations in which the states involved can't agree on one or more issues. He said the federal governments could step in at that point and be the decision maker. This could take place only after one year of negotiations have taken place. Mr. Lindberg added that BPA has eminent domain authority, as does NWE in the state of Montana and said it was important to recognize private property is still very important to Montanans and he hopes that we don't get to eminent domain.

SEN. RYAN asked Mr Lindberg if he meant that the federal government would take over the transmission permitting and FERC would make the decisions based on its perception of what is good for Montana and the surrounding region. Mr. Lindberg said that could happen but he hoped it wouldn't get to that point. SEN. RYAN asked if the Montana consumer or the end use benefactor would have to pay for the transmission lines through Montana if the project was mandated by the federal government, particularly if against Montana's wishes. Mr. Lindberg said the generator and the end-user should be the ones responsible for the costs but noted that there has been philosophical discussions that perhaps costs should be "socialized" because of the benefit it brings to society and to the region.

SEN. RYAN asked Mr. Silverstein, in regard to the new transmission being built in the Bonneville area, if there would be an end cost to the residential consumer from that new construction. Mr. Silverstein said there will be a cost to consumers because some of the transmission facilities were meant to address problems picked up over the years and were not necessarily associated with incremental use of the system. Mr. Silverstein predicted the impact will be relatively small, approximately 6%.

SEN. RYAN asked Commissioner Jergeson, if following that line, how much will the Montana consumer's bill increase. Commissioner Jergeson said he had no way to answer that but that transmission is not a large part of bill and an increase would not have a huge impact.

Larry Nordell commented that NWE's transmissions costs to the consumer are considerably higher than Mr. Silverstein noted.

Commissioner Jergeson said he would research this and gather information.

SEN. RYAN asked Mr. Nordell to discuss solutions that would allow for better utilization of transmission and gave the example of time of day usage. Mr. Nordell said several scenarios were possible. He stated that when a system is constrained, a congestion price may be charged for power to those users that schedule their time during the peak hours.

Mr. Silverstein said BPA has developed a "seasonal" product because it recognizes that some of the variation seen in power use is seasonal rather than daily. BPA also offers a "conditional" product which means it is a product that falls midway in the priority order somewhere between "firm" and the "nonfirm" product. Mr. Silverstein said it requires complex software to do this in a balanced manner.

REP. GALLIK said he would like further discussion on Mr. Silverstein's earlier estimation that transmission costs could rise approximately 6% and Mr. Nordell's prediction of 20% for NWE.

He asked Mr. Nordell, if the cost of a megawatt is approximately \$30 per megawatt hour and if new transmission was an additional \$7.50, possibly as high as \$8.10 per megawatt hour, fully loaded, then that is a substantial increase in the percentage of one's bill that would be going towards transmission on that new generation. It looks like there could be an increase of 25%, possibly more, in the direct cost to the residential consumer. Mr. Nordell said those numbers are not really directly comparable. The numbers quoted in his presentation are for a developer in Montana trying to get power to the west coast by buying.

REP. GALLIK asked what the impediments or problems would be in pricing Montana consumers' electricity transmission costs based on the time of day usage and if there was a way to provide incentives for consumers who use power at non-peak times. Mr. Nordell answered that time-of-use pricing is under discussion but is very expensive to implement because it requires meters for all customers. He said it also requires the customer to monitor their consumption and that most people aren't interested in doing that. He said it would be more easily accomplished with a large customer.

SEN. STONINGTON asked Mr. Brush to discuss RTO authority and asked if NWE, operating under current circumstances without an RTO, planned to upgrade for reliability, and if there was an authority that can dictate what upgrades are needed and how they must be funded.

Mr. Brush said the PSC is the authority over NWE and its service to customers. SEN. STONINGTON asked if that would change under an RTO. Mr. Brush said an RTO would be another planning authority over NWE and it would have authority over certain issues, such as liability. Mr. Brush said the PSC would still have authority over transmission and distribution services for consumers and that an RTO would just be another authority to deal with.

SEN. STONINGTON asked how NWE would pay for new transmission if an RTO had authority to dictate that it be built. Mr. Brush said the customers would probably end up paying back part of the costs and that possibly all of the RTO's customers would have to pay.

SEN. Stonington asked Mr. Nordell if he envisioned FERC setting policy on what new transmission costs would get rolled in for all customers or what the end customer would pay. She also asked who would set that policy and if Montanans have any input. Mr. Nordell said he wasn't sure he could give an answer that question bit did say the FERC would have to approve the RTO plans/NWE participation, as well as the PSC. He said once the RTO is operating, FERC involvement would decrease.

SEN. STONINGTON said she could envision this becoming a rural versus urban issue of how to socialize these costs. She asked what recourse Montana would have in a conflict between an RTO and the PSC. Mr. Gibson said the PSC has a big role in approving the jurisdictional shift in the transition to an RTO. The RTO itself would be under FERC's jurisdiction.

Mr. Gibson also said the previous question of who would be responsible for paying for new transmission has been a very common issue for discussion with respect to RTO's. He said the response so far has been directed towards a "beneficiary pays" system and it doesn't appear the intermediate states will have to pay for lines that will serve others. In talking about "backstop" authority for commercial congestion, the funding would be required of the

transmission owner but the cost recovery might come from the beneficiary. FERC has proposed creating state advisory committees, to which FERC would provide some deference.

SEN. STONINGTON referred to Mr. Nordell's earlier statement that gas has been the fuel of choice but that the market would eventually shift away from that. She asked Mr. Nordell to comment on the future of market development and what would cause a shift back to coal and other forms of generation. Mr. Nordell said it was becoming increasingly risky to rely on long term gas supplies, due to several factors:

- # the futures market - can't lock in rates for longer than 3 years;
- # market volatility and difficulty of projecting long term supplies;
- # increased pipeline activity;
- # the price advantage of coal and ease of obtaining it; and
- # the increased feasibility of wind energy.

SEN. STONINGTON asked the panel to comment on California and its reluctance to develop new generation because of such strong environmental laws in the state. Mr. Gibson said the California energy crisis has been offset by a simplified siting process. Mr. Gibson said additional factors in California's problem was the combination of low market prices (no incentive for development of new resources) and the drought in the northwest (impacted the energy supply).

Commissioner Jergeson also commented that the demand is growing in California for gas because of its flexibility to meet hour-to-hour demands or sudden spikes more easily and efficiently than coal-fired generation.

CHAIRMAN OLSON said he had been appointed to the PNWER Subcommittee to study transmission and energy issues. One of the concerns is finding a way to sustain the economic growth in the Pacific Northwest and NPCC predicts that the growth loads in the Pacific Northwest will be approximately 1.3 - 1.5% a year, with potential for additional power needs by 2023. Mr. Gibson said the NPCC is in the process of developing the demand forecast and predicts sufficient generation resources for now.

CHAIRMAN OLSON asked when Montana should start planning for the potential load growth. Mr. Silverstein said he thought planning should begin now because while BPA has a role as a transmission provider, it will only provide resources to those who choose to have BPA provide for their load growth.

CHAIRMAN OLSON asked Mr. Gibson to comment on the NPCC's position the need for planning for future power development: Mr. Gibson said planning does need to be done now but thinks the cyclical nature of the gas market will prevent a huge impact in gas development. He predicted the long term average forecast for gas would stay in the \$4 range, despite occasional volatility above and below that price. Mr. Gibson said the NPCC is looking at different kinds of generation resources and that demand side resources may be able to fill the needs.

CHAIRMAN OLSON asked Mr. Lindberg to explain Rocky Mountain Area Transmission Study (RMATS). Mr. Lindberg said the study includes the states of Wyoming, Montana, Idaho, and Utah and the purpose of the study is to analyze energy issues and best management practices and utilization. Mr. Lindberg said this group will work closely with NPCC, NTAC, and PNWER,

and that North Dakota and South Dakota also have working groups that RMATS will stay in touch with, and that Ted Williams, Chair of RTO West Group, is also involved.

SEN. RYAN referred to Mr. Silverstein's previous testimony that BPA asked the United States Department of Energy (DOE) for \$2 billion in its budget of borrowing authority and was granted \$700 million. SEN. RYAN asked if BPA was given a reason why it was given that amount instead of the amount it had requested. Mr. Silverstein said he wanted to make it clear that the request for borrowing authority was for all of BPA uses: transmission, fish and wildlife, energy conservation, direct funding for efficiency and reliability improvements and not just for transmission. He said the DOE explanation was that the amount awarded was all the DOE felt was needed and if BPA needed additional funds at a later date, it would be addressed at that time.

UPDATE ON NORTHWESTERN BANKRUPTCY

Todd Everts presented a summary of major actions in the NorthWestern Corporation (NOR) bankruptcy proceedings. Mr. Everts reported that:

- # Since September 14, 2003, over 700 court documents have been filed relating to the bankruptcy and they are available for viewing on the website.
- # The real action will begin in March of 2004 when the reorganization plan is due.

Mr. Everts then discussed what NWE and other interested entities have reported to him regarding the bankruptcy proceedings:

- # NOR has 60 days after March 14, 2004, to gather votes among the creditors before another entity can bring forth a different plan.
- # NOR's goal is to emerge from this process as a financially viable investment grade utility. It must reduce a \$1.3 billion debt in order to do that.
- # In the meantime, the bankruptcy court approved a motion to allow NOR to get back to normal business practices.
- # NWE has identified critical vendors and suppliers.
- # NOR has consolidated the non utility functions and announced they had received \$152 million for Expanets and has sold 46 locations of its Blue Dot business.
- # There is some struggling going on in terms of creditors and if the money should go to NOR or its creditors.
- # All company contracts, permits, licenses, etc., have inventoried and the process of analyzing each to determine whether they should be renewed and/or continued has begun.
- # NWE has started negotiating with qualifying facilities.
- # NWE is planning no new rate increases with the caveat that as soon as the bankruptcy proceedings are done and settled, there may be a request for an increase.

CHAIRMAN OLSON asked where NWE is standing with the PPL Montana transmission legal action case. Mr Everts said he would find out what the status is.

SEN. RYAN asked Mr. Everts to elaborate where the residential and small business customer stands in line in term of what the bankruptcy judge does. Mr. Everts said the PSC and the MCC have worked to maintain PSC authority over rate making and that is the ultimate protection for the small consumer.

REP. GALLIK said he had reviewed some of the many documents filed and said on January 22, 2004, there was a filing concerning a confidentiality agreement and to shorten time. He asked Mr. Everts if he had information concerning this. Mr. Everts said he had not yet been able to obtain information on this but would continue to look into this matter.

REP. GALLIK asked Mr. Everts to update the Committee regarding the proposed bonuses for NWE executives. Mr. Everts said there was a stipulation that has been agreed to by the MCC and PSC retains the PSC authority to include or disallow those costs in the rates.

REP. GALLIK asked, in regard to qualifying facilities and Milltown, if filings contain information as to what is intended with these situations. Mr. Everts said he would address Milltown first:

- # NOR and ARCO have entered into a stipulated agreement with the Bankruptcy Court. The State and the EPA object to this agreement and there will be a hearing held on February 17, 2004.
- # Qualifying facilities - negotiations are currently under way and have the potential for prolonging the process.

REP. GALLIK asked if Mr. Everts could provide insight on what the intentions of the potential suitors /creditors may be. Mr. Everts said he did not have that information and that little could be done until NOR filed its plan.

REP. GALLIK asked, when NOR submits its plan for reorganization, if Montana could object to any of the provisions in the plan or to propose alternatives or changes. Mr. Everts said Montana can object and suggest alternatives or changes but has no vote in the process unless it becomes a creditor.

SEN. STONINGTON asked Mr. Everts if he knew who chaired the creditors' committee and what interest that person represents. Mr. Everts said he would find out.

SEN. STONINGTON asked Mr. Everts if it was his understanding that Mr. Corcoran's previous testimony, regarding money flow, was that when those contracts were let, that there was an agreement made with the rate payer that the rate payer would pay "x" amount for "x" number of years. Therefore, if those contracts were renegotiated, the rate payer would still have to pay and NWE would get to keep the money. Mr. Everts said he would investigate this further.

John Bushnell responded to SEN. STONINGTON'S question and said essentially it was true. He discussed a similar situation involving the issue of settling stranded costs in which the Montana Power Company wanted to track the qualifying facilities' stranded costs. The argument was tested and rejected at the Supreme Court. It was found that there needed to be a one-time final determination of stranded costs.

Mr. Everts gave a status report on Montana's position and said the Governor's Office, the Montana Consumer Council, the Attorney General's Office, and the PSC have entered into a MOU of how they are going to remain proactive in this issue and has met weekly to keep abreast of the situation. Mr. Everts also reported a financial consultant has been hired to guide them through this process.

Mr. Everts said the PSC goals include:

- # no increase in rates;
- # maintaining quality customer service to consumers;
- # directing the post-bankruptcy utility to have a Montana focus on Montana operations; and
- # establishing strong internal financial controls

Mr. Everts said the Attorney General's Office will also be representing Montana in the proceedings.

REP. MATTHEWS commented it was good that the PSC was keeping pressure on NWE to file its procurement plan.

SEN. RYAN asked Mr. Everts to find out who the major bondholders in NOR are and to find out more about them. Mr. Everts said he would find out and report to the Committee.

OTHER BUSINESS

After Committee discussion it was decided the next meeting will be held on Thursday, March 25, 2004, at the Capitol.

SEN. STONINGTON **moved** that the Governor's Task Force be designated by the Energy and Telecommunications Interim Committee as the working group to study building codes. The motion passed on a voice vote: SENATORS STONINGTON and RYAN, and REPRESENTATIVES OLSON AND MATTHEWS voting yes and REP. GALLIK voting no.

SEN. STONINGTON suggested that the Committee have an opportunity to review the Governor's Task Force findings before asking the Department of Labor and Industry (DLI) to proceed. CHAIRMAN OLSON agreed.

Mr. Bushnell reminded the Committee that the Governor's Task Force has studied only residential energy codes and not energy codes in general. He said anything that is produced by the working group will come back to this Committee. Mr. Bushnell also said Tom Eckman, an expert in energy code and conservation issues in the pacific northwest, is working with the Department of Environmental Quality on developing Montana-specific residential energy codes.

SEN. STONINGTON said energy efficiency issues need to be taken seriously and asked that Ms. Vandenbosch prepare a white paper study of these issues in advance of the March meeting for member consideration so the Committee can discuss at the March meeting.

SEN. RYAN requested that the issue of asbestos be included in the white paper study because it is an issue in making older homes more energy efficient. Mr. Bushnell said the Governor's Task Force study on energy codes pertains to new construction only. He said at the last subcommittee meeting, the DLI came with a proposed rule change that involved adoption of the 2003 IECC model.

Mr. Bushnell, Ms. Vandenbosch, and the Committee members discussed the requirements of SJR 13, specifically which group was studying which issue and DLI concerns over ETIC direction.

SEN. STONINGTON **moved** to have ETIC write a letter to DLI encouraging them to proceed with their initiation of the proposed administrative rules, and relaying Mr. Evert's legal opinion. The motion passed on a unanimous voice vote.

SEN. STONINGTON said she hoped the Committee would make decisions on rate basing and default supply soon in order to have adequate time to draft and review any proposed legislation before the 2005 Legislature begins. Ms. Vandenbosch said any proposed legislation should be decided upon in June so it would be ready for review at the September meeting.

CHAIRMAN OLSON suggested several items to be dealt with at the March meeting: rate basing, ring fencing, PSC oversight over utility transaction and transmission. He instructed staff to prepare options and to research what pieces of statute need to be amended.

After discussion, it was agreed that March agenda items would include:

- # statutes and rules changes related to ETIC;
- # discussion of the compiled public comments on the USB workbook and a Committee decision;
- # report and recommendations from the Governor's Task Force on building codes;
- # NWE bankruptcy updates from NWE, the PSC, the MCC, and the Attorney General; and
- # the energy efficiency recommendations prepared by Ms. Vandenbosch (white paper).

June agenda items will include:

- # coal bed methane;
- # ring fencing decision; and
- # representatives from Bull Mountain, Otter Creek, Great Northern Properties to discuss potential marketing plans.

ADJOURN

With no further business before it, the Committee adjourned at 2:05 p.m.

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