



## Energy and Telecommunications Interim Committee

---

### 62nd Montana Legislature

#### SENATE MEMBERS

ALAN OLSON--Chair  
VERDELL JACKSON  
JIM KEANE  
CLIFF LARSEN

#### HOUSE MEMBERS

TONY BELCOURT--Vice Chair  
ROBYN DRISCOLL  
HARRY KLOCK  
AUSTIN KNUDSEN

#### COMMITTEE STAFF

SONJA NOWAKOWSKI, Lead Staff  
TODD EVERTS, Staff Attorney  
DAWN FIELD, Secretary

# MINUTES

September 7, 2012

Room 172, State Capitol  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select *Committees*, then *Interim*. Once on the page for *Interim Committees*, scroll down to the appropriate committee. The written minutes summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page. You must have Real Player to listen to the audio recording or to view the video.

Hard copies of the 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. ALAN OLSON, Chair  
SEN. VERDELL JACKSON  
SEN. JIM KEANE  
SEN. CLIFF LARSEN

REP. ROBYN DRISCOLL  
REP. HARRY KLOCK

#### **COMMITTEE MEMBERS EXCUSED**

REP. TONY BELCOURT, Vice Chair  
REP. AUSTIN KNUDSEN

#### **STAFF PRESENT**

SONJA NOWAKOWSKI, Lead Staff  
TODD EVERTS, Staff Attorney  
DAWN FIELD, Secretary

#### **AGENDA & VISITORS' LIST**

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

## **COMMITTEE ACTION**

The Energy and Telecommunications Interim Committee:

- amended and approved LCet00 - revise RPS to include hydroelectric facility expansions;
- approved LCet01 - revise regulation of rural electric cooperatives;
- approved drafting a letter to be sent to Secretary of Energy Stephen Chu regarding the DOE's federal grid update proposal;
- amended and approved a draft letter to the BLM in response to its proposed hydraulic fracturing rules for federal ground; and
- amended and approved a resolution requesting an interim study to analyze the impacts of the Montana Renewable Energy Resource Act.

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

00:00:01 SEN. OLSON called the Energy and Telecommunications Interim Committee (ETIC) to order at 8:05 a.m. The Secretary noted the roll, Rep. Belcourt and Rep. Knudsen were excused (Attachment 3).

## **REVIEW OF PROPOSED DRAFT LEGISLATION**

### **LCet00 - Revise RPS to Include Hydroelectric Facility Expansions**

#### **Staff Overview**

00:00:33 **Sonja Nowakowski, Research Analyst, Legislative Services Division (LSD)**, reviewed the provisions of LCet00 - revising the definition of an eligible renewable resource in Montana's renewable portfolio standard (RPS) to include certain hydroelectric projects (EXHIBIT 1). She noted that the Public Service Commission (PSC) had submitted public comment on the draft legislation, which included a proposed amendment (EXHIBIT 2).

#### **Public Comment**

00:03:30 **David Hoffman, Director, External Affairs, PPL-Montana**, spoke in support of LCet00 and the changes proposed by the PSC. He also discussed the history of this issue, including legislation proposed by previous legislatures.

00:08:58 **Doug Hardy, Montana Rural Electric Cooperatives (MREC)**, commented that he has always believed that hydroelectric power is a renewable resource.

00:09:20 **Kyla Maki, Montana Environmental Information Center (MEIC)**, spoke in support of the LCet00 and the changes recommended by the PSC. She said the MEIC does have certain concerns regarding retroactive applicability but that it would support the bill.

#### **Committee Discussion and Executive Action**

00:11:45 **SEN. KEANE** moved to approve LCet00 with the changes proposed by the PSC. He noted that the retroactive applicability date would remain the same as it was in the 2011 bill sponsored by Rep. Belcourt. The motion passed on a unanimous voice vote. SEN. KEANE will carry the bill.

### **LCet01 - Revise Regulation of Rural Electric Cooperatives**

#### **Staff Overview**

00:13:10 Ms. Nowakowski reviewed the provisions of LCet01 - revise regulation of rural electric cooperatives and increasing transparency for rural electric cooperatives (EXHIBIT 3).

### **Public Comment**

00:14:39 Doug Hardy, MREC, said that he was not speaking in support of or against the amendment that placed a two-thirds majority vote requirement in LCet01 but would comment on the facts on the issue. Mr. Hardy discussed a number of impacts that the amendment will have on the cooperatives.

### **Committee Questions and Executive Action**

00:17:31 SEN. KEANE asked Mr. Hardy if he would support the bill as it is currently written. Mr. Hardy said he would but that he may not if the language is significantly changed. SEN. KEANE and Mr. Hardy discussed their respective concerns regarding the voting requirements changes made in the bill draft.

00:19:20 **SEN. KEANE moved to approve LCet01.** He asked the committee members for their input or concerns regarding the bill. SEN. OLSON said that he understands the concerns and explained his reasons for wanting to keep the language as currently drafted.

00:22:17 SEN. LARSEN commented that it is a matter that would be thoroughly discussed in the upcoming legislative session. He said he supports the bill draft as written.

00:22:51 **The motion to approve LCet01 passed on a unanimous voice vote.** SEN. OLSON will carry the bill.

00:23:12 Ms. Nowakowski asked to discuss LCet00 regarding a concern about the applicability date and pointed out that Kerr Dam would not be eligible under the bill as currently written. SEN. KEANE clarified that the effective date and applicability date would remain as it was in HB 59 (2011), which is upon passage and approval of the bill and would not include Kerr Dam.

00:24:28 SEN. OLSON recessed the meeting for a short break.

### **BREAK**

00:43:27 SEN. OLSON called back to order at 8:50 a.m.

### **FEDERAL GRID UPGRADE PROPOSAL**

00:43:50 SEN. OLSON noted that Ms. Lauren Azar, Senior Advisor to Energy Secretary Stephen Chu, was invited to address the ETIC but was not in attendance. In response to a statement from SEN. KEANE, **Todd Everts, Director, Legal Services, LSD**, reviewed the ETIC's authority to issue a subpoena. He said he would look into it further. SEN. OLSON said, for the record, that he was extremely disappointed that the Department of Energy (DOE) has not, to date, communicated with Montana on an issue that will affect the people of Montana. He said that he hopes that Montana's congressional delegation will take the issue up with the Department.

- 00:46:02 Doug Hardy, Manager, Central Montana Power Cooperative, MREC, discussed the MREC's response (EXHIBIT 4) to a Secretary Chu's March 16, 2012, memorandum regarding the DOE's proposed changes for the Power Marketing Administrations (PMAs), which include the Western Area Power Administration (WAPA) and the Bonneville Power Administration (BPA).
- 01:06:52 Mr. Hardy also discussed an August 28, 2012, letter from Montana Senator Max Baucus to Secretary Chu expressing Sen. Baucus' serious concerns about the DOE's directive to the PMAs (EXHIBIT 5).

#### **Public Comment**

- 01:08:42 **Joe Lucas, Manager, Western Montana Generation and Transmission Cooperative, Inc., Missoula**, commented on the DOE memorandum to PMAs proposal and its impact on the BPA (EXHIBIT 6).

#### **Committee Questions and Discussion**

- 01:13:00 SEN. KEANE asked Mr. Lucas for additional information on how this would change operations for cooperatives and BPA. Mr. Lucas responded.
- 01:14:55 SEN. KEANE said that it appeared to him that the changes aren't needed but that the cooperatives are being made to do it anyway. Mr. Lucas agreed.
- 01:15:21 SEN. OLSON distributed a list of talking points for an ETIC response to Energy Secretary Chu (EXHIBIT 7). He said he would like the ETC to consider using the talking points as the basis for a letter to Secretary Chu on the matter.
- 01:16:00 SEN. LARSEN and Mr. Hardy discussed the genesis for the letter from Secretary Chu. SEN. OLSON said that PSC Commissioner Travis Kavulla also wrote a letter outlining the PSC's concerns on this issue (EXHIBIT 8). SEN. LARSEN said that he would support drafting an ETIC response. **SEN. LARSEN moved to incorporate Sen. Olson's talking points into a letter to Secretary Chu.** The ETIC discussed the motion.
- 01:20:39 **SEN. LARSEN's motion passed on a unanimous voice vote. Rep. Knudsen voted yes by proxy (Olson).**

#### **BLM HYDRAULIC FRACTURING RULE PROPOSAL**

##### **Committee Discussion**

- 01:21:29 SEN. OLSON reviewed the federal proposal to further regulate hydraulic fracturing on federal lands. He said that he believes that the Bureau of Land Management (BLM) is already overwhelmed by its workload and that adding this regulation would only further delay the permitting process. He discussed North Dakota's back log of permits for federal land and suggested that the issue could be adequately addressed through the administrative rule process in which memorandums of understandings could be signed to regulate oil and gas development in Montana.

##### **Committee Discussion**

There was no committee discussion.

## Public Comment

- 01:24:42 **Gail Abercrombie, Montana Petroleum Association (MPA)**, read into the record a letter from Dave Galt, Executive Director, MPA, outlining the MPA's concerns about the proposed rule (EXHIBIT 9). She also provided a copy of an economic analysis, prepared by John Dunham and Associates, of the impact of the proposed regulation to ETIC staff (EXHIBIT 10). Ms. Abercrombie also distributed copies of a June 18, 2012, letter from Governor Brian Schweitzer to the Secretary of the Interior Ken Salazar outlining the Governor's concerns (EXHIBIT 11).
- 01:30:55 SEN. OLSON said that he asked Ms. Nowakowski to prepare a draft letter of response and that each member received a copy in their meeting packet (EXHIBIT 12). **SEN. OLSON moved adoption of the letter.**
- 01:31:19 REP. DRISCOLL read from the third paragraph of the draft letter and stated that she was not comfortable with some of the language in paragraph three. SEN. OLSON responded to her concerns and why the language was written as it is. REP. DRISCOLL requested that the second sentence of the third paragraph be removed from the draft letter.
- 01:35:03 SEN. LARSEN said that while he believes this is a critical issue and supports the idea of sending a letter, he also would like the sentence taken out. He discussed his position further.
- 01:35:54 SEN. OLSON explained why he wanted the sentence to remain in the letter. SEN. LARSEN said that the language of the letter would be strong enough without the third sentence to get the committee's point across. SEN. OLSON said, in the spirit of bipartisanship, that he would agree to removing the sentence. REP. DRISCOLL and SEN. LARSEN thanked him.
- 01:38:25 SEN. JACKSON said that he is puzzled why this has become an issue because he has been impressed by the amount of caution already being used in fracking of wells, and that he is satisfied that current practice is adequate.
- 01:40:42 SEN. OLSON said that copies of the letters to Secretary Chu and to Secretary Salazar will be provided to Montana's congressional delegation and to Governor Schweitzer. **SEN. OLSON's motion passed on a unanimous voice vote. Rep. Knudsen voted yes by proxy (Olson).**
- 01:41:24 SEN. OLSON recessed the meeting at 9:48 a.m. until 10:00 a.m.  
**BREAK**
- 02:01:19 SEN. OLSON called the meeting back to order at 10:05 a.m.

## **STATUTORY DUTIES: HYDROELECTRIC DEVELOPMENT UPDATE, 85-1-501, MCA**

- 02:01:27 **Tim Davis, Administrator, Water Resources Division, Department of Natural Resources and Conservation (DNRC)**, discussed executive summaries for two hydropower feasibility studies done by Kleinschmidt Associates (Cooney, Painted Rocks, and Tongue River - EXHIBIT 13) and (Ruby Dam - EXHIBIT 14). Mr. Davis' discussion points included potential "red flags", a cost benefit analysis,

and projected revenue versus project costs for each option. Mr. Davis said that a full report will be made available to the ETIC when it is ready.

#### **Public Comment**

02:07:28 **Brenda Lindlief Hall, Tongue River Water Users Association (TRWUA)**, spoke in support of a hydroproject on the Tongue River, saying that such a project would decrease costs, help maintain the long-term viability of the dam, would benefit agriculture production, and more.

#### **Committee Questions**

02:10:59 REP. KLOCK asked Mr. Davis about the spike in costs in the 19th year (page 5, EXHIBIT 13). Mr. Davis explained that around the 20th year, there will have to be about a \$250,000 capital cost for refurbishing equipment.

02:12:06 SEN. LARSEN noted that Idaho data was used to calculate revenue and asked if revenue estimates were based on current electricity prices. Mr. Davis explained how the revenue calculations were made and why Idaho data was used.

02:13:34 SEN. LARSEN asked, if the project is found reasonable to pursue, how does the DNRC plan to proceed with further development. Mr. Davis said that the Legislature appropriated \$100,000 to the DNRC but that additional funds would have to be obtained in order to do a detailed analysis. He said at that point, the DNRC would consider asking the Legislature for the 30-year bonding authority and to look at various other funding sources.

02:14:58 SEN. LARSEN asked if the TRWUA would be included in future steps. Mr. Davis said that the DNRC has met with the TRWUA to begin the process of working together.

02:15:52 SEN. KEANE said that the state owns the actual dam and asked if the state would consider using a public-private partnership to build the hydroproject. Mr. Davis said that was a possibility. SEN. KEANE encouraged the DNRC to work with the BOR to learn how it partnered with the private sector on the Toston Dam hydropower project. Mr. Davis said he would do so.

02:18:48 SEN. OLSON asked Ms. Hall if the TRWUA is a member of the Tongue River Electric Cooperative (TREC) and its contract with Southern Montana Electric. She said that she was not familiar with the provisions of the contract but that she did know that there is a three-phase power line close to the Tongue River Dam, so a hydro project should be feasible. SEN. OLSON noted that the DNRC report indicated that a hydro project on the Tongue River Dam would be only marginally feasible and urged caution in proceeding, due to the drastic increases in power. Ms. Hall said she is aware that there are risks.

#### **STATUTORY DUTIES: GEOTHERMAL RESEARCH UPDATE, 90-3-1301, MCA**

02:22:10 **John Metesch, Montana Bureau of Mines and Geology, Butte**, discussed an update on HB 333 - geothermal research and development activities in 2012 (EXHIBIT 15).

### **Committee Questions and Discussion**

- 02:29:56 SEN. JACKSON asked if there is an increase in well temperature as the depth increases. Mr. Metesch said that generally speaking, the deeper the hole, the hotter the water becomes. He explained further.
- 02:31:41 SEN. LARSEN asked if Mr. Metesch was aware of any commercial activity using geothermal for businesses or private buildings. Mr. Metesch said there are, but that it is uncommon. He discussed several examples.
- 02:32:41 SEN. LARSEN and Mr. Metesch discussed the challenges of harnessing the hot water for energy use. Mr. Metesch said it is a matter of technology catching up, as well as the quantity and quality of the water.

### **PSC REPORTS**

- 02:35:04 **Travis Kavulla, Chair, Public Service Commission (PSC)**, thanked the ETIC for accepting the PSC's amendment to the ETIC RPS bill (LCet00 - EXHIBIT 1).
- 02:36:03 Commissioner Kavulla discussed a NorthWestern Energy (NWE) and Montana-Dakota Utilities (MDU) natural gas rate case filing.
- 02:37:55 Commissioner Kavulla discussed NWE's purchase of gas wells and pipelines in northeastern Montana.
- 02:39:57 Commissioner Kavulla discussed in detail a qualifying facility (QF) hearing scheduled for Wednesday, September 12, 2012, on Public Utility Regulation Policy Act (PURPA) and its relation to QF power.
- 02:45:04 Commissioner Kavulla discussed a transmission forum held with the Bonneville Power Administration (BPA), NWE, GAElectric, and other utilities. Two topics discussed at the forum were point-to-point transmission upgrades and integration of wind resources. He encouraged the ETIC to look on the PSC web page for additional information.
- 02:49:07 Commissioner Kavulla discussed a recent workshop held to review Montana's planning and procurement practices (EXHIBIT 16). He listed the entities who participated in the workshop and said the purpose of the work was to review administrative rules in other western states in order to create a good work product for Montana. He noted the docket number on the web page is N 2012.5.56 and said that the PSC feels it is time to update Montana's administrative rules regarding planning and procurement. Commissioner Kavulla reviewed a number of flaws in current practices and several areas where improvements can be made. He said that the PSC would welcome legislator input and that a final report will be available mid-September. He said that copies will be provided to the House and Senate standing energy committees.

### **Public Comment**

- 03:10:32 **John Fitzpatrick, NWE**, discussed NWE's strong objections to and concerns about rule changes regarding Montana's planning and procurement practices. He said that NWE believes this rulemaking will be very contentious and detrimental

to Montana consumers and that there is a need to go back to rate-based generation. Mr. Fitzpatrick also discussed NWE's belief that this effort is also an over-reach of legal authority by the PSC.

### **Committee Questions and Discussion**

- 03:19:02 SEN. OLSON asked Commissioner Kavulla what the delay is in reviewing resource plans and if there is a need for a statutory deadline. Commissioner Kavulla explained how reviews are typically done and said that the NWE case should not have been delayed as long as it was.
- 03:20:24 SEN. OLSON asked if there are rules or policies in place to cover ex parte communications. Commissioner Kavulla said yes and that rule making is not subject to ex parte, but that contested case proceedings are. SEN. OLSON and Commissioner Kavulla discussed at length the issue of ex parte communications and their affect.
- 03:24:40 SEN. OLSON asked how many rules proceedings will come before the PSC between today's meeting and the start of the 2013 legislative session. Commissioner Kavulla said only a few rules proceedings will be heard, including the planning and procurement process. He said the PSC will soon receive a report from its consultants and that it will be a collective decision by the PSC whether to act on the consultants' recommendations.
- 03:26:08 SEN. OLSON asked that ETIC staff and legislators be kept up informed. Commissioner Kavulla said he would do so.
- 03:26:50 SEN. KEANE discussed his concerns about the rules changes and suggested that the ETIC may want to consider scheduling another meeting in the fall to review any PSC decisions on this matter.
- 03:30:25 SEN. OLSON recessed the meeting at 11:37 a.m. for lunch until 1:00.
- LUNCH**
- 05:04:06 SEN. OLSON called the meeting back to order at 1:10 p.m.

### **INTEROPERABILITY**

- 05:04:26 **Dick Clark, Chief Information Officer, State of Montana, Department of Administration (DOA)**, thanked the ETIC for the opportunity to brief the ETIC on Montana's interoperability status.
- 05:04:49 **Warren Dupuis, Chief of Staff, Statewide Information Technology Services Division, and Statewide Interoperability Coordinator**, discussed an overview of the Montana Public Safety Communications System, including the future of the program and anticipated legislative involvement. Mr. Dupuis referred to a PowerPoint presentation as part of his discussion (EXHIBIT 17).
- 05:29:20 Mr. Dupuis discussed FY2012 Emergency Communication Priorities for Montana. He noted that ETIC members were given a copy of a Homeland Security Office of Emergency Communications newsletter (EXHIBIT 18).



## Public Comment

05:45:48 There was no public comment

## Committee Questions and Discussion

05:46:00 SEN. OLSON asked if FirstNet will compete with existing telecommunication and fiberoptic networks in Montana. Mr. Dupuis said that FirstNet is a government entity that will be built out through commercial entities. He explained how the system will be built and be operated.

05:48:19 Dick Clark responded further to SEN. OLSON's question about competition and explained his perspective on how existing telecommunication and other entities would be affected by the FirstNet program.

05:51:40 SEN. OLSON and Mr. Clark discussed how rural telecommunication companies, including Sage Brush Cellular and Mid-River Communications, would be affected. SEN OLSON said that these companies have invested a tremendous amount into their systems and work beautifully. Mr. Clark discussed how the contracting would be done with a major carrier and a local telecommunications provider.

## POTENTIAL RPS STUDY RESOLUTION FOR 2013-14 INTERIM

05:54:58 Ms. Nowakowski reviewed the provisions of a potential study resolution of Montana's Renewable Power Production and Rural Economic Development Act, as requested by SEN. OLSON (EXHIBIT 19). She asked the ETIC to discuss the proposed study resolution and offer suggestions for changes, if desired.

## Public Comment

05:57:57 **John Fitzpatrick, NWE**, spoke in support of the proposed resolution. He did note that there are some problems with the RPS (renewable portfolio standard) and operation issues associated with renewable energy but that those issues could be looked at during the study process in the next interim.

05:59:53 **Jeff Fox, Renewable Northwest Project (RNP)**, said that the RNP also would support the study resolution. He said that it is a complex issue and that he hopes the 2013 Legislature will find the resources necessary to properly conduct the study.

06:00:49 **Gary Forrester, MDU**, said that the MDU will stand in guarded support until it sees the actual proposal. He said that there is a concern that it could get out of hand but for now, would support the proposed study resolution.

## Committee Questions and Discussion

06:01:48 SEN. JACKSON spoke in support of the study resolution, saying that the study would be an incentive to prove the cost effectiveness of wind power.

06:03:30 SEN. LARSEN said he thought it was a good study topic.

06:03:37 SEN. KEANE asked how the RECs would be affected. SEN. OLSON said that they could be included in the study proposal. SEN. KEANE asked that RECs be

included. Ms. Nowakowski said that RECs could be added to the resolution on page 2, in subsection (1). **SEN. KEANE moved to approve the resolution, as amended to include RECs. The motion passed on a unanimous voice vote.**

## **ADMINISTRATIVE MATTERS**

### **Rule Review**

- 06:05:45 Mr. Everts reported that there are no rule review issues to be discussed.
- 06:05:58 Ms. Nowakowski reviewed the ETIC budget and said that the ETIC would have enough funding for a May 2013 meeting or another meeting in the fall, should the PSC rule issue come up.

### **Review of Information In Mailing Packet**

- 06:07:16 Ms. Nowakowski discussed materials of interest to the ETIC and the public posted on the ETIC website that are not meeting materials, including an energy resource development report (EXHIBIT 20).
- 06:08:01 Ms. Nowakowski also updated the ETIC on the Department of Environmental Quality's (DEQ) 20x10 initiative and 2012 Report to the Governor (EXHIBIT 21), NWE's Smart Grid Demonstration Program (EXHIBIT 22), coal train traffic letters as requested at the July ETIC meeting (EXHIBIT 23), and a staff evaluation form.

## **ENERGY RELATED PERMITTING AND PROJECT STATUS**

- 06:12:50 **Tom Livers, Deputy Director, DEQ**, discussed energy-related permit activities concerning coal, transmission and pipelines, and air quality registration for oil and gas (EXHIBIT 24).

### **Coal**

- 06:15:35 Otter Creek/Arch Coal permit application status
- 06:16:39 Western Energy Area F and Signal Peak permit application status

### **Transmission Lines and Pipelines**

- 06:17:22 Montana Alberta Tie Line (MATL)
- 06:17:50 Montana States Transmission Intertie (MSTI)
- 06:18:57 Keystone XL Pipeline

### **Air Quality Registration for Oil and Gas**

- 06:19:58 Registration program for air quality protection efforts, including inspection and enforcement actions
- 06:23:42 **Steve Kilbreath, DEQ**, briefed the ETIC on wastewater issues in Eastern Montana. He discussed the temporary workforce housing and housing settlements springing up everywhere and the challenges that the "work camps" are presenting to the affected communities (EXHIBIT 25).

## **Department of Natural Resources and Conservation (DNRC)**

- 06:32:52 **Joe Lamson, Deputy Director, DNRC**, updated the ETIC on state land management issues, saying that the largest issue facing his agency is oil and gas leasing on state lands. Mr. Lamson provided detailed information on the number of acres leased, lease payments, royalty fees, and the outlook for the next few years.
- 06:36:24 Mr. Lamson discussed Otter Creek, Arch Coal, and Signal Peak coal activity as it pertains to state lands.
- 06:37:44 Mr. Lamson discussed DNRC's involvement in pipeline and transmission projects that cross state lands.
- 06:38:41 Mr. Lamson discussed biomass technology programs and the F.H. Stoltz Company's innovative biomass project in the Flathead Valley.
- 06:39:36 Mr. Lamson discussed biomass programs operating in 14 Montana schools and 2 hospitals.

#### **Public Comment**

- 06:40:28 No public comment was given.

#### **Committee Questions and Discussion**

- 06:40:34 SEN. JACKSON asked if the state is encouraging biomass projects in Montana, particularly for cleaning up slash piles from logging operations. Mr. Lamson said the main purpose of biomass is to use the leftover product but that economics and transportation costs are a factor.
- 06:43:09 SEN. OLSON asked Mr. Lamson to discuss the Land Board's new easement and right-of-way policies. Mr. Lamson reviewed the Board's interest in the value of energy commodities and that the changes made by the Land Board were made based on what other states states charge for transportation of these commodities. He explained further, saying that the goal was to create a level playing field for all energy companies doing business in the state.
- 06:45:05 SEN. OLSON asked if the new stipulations will apply to MATL. Mr. Lamson said that new stipulations apply mostly for pipelines. Mr. Lamson and SEN. OLSON discussed the issue further.
- 06:50:33 SEN. JACKSON asked Mr. Lamson to discuss beetle-killed timber on state school trust lands. Mr. Lamson said removing beetle-killed timber is a priority of the DNRC. He explained further.
- 06:52:26 SEN. OLSON complimented the DEQ air quality program staff for oil and gas operations, saying that they are very professional and knowledgeable. He asked Mr. Livers for an update regarding the EPA's objections to the DEQ air quality permitting program. Mr. Livers said that Dave Klemp could provide that information.

06:53:24 **Dave Klemp, Bureau Chief, Air Resources Management Bureau, DEQ**, said that the DEQ never received a formal objection but withdrew the rule package and resubmitted it with additional analyses. He said that the DEQ is still pushing for it and that he is hopeful it will be approved by the EPA in the next few months.

06:55:09 SEN. OLSON asked Mr. Kilbreath to discuss the cost of several wastewater facilities proposed for Eastern Montana. Mr. Kilbreath said that final costs had not been determined and predicted that funding bills would be sought in the 2013 legislative session.

06:57:44 Dan Flynn thanked REP. KLOCK for his many years of good service as a state representative. SEN. OLSON echoed Mr. Flynn's comments and said that REP. KLOCK would be missed. He said that REP. BELCOURT would be missed as well, saying that he was an outstanding legislator with an ability to reach across party lines. SEN. OLSON noted that this was also Mr. Evert's last meeting as ETIC staff attorney.

06:59:29 SEN. OLSON thanked the ETIC staff for their work.

**PUBLIC COMMENT ON MATTERS WITHIN THE JURISDICTION OF THE ETIC**

07:01:25 No public comment was given.

**ADJOURN**

07:01:42 With no further business before the Energy and Telecommunication Interim Committee, SEN. OLSON adjourned the meeting at 3:08 p.m.

CI0429 3123dfxa.