

**Energy and Telecommunications Interim
Committee
Final Work Plan
PROPOSED
2007-2008**

July 24, 2007

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Table of Contents

General Information about the 2007-2008 Draft Work Plan

Introduction 1
Members and Staff 1
How the ETIC Plans its Work 2
Committee Procedures and Public Participation 2

Potential Work Plan Topics

ETIC MEMBER SUGGESTED TOPICS

Study Carbon Sequestration 3
Study Wind Power Development Costs/Savings 4
Evaluate Public Power in Montana 4
Evaluate Montana's Energy Transmission System. 5
Coal Gasification/Liquefaction water use 5
Telecommunications Panel and Update. 6

ETIC's STATUTORY DUTIES OR OBLIGATIONS

General duties 6
Review Legislation and agency oversight 6
Universal Systems Benefits 7
ETIC Publications 7

Draft 2007-2008 Work Plan Timeline 8-12

Information about the 2007-2008 Final Work Plan

Introduction

This is the proposed final work plan for the Energy Telecommunications Interim Committee (ETIC or Committee) for the 2007-2008 interim. In this document you will find:

- An explanation of how the ETIC plans its work.
- A description of potential work plan topics and the committee's plan for addressing those topics as discussed and tentatively agreed upon at the July meeting.
- A draft timeline for accomplishing the committee's tasks.

Members and Staff

Committee members

- Chairman Rep. Harry Klock
- Vice-chairman Sen. Greg Lind
- Rep. Duane Ankney
- Rep. Robyn Driscoll
- Rep. Brady Wiseman
- Sen. Jerry Black
- Sen. Verdell Jackson
- Sen. Don Ryan

Staff

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How the ETIC Plans its Work

During the legislative interim, the ETIC typically focuses on the study topics it has been assigned while also maintaining oversight of programs and rulemaking activities of the Department of Public Service Regulation and the Public Service Commission. It may address issues and improve law as it deems in the best interest of the state. This interim the committee was not formally assigned specific studies in the form of bills or resolutions. Members suggested studies and reached a consensus on how much time to dedicate to each subject.

The primary constraint limiting the study agenda for the interim is the number of issues that can be effectively addressed within the available time and resources of the committee members and its staff. The ETIC's resources include 1 Full Time Equivalent, or an estimated 2,720 hours.

The *Draft 2007-2008 Work Plan* was used by the committee as a **decision-making tool** to help committee members work together efficiently to set priorities and decide how and where to spend the ETIC's limited time and resources. This proposed final work plan sets out a strategy for fulfilling the ETIC's responsibilities.

At the end of the July ETIC meeting, committee members reached a consensus on topics to study during the interim and how much effort to place on each subject. This document summarizes that consensus. Again, this is a working document, and the committee may make changes as issues arise throughout the interim. The committee will formally adopt a final work plan in September.

This document is a blueprint for the 2007-2008 interim. A draft timeline illustrating the overall schedule that these work plans fit into in conjunction with the ETIC meeting schedule is presented at the end of this document.

This work plan includes studies suggested by committee members and statutory mandates.

Committee Procedures and Public Participation

The Energy and Telecommunications Interim Committee operates under the Rules, Procedures, and Guidelines for Interim Committees adopted by the Legislative Council.

As required by law, 10 day advance public notice will be given for all meetings and the public will be given an opportunity to comment on any matter that is within the jurisdiction of the committee. The Chair may establish time limits for public comments, if necessary.

Interested persons may be added to the mailing list by contacting Dawn Field at 444-3073, or the Legislative Services Division Office at 444-3064.

Agendas, memos, links and other information can be found on the Energy and Telecommunications Interim Committee Website :
http://leg.mt.gov/css/committees/interim/2007_2008/energy_telecom/default.asp. By visiting the Website, interested persons also may sign up for electronic notification.

2007-08 Work Plan Studies and Topics

ETIC MEMBER SUGGESTIONS

Source/Authority: 90-4-1003, MCA.

Requires the ETIC to "maintain a continual process to develop the components of a comprehensive state energy policy."

Background: On May 15, ETIC staff sent a memo to each committee member soliciting topics of interest that might be reviewed by the ETIC this interim. At the July meeting, the ETIC member who requested the topic further explained the issue. Using the draft work plan members analyzed each topic and discussed a rough estimate of possible resource allocations for each topic. The committee then reached a consensus on whether to approve any or all of the proposed study items.

STUDIES

Study Carbon Sequestration

Background: Carbon sequestration is the practice of capturing carbon dioxide to keep the gas from entering the atmosphere. Most climate-change scientists believe that these trapped gases are contributing to climate change. Carbon gases aren't currently regulated, however, earlier this year the U.S. Supreme Court ruled that vehicle carbon dioxide emissions can be regulated like other pollutants.

Scientists and organizations across the nation are studying the carbon capture and sequestration issue. There are efforts to put carbon dioxide underground, which is called geological sequestration, and efforts to store carbon in biomass, such as forest or agricultural systems, which is terrestrial sequestration.

A study bill (HB 828) introduced by Rep. Alan Olson that died in process during the 2007 session identified the need for an examination of "implementable and cost-effective methods" for capturing transporting, using and sequestering carbon dioxide in Montana. Carbon was the topic of at least 12 bills considered during the 2007 session. Most of those bills eventually died. H.B. 3, the "Clean and Green" Energy bill approved during the Special Session, provides tax incentives for equipment that sequesters carbon. HB 25 includes carbon management aspects.

The 2007-08 Environmental Quality Council is dedicating .5 FTE to studying climate change. ETIC members will limit their study activities strictly to the issue of carbon sequestration.

HB 828 requested a study to:

- (1) Review existing federal and state regulations governing carbon sequestration.
- (2) Examine reliable sources of existing information on carbon sequestration.
- (3) Inventory sources and volumes of carbon produced in Montana.
- (4) Examine methods and technologies for the capture, transportation, use and geological and terrestrial sequestration of carbon.
- (5) Review the economic costs and effects of carbon sequestration.

- (6) Study the feasibility of geological and terrestrial carbon sequestration in Montana, and the characteristics of areas in the state where carbon could be sequestered.
- (7) Review the findings and recommendations of the Montana climate change advisory committee related to carbon sequestration.

Committee Action:

The ETIC dedicated **.5 FTE** to this study. The seven topics listed above all will be addressed at least at a minimum. In addition, the committee will hold a two-day meeting in Colstrip on September 6-7 to tour a site where carbon sequestration may be utilized.

Included in this study will be an analysis of the pipeline infrastructure in place to transport carbon, a discussion of surface vs. storage rights, and a review of areas of Montana suited for carbon capture and geological sequestration. A panel discussion and a summary of other Western state's efforts on carbon sequestration will be completed.

Deliverables will include a final report with recommendations on carbon sequestration in Montana, issue papers on the individual issues listed above and potential legislation.

Study Costs/Savings of Wind Power Development

Background: The issue of this study is what costs and/or savings ratepayers may face if the state invests in further development of wind power. Wind's variability typically increases the day-to-day operating costs of a utility system. With rising coal and gas prices, however, wind is becoming a competitive player.

Concerns abound that large, utility-grade wind turbines can't be installed on the distribution grid without upgrades, resulting in higher costs being passed on to ratepayers. The cost of wind integration also can grow as the percentage of wind increases on the interconnected system.

Overall the economics of wind energy are largely a function of a project's size, the wind resource, policy incentives, and financing. Cost recovery is a threshold issue that varies among areas and utilities. This study will collect the various opinions across Montana about when and if the costs of integrating and transmitting wind may become a burden to ratepayers. It also could evaluate what options are available to offset any potential burden. The study will examine transmission demands created by wind and the costs/savings of wind integration, including tax incentives for wind and land use.

Committee Action: The committee dedicated **.15 FTE** to this study. A summary of existing reports and studies on the costs and savings of wind power will be created. A panel discussion with representatives of Montana utilities, cooperatives, and other wind power players will be put together.

Deliverables will include a summary and potential legislation.

Evaluate Public Power in Montana

Background: The issue of this study is to evaluate the public power model, its potential operation in Montana, and what role the state could play in such a scenario. With the PSC's recommendation to reject BBI's proposed buyout of NorthWestern Energy, public power is again being discussed. Two years ago, five cities joined together to form Montana Public Power in an effort to purchase NorthWestern Energy. In the 2007 Legislature, Sen. Lind introduced SB 558

"Establish the Montana Electric and Gas Authority," which would have resulted in a governor-appointed public power authority that could purchase and own utilities. The bill died on the Senate floor. This study will include research on other consumer-owned utilities in the West and the pluses and minuses of public power.

Committee Action: The committee allocated **.10 FTE** to the study of public power. This study will include a summary of public power options utilized in the West. The committee also will closely track the proposed sale of NorthWestern. An analysis of the regulatory framework in Montana in relation to public power will be incorporated into the review.

Deliverables includes a summary of findings and potential legislation.

Evaluate Montana's Energy Transmission Systems

Background: The issue of this study is to evaluate the adequacy of Montana's transmission lines to accommodate development and transmission of Montana's diverse energy resources. In the last interim the ETIC reviewed this subject and brought forward HB 114 to create the "Montana Energy Transmission and Transportation Authority Act." The bill was tabled by the Senate Finance and Claims Committee. In the 2007 Special Session, the Legislature approved HB 3, which provides incentives to support the development of transmission lines for "clean and renewable" energy projects. HB 2, approved during the 2007 Special Session, also allocated \$660,000 to the Department of Commerce to create an Energy Infrastructure and Promotion Division. This new division will focus its efforts on improving transmission in Montana.

Committee Action: The committee allocated **.03 FTE** to this topic. The ETIC will track the progress of transmission projects proposed in Montana and receive regular reports from the Energy Infrastructure Promotion Division. The wind costs/savings study also will take a look at the issue of ancillary services as they relate to transmission.

Deliverables include potential legislation to enhance or improve upon transmission in Montana.

TOPICS

Discuss/review water use for coal gasification and liquefaction

Background: The issue of this study is to examine how much water potential coal gasification and liquefaction plants in Montana could consume. In October Gov. Schweitzer announced Montana would be home to one of the first coal-to-liquid fuel facilities, a \$1.3 billion project that would be built near Roundup. DKRW Advanced Fuels, Arch Minerals and Bull Mountain Cos. would develop the plant, which would produce an estimated 22,000 barrels per day of coal to liquid synfuel. The plant could produce up to 300 megawatts of electricity using IGCC technology and would be outfitted with technology to capture carbon dioxide that would be stored underground.

Committee Action: The committee allocated **.03 FTE** to a study of water usage in the coal gasification and liquefaction process. The members will hear from industry experts on the issue

of water usage. This study will be focused on water quantity issues as opposed to potential water sources in Montana.

Deliverables will include a summary of findings concerning water usage for proposed plants in Montana.

Telecommunications Discussion

Background: This effort will bring together information on the state of telecommunications in Montana. Members will solicit suggestions for changes in law that are needed and, at the committee's request, pursue potential legislation.

Committee Action: The committee allocated .01 FTE to this topic. The members will hear from a panel of industry representatives on Montana's telecommunication network. Speakers will be asked to discuss areas that need improvement and the potential role of the state.

Deliverables include a summary of the panel discussion and potential legislation.

Additional Issues

During the interim the committee also will receive information on the following:

1. Montana Coal: The costs and benefits
2. A report on the Legislative audit of 9-1-1
3. Demand-side management in Montana
4. Pick-Sloan Power
5. Hydrogen development

ETIC STATUTORY DUTIES AND OBLIGATIONS

The ETIC draws its statutory responsibilities from four sources.

I. Source/authority: 5-5-215, MCA.

General duties of all interim committees.

II. Source/authority: 5-5-230, MCA.

ETIC oversight

"The energy and telecommunications interim committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the department of Public Service regulation and the Public Service Commission."

III. Source/authority: 90-4-1003, MCA.

HB 199, 2005

Requires the ETIC to "maintain a continual process to develop the components of a comprehensive state energy policy."

HB 199 transferred this function from the Environmental Quality Council to the ETIC. The statute states that due to "limited state resources and the need to focus intensive effort on specific issues of importance, the development of a comprehensive state energy policy must

occur on an incremental basis."

It directs the Department of Environmental Quality, "as the need arises, [. . . to] identify and recommend to the committee specific components of a state energy policy for development." If and when the DEQ identifies such issues, the ETIC is then required to create a "working group," which the DEQ assists in terms of staffing and administration.

IV. Source/authority: 69-8-402, MCA.

Utilities' statutory responsibility to the ETIC.

Public utilities and cooperative utilities are required to submit an annual summary report of universal system benefits programs to the ETIC for review.

Committee Action: The committee is allocating a total of **.15 FTE** to its statutory duties. The committee allocated a larger portion, .05 FTE, to reviewing agency legislation and .05 to the USB issue. On the topic of USB, the committee will review utility reports and collect public comment on USB. The USB currently in law expires in December 2009. The committee will receive a summary of the comments received regarding USB and discuss potential legislation.

The committee allocated .03 to reviewing administrative rules and .02 to monitoring PSC activities.

ETIC Educational Publications

Background: The Environmental Quality Council has historically produced objective, nonpartisan, educational publications related to energy issues in Montana. These educational publications are well regarded and are regularly requested.

While the EQC in the past has developed these educational tools, the ETIC intends to oversee updates to the following:

☆ *The Electricity Law Handbook: A Montanan's Guide to Understanding Electricity Law (produced 2002; updated 2004)*

Explanation: This handbook was produced by the EQC during the 2001-03 interim. The EQC felt that given the magnitude of the issues surrounding electricity and especially electricity deregulation in the state, that an educational publication was needed to help Montanans sort out the morass of laws that deal with electricity.

With the adoption of (HB 25) the "Electric Utility Industry Generation Reintegration Act" during the 2007 legislative session, the state embarked in a new direction in terms of energy policy. This was a fundamental policy shift from allowing competitive markets and allowing a customer to choose an electricity supplier to limiting customer choice and allowing a utility to build generation.

Committee Action: The committee allocated **.02 FTE** to publications. The "Electricity Law Handbook" will be minimally updated and reprinted. The ETIC will review and approve the updated booklet

2007-08 Timeline

- July 10, 2007 **ETIC Meeting.** Interim work plan prioritization and ETIC organizational meeting. Selection of studies and topics.
- September 6-7, 2007 **ETIC Meeting.** Colstrip. Adoption of detailed work plans for each selected study or topic.
- November 8, 2008 **ETIC Meeting.**
- Jan. 24, 2008 **ETIC Meeting.**
- May 5, 2008 **ETIC Meeting.** If public comment is desired on an ETIC report, the contents of the *draft* report should be determined by this date. [May be earlier for some studies.] Comments received from the public will be compiled by staff and distributed to the ETIC 1-2 weeks before the July meeting.
- July 23 & 24, 2008 **ETIC Meeting.** Decision on recommendations, any proposed legislation, final report contents.
- September 4, 2008 **ETIC Meeting.** Final approval of recommendations, any reports, proposed legislation. Selection of bill sponsors. Development of strategy. Review agency bill draft requests.

Committee interim work must be completed prior to September 15, 2008.

Date	Activity	Tasks/Policy Decisions
September 6-7, 2007 Colstrip	<ul style="list-style-type: none"> ▶ Organizational ▶ Agency Monitoring ▶ Studies ▶ Other issues 	<ul style="list-style-type: none"> ◇ Adopt final work plan ◇ Legislative Council budget request ◇ Rule review ◇ PSC, DOC update ◇ Carbon study <ul style="list-style-type: none"> ● State/federal laws ● Carbon inventory/summary of MCCA ● Feasibility in Montana ● Tour of site ● Economics of capture ● Pipeline infrastructure ◇ NorthWestern sale update ◇ Costs/benefits of Montana coal

Date	Activity	Tasks/Policy Decisions
November 8	<p>➤Agency Monitoring</p> <p>➤Studies</p> <p>➤Other issues</p>	<p>◇Rule review</p> <p>◇PSC, DOC update</p> <p>◇USB discussion</p> <ul style="list-style-type: none"> ● 2006 reports ● Public comments <p>◇Carbon study</p> <ul style="list-style-type: none"> ● Methods and technologies for geological and terrestrial options ● Panel discussion <p>◇Transmission lines</p> <ul style="list-style-type: none"> ●Project update <p>◇Coal to Liquids panel</p> <p>◇NorthWestern sale update</p>

Date	Activity	Tasks/Policy Decisions
January 24, 2008	<p>➤Agency Monitoring</p> <p>➤Studies</p> <p>➤Other issues</p>	<p>◇Rule review</p> <p>◇PSC, DOC update</p> <p>◇Summary USB comments</p> <p>◇Carbon study</p> <ul style="list-style-type: none"> ● Surface vs. storage rights ● Western states summary <p>◇Wind integration study</p> <ul style="list-style-type: none"> ● Overview of Northwest Power Planning Report and other costs/savings reports ● PSC and utilities panel <p>◇Public power</p> <ul style="list-style-type: none"> ● Western states summary ● Regulatory framework <p>◇EQC climate change efforts</p> <p>◇ Hydrogen overview</p>
May 5, 2008	<p>➤Agency Monitoring</p> <p>➤Studies</p> <p>➤Other issues</p>	<p>◇Rule review</p> <p>◇PSC, DOC presentation</p> <p>◇Review draft carbon report</p> <ul style="list-style-type: none"> ● Legislative preferences ● Public comment <p>◇Wind costs/saving white paper review and discussion</p> <ul style="list-style-type: none"> ● Legislative preferences ● Public comment <p>◇Finalize handbook</p> <p>◇Demand-side management</p>

Date	Activity	Tasks/Policy Decisions
July 23 & 24	<ul style="list-style-type: none"> ▶ Agency Monitoring ▶ Studies ▶ Other issues 	<ul style="list-style-type: none"> ◇ Rule review ◇ PSC, DOC presentation ◇ Finalize USB plans ◇ Finalize carbon report ● Proposed draft legislation ◇ Finalize wind costs/saving ● Proposed draft legislation ◇ Public power issue ● Public comment ● Legislative preferences ◇ Transmission lines: Where we are a year later? ◇ Telecommunications presentation ◇ 9-1-1 audit findings ◇ Pick-Sloan power
September 4	<ul style="list-style-type: none"> ▶ Agency Monitoring ▶ Studies ▶ Other issues 	<ul style="list-style-type: none"> ◇ Rule review ◇ PSC, DOC presentation ◇ Review agency legislation ◇ Proposed carbon legislation ◇ Proposed wind/ancillary services legislation ◇ Proposed public power legislation ◇ Proposed USB legislation ◇ Proposed telecommunications legislation ◇ Other legislation ◇ Selection of bill sponsors ◇ Strategy development