

TRANSITION ADVISORY COMMITTEE
Transmission Subcommittee
January 24, 2002
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.

SUBCOMMITTEE MEMBERS PRESENT

Mr. Dave Wheelihan, Chair
Rep. Roy Brown
Rep. Steve Gallus
Rep. Alan Olson
Sen. Don Ryan
Sen. Emily Stonington
Sen. Fred Thomas

STAFF MEMBERS PRESENT

Jeff Martin, Legislative Research Analyst
Robyn Lund, Secretary

AGENDA

Attachment 1

VISITORS' REGISTRATION

Attachment 2

I CALL TO ORDER

CHAIRMAN WHEELIHAN said that the goal for today is to get as much information about how the transmission system works in the country, the region and in Montana as possible.

II TRANSMISSION SYSTEM OVERVIEW

John Hines, Northwest Power Planning Council (NWPPC), talked about transmission in Montana and the implications of that on restructuring in Montana (**Attachment 3**).

The United States transmission system is broken into different reliability regions so that problems with the system can be isolated and therefore avoid affecting the entire country. Montana and the Pacific Northwest are in the Western Systems Coordinating Council (WSCC) region. All the transmission in the region is connected. For energy from Montana to get into a different region, electricity must be

converted from the alternating current (AC) to direct current (DC) and then back to AC for customer use. This conversion requires a lot of money and is not an easy process. It is a real problem to move from one region to another.

There are control areas within the regions. These areas also try to control and limit problems by keeping them isolated from the rest of the region.

There isn't transmission moving north out of Montana. There are about 58 owners of the transmission lines in the WSCC. Bonneville Power Administration (BPA) controls about 75% of the high voltage transmission in the region.

Transmission is both a federal and state issue. Transmission is basically controlled at the federal level through policy and regulation. The changes in transmission over the last 10 years are headed for deregulation. You can't have an effective deregulated electrical generation market without having a deregulated transmission system.

The Federal Energy Regulatory Commission (FERC) is the entity that has jurisdiction over transmission throughout the United States. They are responsible for oversight and policy setting. In 1992, Congress passed the Energy Policy Act that deregulated wholesale energy prices. The next step was to ensure that everyone has open and equal access onto the transmission system. In 1997, FERC issued Order 888, which required open and equal access to the transmission system. Transmission owners could no longer dictate who had access and what type of access they had. Transmission owners were required to functionally separate. It required owners to electronically post availability of transmission on OASIS (Open-Access Same-time Information System), which is an Internet based site. In 2000, FERC issued another order that required transmission owners to consolidate into regional transmission organizations (RTO). FERC wants operation of the system separate from the ownership of the system.

Effective retail choice requires a competitive wholesale market. A competitive wholesale market requires an efficient, competitive transmission system. Transmission is important in ensuring a high degree of reliability of electric service. For new generation to be developed they need access to the load centers. Load growth in Montana is fairly small. Generators need better access to where the demand is.

Transmission policy at the federal level has not been fully implemented. The majority of generators are having difficulty obtaining reliable and firm transmission. The transmission system in Montana is operating at near capacity. Many existing transmission paths have severe congestion. This leads to reliability concerns. An example would be west of Hatwai. BPA is proposing to decrease the reliability of that system by up to 1000 megawatts if significant conditions dictate it. This would severely influence the ability of the Colstrip owners to get their power to their customers. The system is pretty fragile right now and it needs some major changes. There is an increased possibility of failure on the transmission system. BPA recently looked at significant upgrades for transmission. New

transmission standards are needed to increase reliability and to comply with nationally set standards.

Montana needs to develop transmission if it wants to be a player in the new generation market. The loads in the Pacific Northwest have been growing at about 1.8% annually. Transmission use is up by 2% annually, with very little new transmission built over the last 15 years. The guaranteed firm access on the Montana system is already fully contractually obligated. The line out of Colstrip moving west has 2200 megawatts of capacity. Power in that line must also meet the constraints of west of Hatwai, which is 2800 megawatts, but there is other generation feeding into that line after Colstrip. There is a concern of all the power fitting on that line, especially with the extra power coming from Columbia Falls Aluminum (CFA) being down. He referred to a map in Attachment 3 that shows the different lines and the maximum loads.

The congestion can be defined in many ways. One is contractually, are there any more firm rights to the system? With that definition, the system is fully congested. Another definition is how much the lines are actually used, in which case it is not fully congested. There is no available firm transmission, but at certain times there is a fair amount of non-firm transmission. The non-firm power often can't be bought very far in advance. This creates problems in selling the power. In 2000, 80% of the time the Montana northwest line had 500 megawatts or more of available capacity.

Non-firm transmission that could be available is shown in Attachment 3, page 14. There is a high degree of probability that the capacity will be available, but it is not 100% certain. Very few parties are willing to give up the firm transmission. This firm transmission is not posted on the OASIS sites. Transmission paths are not fully used, leaving some space available most of the time. Non-firm access can't be bought in advance. It is difficult for generators to make firm sales with non-firm transmission. If that type of transaction is made, it creates a financial risk.

Transmission is a serious problem. It affects reliability, new generation, and competition. It is expensive, contentious, and time consuming to build new transmission. The RTOs are seen as a way to fix these problems. Some believe that the RTOs will not work. There are concerns such as "cost shifting" related to the RTO concept. There are questions about the RTO format allowing for the proper signals reach to the various markets. There will not be an efficient competitive market until this problem is fixed.

REP. GALLUS asked for the number of RTOS in the west. **Mr. Hines** said the original discussions were for three RTOs nationwide. There has been a significant amount of objection about including California in the western RTO. There is a general movement within FERC to move away from the single RTO for the west.

SEN. RYAN asked for the reason for BPA downgrading the capacity. **Mr. Hines** said that electrons don't always go directly from point A to point B. Those flows have unintended consequences. Those consequences were being seen in the BPA system. BPA felt that the capacity needed to be

downgraded in order to increase reliability. These probabilities of problems can be moderated a little bit. Engineers don't take into account the economic consequences of downgrading a line like that. **SEN. RYAN** asked if the downgrading of capacity on the lines in the region could stop new generation from coming on line. **Mr. Hines** said that it could have a negative effect if the generation is built far from the load.

REP. BROWN asked about the BPA upgrades that were mentioned at a previous meeting. **Mr. Hines** said that BPA has to follow NEPA procedures on any action. They have started down the path, but have to go through the EIS format before construction on the transmission lines can be started. There are dates set for conducting the EIS on the Bell project.

SEN. STONINGTON asked which transmission issues the state has control over. **Mr. Hines** said that depends on the role that the state wants to play. The state may want to try providing incentives, building transmission, and working with our neighbors to upgrade transmission. Last year, the Montana senators tried to help get money to upgrade the Miles City inter-tie.

SEN. STONINGTON asked what role the state would have in the development of the RTOs. **Mr. Hines** said that the state could participate in the discussions, but so far it hasn't been active in that arena. Montana Power Company (MPC), as a transmission owner, has been very active in the discussions. The Public Service Commission (PSC) has also had some input in MPC's comments.

SEN. STONINGTON asked who from the state was participating. **Mr. Hines** said that the Department of Environmental Quality (DEQ) was participating, but he didn't know to what level.

SEN. STONINGTON asked what the cost shifting is in regards to the RTOs.

Mr. Hines said that the transmission owners charge enough to recover their costs. Different transmission systems have different costs. When all the transmission is thrown into an RTO, those costs still need to be paid. One of the proposals to recover those costs is a postage stamp rate. **SEN.**

STONINGTON asked how the citizens of Montana are going to be protected. **Mr. Hines** said that BPA will be involved. There are some cooperatives that are very concerned about the cost shifting. Another concern is what the benefits of an RTO are going to be. The benefits are cloudy, things such as a more efficient working market, but there isn't a dollar amount assigned to those. There is a study under way to define the benefits of the RTO concept.

SEN. THOMAS asked how far power needed to be brought from Alberta. **Mr. Hines** said that Shelby to Lethbridge is 150 miles. **SEN. THOMAS** asked if the idea was to take power into Canada or out of Canada. **Mr. Hines** said that generation in Montana would have the opportunity to sell it out of state. There will also be a chance to gain low cost resources from Alberta. **SEN. THOMAS** asked if there is capacity to move 500 kv power either way on the line. **Mr. Hines** said there is not. There is the ability to move about 600 megawatts from west to east and around 2200 megawatts from east to west. **SEN. THOMAS** asked if the kv lines can be upgraded. **Mr. Hines** said that his understanding is that most of what can be done to improve the system has already been done. There have been tremendous changes in generation over the last 10 years. Transmission hasn't seen the same scrutiny and changes. There is a possibility for new things to happen with transmission in the near future. There

is a focus that hasn't been there in the past, but needs to be in the future. **SEN. THOMAS** asked how we facilitate new coal projects that are on the drawing board. **Mr. Hines** said that there is some load growth in Montana that can be accommodated by new transmission. The proposed generation isn't feasible until the power can get into the market. We need to find ways to expand and develop new generation, but we also need to improve the transmission system.

MR. WHEELIHAN asked who has contracted for the transmission paths and why aren't they using them. **Mr. Hines** said that the owners of the system have the firm availability. Often the same entity owns both generation and transmission. **MR. WHEELIHAN** asked if the contracts are on a first come, first served basis. **Mr. Hines** said that the first in line is often the first served.

SEN. STONINGTON asked for the status of the WAPA study. **Mr. Hines** said that the last he heard was that Basin had requested a transmission study and WAPA is undertaking it.

III TRANSMISSION RESERVATIONS AND CAPACITY

Mark Donaldson, Montana Power Company (MPC), said that FERC Order 888 specified how transmission providers are to provide transmission service to any potential customer. In that tariff there are point-to-point and network tariffs. It also set up the OASIS site. In FERC's opinion, everybody must have equal access to information about the system, pricing, available capacity, and the ability to reserve it. Everything has to be done on the OASIS site.

Point-to-point transmission is when the customer selects a point of receipt and a point of delivery. FERC said that for transmission providers that have the merchant function, this is the type of service that has to be used for any off-system power. Firm and non-firm transmission is available for point-to-point. Daily, weekly or monthly transmission can be purchased. This is on a first come, first served basis. Whoever is the quickest to make a commitment is the first in line to receive the transmission. The tariff says that a payment has to be made in order to reserve that transmission. If you have purchased non-firm transmission, you can be bumped if some one else purchases firm transmission. Whoever purchases the longer term, for both firm and non-firm, is the winner. If there are competing requests for the same transmission, the entity asking for the longer term receives the transmission. It becomes a game of who wants to bid the most. Order 638 defines the time lines for this process. For point-to-point transmission, the charges are based on rates.

FERC's philosophy on network transmission is that it is transmission similar to that which a transmission provider provided to itself to serve its native load. A customer defines what its network load is and defines where the network resources are. The transmission provider has to recognize what transmission is used and what is available in order to allow the customer to use that. With network transmission there is a charge based on the load ratio share of the revenue requirement. A customer will pay for its share of the cost of the system instead of a rate.

SEN. RYAN asked if the customer is the generator or the receiver. **Mr. Donaldson** said that it could be either. **SEN. RYAN** asked if the firm and non-firm transmission are the same price. **Mr. Donaldson** said that generally they are. There is a capped price. **SEN. RYAN** asked about the differential on the daily, weekly, and monthly prices. **Mr. Donaldson** said that there is no break in the price based on the length of the term.

MR. WHEELIHAN asked if a generator wants firm transmission rights, they ask for a contract, then they go into the queue, when will they be notified if they will receive the transmission? **Mr. Donaldson** said that Order 638 gives 30 days for notification. **MR. WHEELIHAN** asked how much notice was given to someone who was bumped. **Mr. Donaldson** said that pre-schedule was done a day ahead, but a non-firm purchaser can be bumped an hour before the power flows.

SEN. STONINGTON asked what the liabilities are to contract for longer terms. **Mr. Donaldson** said that there is a chance that the transmission may not be needed.

SEN. RYAN asked if there is any penalty for non-usage of the rights. **Mr. Donaldson** said that is great for a transmission provider because it can be sold twice. FERC is concerned that people will hoard the transmission.

REP. BROWN asked if the purchaser were bumped, is money refunded. **Mr. Donaldson** said no, that is why people generally don't buy non-firm transmission more than a day ahead. **REP. BROWN** asked how many people are waiting in line for transmission capacity right now. **Mr. Donaldson** said that the constraint is getting power into the state.

SEN. STONINGTON asked what the incentives are to build new transmission. **Mr. Donaldson** said that is where the RTO is a good thing. With an RTO there will be one party to deal with. If the RTO determines that the best way to offer transmission service is to upgrade, he thinks that it will get done. Today there are too many questions about who will pay for the upgrades. **SEN. STONINGTON** asked what the role of the state is in terms of trying to plan ahead. **Mr. Donaldson** said that the state should be active in the RTO activities. It is a federal law, but the states should be listened to. If the RTO goes to a postage stamp rate, Montana will benefit because currently the unit rate for Montana is fairly high.

MR. WHEELIHAN asked if there would be any impact of the RTO on existing transmission agreements. **Mr. Donaldson** said that is one of the problems. He thinks that if a customer doesn't want to move to RTO service, they will be able to stay with MPC.

SEN. STONINGTON asked about the need for energy planning in Montana. **Mr. Hines** said that there were some statutes that guide where the policy in Montana needs to go. SB 390 would be an example of that policy. There is a void dealing with the circumstances that have occurred since that time, for example, the MPC portfolio that is before the PSC. He sees a need for the Legislature to

look at whether the actions being taken are consistent with the laws in place. It is also worthwhile to look at whether the policies in place are in the best interest of the consumers. There needs to be a focal point from which all of this policy and discussion flows out of. He doesn't see a unified process where decisions are studied and analyzed. **SEN. STONINGTON** asked about the status of the wholesale market place, is it true that there isn't a mature market place on the wholesale level? What role can the state play in thinking ahead? **Mr. Hines** said that he prefers being proactive rather than reactive. Conditions have changed so much since 1997. There are some significant barriers for retail competition developing. There are some activities that need to be undertaken to aid the development. Long term contracts in the MPC portfolio are a hindrance to customer choice. These long term contracts could essentially create some stranded costs, which are a barrier to choice. There should be a framework for state policy that isn't really in place right now. **SEN. STONINGTON** asked what some of the questions that need to be asked are, as far as allowing cooperatives to enter the default supply market. **Mr. Hines** said that there would be a concern that if there isn't a formal process beforehand, there is the possibility that the best part of the supply load would be assumed by the cooperatives, leaving the rest of the consumers on the default supply. **SEN. STONINGTON** asked about reliability standards and working with Alberta. How would the Legislature go about evaluating those? **Mr. Hines** said that the first step would be to decide at what level the Legislature would be involved. There would need to be some economic analysis to prioritize.

IV BPA TRANSMISSION CONSTRAINTS AND PROPOSED SOLUTIONS

Vickie VanZandt, Bonneville Power Administration (BPA), referred to **Attachment 4**. Over the last decade, loads have been growing steadily in the BPA service territory with little new transmission being built anywhere. Due to deregulation, use of the transmission system has been growing in excess of the load growth. Control area operators need to make sure that the load and the generation match up. The first objective is safety and reliability. We are reaching load and generation equivalency. This indicates that new generation is needed. BPA would like to remove some constraints that limit economic trade and BPA's ability to maintain the system.

BPA has an infrastructure proposal and is engaging the early stages of increasing the capacity of the transmission grid. This infrastructure proposal is about 700 miles of line. It will integrate needed generation resources and reinforce the grid. Some resources are under construction now. BPA wants to eliminate some crippling congestion and bottlenecks. They don't want to start an RTO or experience similar problems as California. They want to put a reliability margin back into the grid. Anticipating demand-side management and furthering small generation are a concern. There is a significant concern about reliability. BPA wants to reduce some of the risk of cascading outages. Those outages are uncontrolled system break ups. The highways need to work in order for the competitive market place to work.

Both loads and generation impact the congestion of the transmission system. Curtailments are needed now. Montana is more vulnerable to cascading outages in the summer than in the winter. The first

reason is the hot weather. Cooler weather reduces heat on the lines. In the summer the loads also have to travel a greater distance. Another reason is that not all loads are the same. In the summer, there is a greater percentage of inductive load, for example, pumping and irrigating. They don't want to delay integration of new resources. It is harder and takes more time to site a new transmission line than it does for a generator to get on line.

The forecast for load growth is about 12%, the transmission growth to keep up with that was forecast at under 2%.

Some outages are required for maintenance. There is some difficulty with getting outages on certain lines. Transmission lines are made out of aluminum and are steel reinforced. She showed pictures of degraded lines in Attachment 4. Problems with degraded lines cause problems year-round.

There hasn't been much load growth since 1987 in order to keep the grid healthy and the voltage level high. This tends to make the system more brittle. Open access transmission providers build transmission when they have a request or need to meet contractual obligations. This grid has no inventory left. New generators can't be accommodated unless the system is reinforced.

BPA used to depend on transfers for California and Canada to provide the winter load. That has made the Montana to the northwest path and Idaho to the northwest path more strategically important to the northwest region as a whole. Those paths need reinforcement. They have significant plans for some upgrades, but it leaves problems that will still prevent new generation from getting to the west. BPA is intending to relieve the west of Hatwai by building a 500 kv line from Grand Coulee to Spokane and they believe they will be given a rating of 3600 megawatts. That will help relieve some of the congested points. They have no transmission requests for anything east of there. If there are generation plans in Montana, nobody is in the queue for transmission for the power west.

There are some levels of reliability. There needs to be enough generation to meet the load. There needs to be resiliency of the transmission grid. The ability of the grid to withstand and recover from problems without causing cascading outages is very important. Capacitors have been used to get more out of the wires, but it makes the system more open to resiliency problems. She offered some examples that can be seen in Attachment 4. Small changes in flow can result in big changes in voltage. When that happens it is an indicator that reinforcement is needed.

She presented a map in Attachment 4 that showed transmission projects that BPA is in the process of planning and undertaking. The high priority ones are (1) the Puget Sound Area, (2) North of Hanford, (3) West of McNary, (4) Starbuck Generation, (5) Lower Monumental and McNary Area, (6) Cross Cascades North, (7) Celilo, (8) I-5 Corridor, and (9) the Spokane area. In order to accomplish this, BPA has asked for higher borrowing authority. They asked for \$2 billion, but it is hopeful that \$700 million will be afforded.

There is no perfect place to put the generator because the loads vary throughout the year. They contract with some consultants who have some background in non-transmission alternatives. The recommendation was a 10-year forecast of loads and transmission needs so that if there were some demand side solutions, they would have enough time to mature and be implemented before transmission would be needed. FERC is leaning toward having the generator pay for the transmission and recovering those costs later on.

MR. WHEELIHAN asked about the cost of the 9 high priority projects. **Ms. VanZandt** said it was about \$900 million. **MR. WHEELIHAN** asked about the number of projects.

Ms. VanZandt said that there are 20 projects in total. The first nine are mostly 500 kv and of some significant length.

REP. GALLUS asked why six of the sites are in Washington and three on the Washington and Oregon border. Is Montana being left out? **Ms. VanZandt** said that Washington will have to deal with the siting issues. This is the torso of the grid inter-ties to Montana. Coulee Bell and the facility that goes up through northern Idaho to Libby significantly "uncorks" the western constraints in Montana. BPA has no transmission service requests beyond what they can already provide from facilities in Montana.

SEN. RYAN asked for the life expectancy of a transmission system. **Ms. VanZandt** said that if it is steel it is about 45 years. **SEN. RYAN** asked why the closing of Columbia Falls Aluminum (CFA) created a transmission problem. **Ms. VanZandt** said that if the transaction is short distance, the differences in angle doesn't have to be adjusted. If it is long distance, an instability must be introduced to a greater extent in order to get the power to flow. If there is a constrained path, it has been the case that loads on the east side of the constraint took some of the generation of that side of the constraint. The generation that would have served that load now wants to be sold somewhere else and needs to get across the cutplane. **SEN. RYAN** asked if there is a significant reduction in demand in California that would lead to CFA working again. **Ms. VanZandt** said that she would love to see that happen. From a transmission perspective, it would relieve pressure if that load came back and CFA offers some stability benefit. CFA and other industrial companies have afforded a fast drop in load to ensure stability of the line.

SEN. STONINGTON asked if the \$700 million of borrowing power will allow them to complete the 9 projects. **Ms. VanZandt** said that it would. Without the borrowing power they will have to look at alternative means of financing that would cost more in the long run.

SEN. STONINGTON asked if BPA was negotiating with generators to pay for transmission up front. **Ms. VanZandt** said that they were. **SEN. STONINGTON** asked if BPA is anticipating that the projects will be completed by 2006. **Ms. VanZandt** said that was correct. **SEN. STONINGTON** asked if there are any negotiations underway with new generation facilities that are coming on line. **Ms. VanZandt** said that the map in Attachment 4 shows projects that make up the entire infrastructure proposal. There are 20 projects in total. They are hoping to complete the first 9 projects by 2005 and

the remaining 11 projects by 2006. It is a huge effort. **SEN. STONINGTON** asked how many facilities will be accommodated by the 9 projects and the portion of the facilities that are having to pay for transmission themselves. **Ms. VanZandt** said that the infrastructure proposal map in Attachment 4 shows that a lot of the proposed generators are at one location. They think that those sites can be accommodated up to 12,000 megawatts. **SEN. STONINGTON** asked if any new generation in Montana that wants to get into the northwest grid will have to queue-up and will be looking at having to finance transmission up-front. **Ms. VanZandt** said that was correct, if the line wouldn't be built without the additional new generation.

SEN. THOMAS asked if the 9 projects were listed in order of priority. **Ms. VanZandt** said that the first nine have the same priority. **SEN. THOMAS** asked if project 9 will allow more power to go out of Montana. **Ms. VanZandt** said that it would also allow more power to come in. **SEN. THOMAS** asked what influence does the project have on new projects in Montana. **Ms. VanZandt** said that west of Hatwai is currently rated with maximum of no more than 2800 megawatts. BPA feels that the Coulee Bell addition will add at least 3600 megawatts. The constraints are like links in a chain.

SEN. THOMAS asked if project 9 would do anything for Montana. **Ms. VanZandt** said that they would uncork the western side with the project. Other projects need to be done also. If new projects are desired, someone needs to ask for them. **SEN. THOMAS** asked about the map. Are the numbers the current volume that is transmittable now? **Ms. VanZandt** said yes. **SEN. THOMAS** asked if on another document, BPA could show that if an upgrade is made, what that could expand to with upgrades at these spots. **Ms. VanZandt** said that a transmission service request is usually for a certain number of megawatts.

MR. WHEELIHAN asked who owns the transmission that will continue to be constrained. **Ms. VanZandt** said that MPC owns the significant portion.

REP. GALLUS said that he believes that Montana doesn't get recognized for its contributions to the system. Does BPA go through the siting process even if it is an improvement to an existing line? **Ms. VanZandt** said that you have to go through an environmental assessment process. New lines need a full EIS. **REP. GALLUS** asked, of the 9 projects, which will have to go through the full siting process. **Ms. VanZandt** said that 1, 3, 6, 9, and Paul Trout will also be difficult to site. McNary to Browning will also be difficult to site. **REP. GALLUS** asked if all 9 projects were requested by a generator, or are some just improvements to the system that BPA is responsible for. **Ms. VanZandt** said that they are not all requested by a generator. Projects 3, 4, and 5 are directly related to 1, and 2. Number 1 is because of a treaty obligation with Canada. Number 9 is because there are contractual commitments that they are hard pressed to meet. **REP. GALLUS** asked for an estimate, of the 20 projects, how many of those were requested by generators. **Ms. VanZandt** said that most of the facilities meet more than one purpose. Numbers 1, 2, and 9 have to be done.

SEN. STONINGTON asked if any project requires new right of way. **Ms. VanZandt** said yes.

SEN. STONINGTON asked if they are having to condemn. **Ms. VanZandt** said they are hoping to avoid it. **SEN. STONINGTON** asked if they were all along existing corridors.

Ms. VanZandt said that there are some new corridors. **SEN. STONINGTON** asked which are new corridors. **Ms. VanZandt** said that portions of 1 and 9 will be. The easiest to site will be 3. Siting will be the hardest part. BPA thinks they can get it built if they can get it sited.

SEN. STONINGTON asked if they had to go to court over any right-of-way issues, would that prolong the process. **Ms. VanZandt** said that it would.

V SUBCOMMITTEE IDENTIFICATION OF TOPICS TO CONSIDER FOR THE REMAINDER OF THE INTERIM

MR. WHEELIHAN referred to the work plan, **Attachment 5**. Page 5 lists topics for discussions.

SEN. STONINGTON asked what was meant by transmission infrastructure. How is gas lines part of transmission? **MR. WHEELIHAN** said that you have to transmit the gas. When the work plan was put together, they were looking at all of the energy infrastructure. **SEN. STONINGTON** asked if the Subcommittee wants to take on gas pipelines in addition to electrical lines. She feels that should be part of the generation. **SEN. THOMAS** agreed with **SEN. STONINGTON**. **SEN. STONINGTON** asked if they wanted to tie natural gas into transmission.

MR. WHEELIHAN said that the Subcommittee could have the people proposing gas fired plants could speak about their ability to get the gas to their facilities. **MR. MARTIN** said that was covered at the last meeting. There were still some issues about getting gas into the plants. **SEN. STONINGTON** said that there is a corollary issue with gas storage. **MR. WHEELIHAN** said that may be how to approach it. If the people affected are comfortable with the existing infrastructure and the storage, then perhaps the Subcommittee doesn't need to spend a lot of time on the issue. **SEN. STONINGTON** thinks they need to look at what the rest of the TAC work plan encompasses. Given the probability that most of the new generation built will be gas oriented, there are issues around gas supply, gas pipelines, gas storage and how that all plays into transmission capacity. **MR. WHEELIHAN** asked if she felt that this was a broader issue that TAC should look at. **SEN. STONINGTON** said that she wonders if the full TAC has even considered it or if it is being assigned to the Subcommittee.

MR. WHEELIHAN said that it would be up to the Subcommittee if they wanted to look at this issue or not. **SEN. STONINGTON** thought that we should look at the rest of what the Subcommittee will be doing.

MR. WHEELIHAN said that there is federal legislation that is supposed to enhance or create a national grid so that the flow of electricity is more easily accomplished. What extent does the Subcommittee want to look at national proposals?

SEN. STONINGTON thinks that a national energy grid is a ways off. Maybe the Subcommittee should look more at reliability standards and similar issues. **MR. WHEELIHAN** said that the reliability standards are set by the WSCC. **Ms. VanZandt** said that they are one of 3 interconnection councils. We are lucky that we have an interconnection and reliability standards. It is a national reliability standard as modified by WSCC. **SEN. STONINGTON** asked if there is any role for the state to play in that. **Ms. VanZandt** said that there is. The state utility commissions often act together in the CREPC (Committee on Regional Electric Power Cooperation) and they interface with WSCC.

SEN. STONINGTON said that all of this points to trying to understand and plan what they will go to the next Legislature with. She thinks that anywhere there is a question about the state's role and what we could do to be more proactive in this environment is something that the Subcommittee should look at closer. **MR. WHEELIHAN** said that he agreed. Reliability was identified as one of the issues Montana could affect.

REP. BROWN asked who in the state government could influence these issues. **MR. WHEELIHAN** said that was mentioned by Mr. Hines. **SEN. STONINGTON** said that there are various groups that work on this, DEQ, NWPPC, governor's office, but who is talking to who? How does the state move itself?

MR. WHEELIHAN said that this Subcommittee can work on some recommendations in areas that the state can be involved in. There are a lot of different entities that work on these issues.

SEN. THOMAS suggested that the Subcommittee hear from these entities and put down the areas that they want to track and follow and find out who is doing it.

REP. GALLUS suggested a flow chart. **MR. WHEELIHAN** said that it is a good place to start, while at the same time moving on with the issues that the Subcommittee feels that it could influence.

SEN. STONINGTON would like to know how the entities are dealing with each other. **MR. WHEELIHAN** asked if that was something that could be done. **MR. MARTIN** said that he could start getting in touch with the agencies for a panel discussion on the various roles and how they think they can coordinate what the state is doing to influence these particular issues.

SEN. THOMAS said that the utilities are also doing some of these things. **MR. WHEELIHAN** said that the utilities do a great deal of this. Cooperatives and investor-owned utilities do contact their congressional delegation and others to influence the issues.

MR. WHEELIHAN would like a panel discussion set up for the next meeting.

MR. WHEELIHAN asked how the Subcommittee wanted to approach the other issues.

SEN. THOMAS said that the Subcommittee could prepare a memo to BPA asking them to examine the upgrades and asking what can be done to maximize the existing transmission in Montana. Beyond that, there are other options as well. He would like to see BPA work with MPC in this. He would suggest that the Subcommittee send a memo to BPA asking them to examine this. The memo could include questions like, regarding the upgrades to the 500 kv lines, what is the maximum that you can get upgrades to and ask for options. They could look at a global picture of maximizing what is there.

REP. OLSON would like to look at information on a DC line. That may be beneficial in bringing on

some of the proposed generation. Mr. Larry Taylor may be able to help with this. He would like to hear from him at the next meeting.

MR. WHEELIHAN also wants to see where the WAPA study is at. **SEN. STONINGTON** would like to have someone who is doing the study speak to the Subcommittee.

SEN. THOMAS said that the memo could reference the WAPA study.

MR. WHEELIHAN said that MPC should be asked if they have any plans or requests as well.

SEN. STONINGTON asked about the Miles City inter-tie, and the 150 mile blank between Montana and Alberta. **MR. WHEELIHAN** said that is part of the WAPA study. The other was brought up by Mr. Hines. **Mr. Donaldson** said that Gene Braun may also be able to help. Ted Williams is another one who could help.

REP. GALLUS said that the BPA presentation in December was very helpful. He wondered if one of the people who gave that presentation could offer the same presentation to the Subcommittee.

SEN. STONINGTON said that we need to know more about the RTO formation and what the benefits and liabilities may be. **MR. WHEELIHAN** said that it is possible that the set up of the RTO could cost some entities huge amounts in transmission costs. There are some very serious ramifications to the RTO proposal that need to be looked at.

MR. MARTIN said that it would be useful to do a revised work plan for the Subcommittee to keep on a schedule.

SEN. STONINGTON asked who benefits from new transmission. Is it a question of new jobs, large industrials getting better rates, ect.? It was an issue that Mr. Hines had brought up.

MR. MARTIN said that the next meeting is scheduled for Feb 14.

It was decided that the February meeting would start at 10:00 am.

VI OTHER BUSINESS

There being no further business, the meeting was adjourned.

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