

Subject to approval by the Interim Committee

CORRECTED
MINUTES
ENERGY, ENVIRONMENT AND TECHNOLOGY
INTERIM COMMITTEE
WEDNESDAY, NOVEMBER 15, 2006
TEMPLIN'S RED LION INN
POST FALLS, IDAHO
8:00 A.M.

The meeting was called to order at 8:15 a.m. by Cochairman Senator Curt McKenzie. Other committee members present included Senator Tom Gannon, Senator Russ Fulcher, Senator Kate Kelly, Representative Bert Stevenson, Representative Eric Anderson, Representative Bob Nonini, Representative Ken Andrus and Representative Elaine Smith. Ad hoc member Representative Wendy Jaquet was also present. Cochairman Representative George Eskridge, Senator Patti Anne Lodge, Senator Elliot Werk, Senator Mike Jorgenson, Representative Maxine Bell and ad hoc member Representative Mark Snodgrass were absent and excused. Legislative Services Office Staff members present were Mike Nugent, Paige Alan Parker and Toni Hobbs.

Others present were John J. Williams, Bonneville Power Administration (BPA); Bob Hoppie, Idaho Energy Division; Glen Pond, PacifiCorp; Ron Williams, Idaho Consumer Owned Utilities (ICUA) and Idaho Energy Resources Authority; Brian Whitlock, Idaho National Laboratory; Neil Colwell, Avista; Ken Miller, Northwest Energy Coalition; Mike Louis, Energy Policy Institute/Center for Advanced Energy Studies; John Watts, Pacific Ethanol; Roger Batt, Food Producers of Idaho; and Representative Sharon Block, District 24.

After opening remarks with a motion from **Senator Gannon** and a second from **Representative Stevenson**, the minutes from the last meeting were approved unanimously.

Mr. Arne Olson, E3 was introduced to discuss an outline for the Energy plan report. This was just a discussion of the makeup of the final energy plan once it is developed. The report will include the following main sections:

- I. Introduction and Context
- II. Idaho Current Energy Picture
- III. The Base Case - future Idaho Energy Supply under Current Plans
- IV. Energy Plan Recommendations
- V. Appendices

This complete outline is available at the Legislative Services Office.

Senator Fulcher said he felt the outline is accurate with what the committee has discussed but they have not included any mention of the fact that Idaho has the INL that is fueled by federal money. In his opinion, as a net importer of electricity, evaluation of nuclear energy as an in-state resource should be included under section III. He said the INL puts Idaho in a unique situation. He understands that this is not likely to happen right away but feels it should be included. **Mr. Olson** noted that the INL is included in section II, b, vii.

In response to the fact that energy facility siting is included in Section III, **Representative Anderson** commented that energy facility siting was not a recommendation of the siting subcommittee. He said their thinking was that siting was not broken. **Senator McKenzie** said the drafting subcommittee weighed the recommendations from the other subcommittee and decided that subcommittee decisions would not necessarily take the issue off of the table. **Senator McKenzie** said that siting was one of the main reasons the interim committee was formed and decisions need to be made about it. He said there was discussion of establishing a statewide siting authority to assist local communities with siting and if the committee decides, that will be included.

Representative Anderson asked if minority opinions will be included in the report. **Senator McKenzie** said the 1982 plan did not include minority opinions. He said there is nothing in the plan that will be in law, it will just include recommendations to the Legislature and Governor. He stated that if members have strong opinions otherwise, they should be included as part of the appendix.

In response to a question from **Representative Jaquet**, **Senator McKenzie** noted that the BSU survey would also be in the appendix.

Mr. Olson said it was his hope that the whole process would work by consensus and there would be no need for a minority report. **Representative Nonini** asked how many members need to disagree to do a minority report. It was decided that it should be at least two. **Senator Kelly** reminded the committee that this is not a minority party report but a minority report. She said that Senate rules allow a minority report from those who do not agree with what is decided by a full committee.

Mr. Olson went on to discuss the energy plan objectives contained in the Draft Energy Plan Recommendations, 10/30/06. This complete document is available at the Legislative Services Office. He explained that during the drafting subcommittee meeting some ground rules were set. It was decided that items from subcommittees would be treated as recommendations. He noted that the subcommittees did not always reach consensus but in those cases where the issue was undecided, the cochairmen asked E3 to include strawman recommendations and in some cases these are more strongly worded than what the subcommittees were willing to accept. This was done in order to facilitate more discussion. The drafting subcommittee also worked on a consensus basis.

The objectives of the draft energy plan include:

1. Ensure a secure, reliable and stable energy system for the citizens and businesses of Idaho.
2. Maintain Idaho's low-cost energy supply and ensure access to affordable energy for all Idahoans.
3. Protect Idaho's public health, safety and natural environment and conserve Idaho's natural resources.
4. Promote sustainable economic growth, job creation and rural economic development.
5. Provide the means for Idaho's energy policy to adapt to changing circumstances.

At this point there was discussion as to whether item 4 should include the 25/25 recommendations that were presented to the committee at an earlier meeting. The proposed language follows:

"It is the policy of Idaho to utilize to the fullest extent possible the natural resources we possess to increase our energy supply and diversity in an economically efficient and environmentally friendly manner. To this end, it is the goal of the State of Idaho that 25% of Idaho's energy needs be provided through renewable sources by the year 2025 from our farm, ranch, timber and other working lands, while continuing to produce abundant, safe and affordable food and fiber."

Senator McKenzie commented that in his opinion, this statement needs to include hydro. He suggested ending the sentence at 2025. He noted that the rest of the sentence would already be covered under objective 4.

Mr. Olson suggested that this 2025 be added in the outline under the introduction and context section.

Senator Gannon moved that support for 25/25 be included in the plan. Senator Kelly seconded. The motion carried unanimously by voice vote.

Representative Jaquet asked whether there would be an executive summary in the Energy Plan. **Senator Gannon** said that once the plan is complete, it would include an executive summary.

Mr. Olson went on to discuss the policy statements in the Energy Plan. These are broken down under electricity, natural gas, petroleum and transportation fuels and energy facility siting. Each objective heading also has subheadings and action items. It was noted that the drafting subcommittee had not yet considered the "strawman" recommendations under siting, due to time constraints.

The first item of discussion was whether the statements should use the word "shall" or "should." **Senator McKenzie** commented that since many of the statements offer incentives for doing a specific action, the word "should" might be more appropriate. **After a motion and a second, it was decided that "should" would be used as the default but that each item can be handled separately if needed.**

For this section of the minutes the policy statements are only included if the committee had discussion or made changes.

Mr. Olson went through each policy statement. The first policy statement that had discussion under the Electricity Resource Diversity subheading read:

2. Idaho utilities should have access to a broad variety of resource options consistent with Idaho's policy objectives, including both renewable and conventional resources.

Mr. Olson explained that this was included because the committee does not want to take certain resources off the table completely.

3. Idaho electric utilities should conduct Integrated Resource Plans that assess the relevant attributes of a diverse set of supply-side and demand-side resource options and provide an opportunity for public input into utility resource decisions.

Senator McKenzie explained that this was included so that the state can get a better picture of what all utilities are doing and plan to do in the future.

The next statement discussed was under the Resource Priority subheading.

5. When acquiring resources, Idaho and Idaho utilities should give priority to: (1) Conservation, energy efficiency and demand response; and (2) Renewable resources; recognizing that these alone may not fulfill Idaho's growing energy requirements.

Representative Block commented that according to a report from the Northwest Power Planning and Conservation Council, they are predicting an excess of 2,400 MW of surplus power capacity for this winter; enough to light two cities the size of Seattle. In her opinion, this shows the difference that renewables and efficiencies can make and that coal fired power plants are not needed in Idaho.

7. It is Idaho policy to encourage the development of customer-owned renewable energy and combined heat and power facilities.

After discussion, it was decided that this be changed to customer-owned and local community supported.

Under the Electricity Transmission subheading:

9. The IPUC, Idaho's investor owned utilities and BPA should work together to ensure that Idaho's Consumer Owned Utilities have access to reliable transmission service for cost-effectively integrating new resources.

Mr. Olson explained that there is the general sense that transmission will not get built when it is needed and that the state has a limited ability to do anything. He said that this item was added because there is a question as to whether existing agreements with BPA will continue once BPA

customers begin to obtain second tier resources.

Senator Fulcher asked whether the transmission strawman action items were going to be discussed at a later date. **Senator McKenzie** said yes. **Mr. Olson** explained that the draft is only at the point the drafting subcommittee left it on October 30. He thought the full committee would go over what the drafting committee had covered so far. **Senator McKenzie** expressed the desire that the committee get as much done as possible during this meeting.

The committee moved on to the action items under the Electricity section. The first item that had discussion is number E-9.

E-9. The Idaho PUC should establish appropriate shareholder incentives for investor-owned utilities that achieve the conservation targets established by the PUC.

Shareholder incentives may include, but are not limited to:

- i. Recovery of revenues lost due to reduced sales resulting from conservation investments;*
- ii. Capitalization of conservation expenditures;*
- iii. A share of the net societal benefits attributable to the utility's energy efficiency programs;*
- iv. An increase in the utility's return on equity for each year in which savings targets are met; or*
- v. "Decoupling" of utility revenues from sales.*

In response to a question from **Representative Smith**, **Mr. Olson** explained that it is common for PUCs to recognize that conservation reduces utility sales. This means that something needs to be done so utilities are not penalized and can still meet their revenue requirements. **Mr. Olson** explained how rates are set and that utility revenue requirements are divided by projected sales to get rates. He said that if a utility has to conserve, that cuts the revenue that the utility has been allowed to collect by the PUC and requires compensation of some sort.

E-11. Idaho's municipally- and cooperatively-owned utilities should annually report to the Energy Division their estimates of cost-effective conservation in their service territories, their plans for acquiring this resource, their conservation and energy efficiency expenditures, and their estimated savings in MWh and peak kW during the lifetime of the measures implemented.

Senator Gannon said the concept behind this statement was to allow the publicly-owned utilities to report anything they were doing above and beyond what BPA is doing. **Senator McKenzie** said this was also a way to capture the entire energy picture for the state. It was not to impose a burden on anyone. **Senator Gannon** said this was not to create more bureaucracy or to over regulate, it was an attempt to fill a void regarding the entire energy picture for the state. **Senator McKenzie** explained that part of the objective of the plan is to get the entire energy picture for the state. **Representative Anderson** asked what the current reporting status for cooperatives (co-ops) and municipalities (munis) was. **Mr. Ron Williams, ICUA** said that

publicly-owned utilities report to BPA currently. He said he had not discussed this with the members as to whether or not this would present a burden. He asked what the Energy Division will do with the information received. **Mr. John Williams, BPA** said that BPA could provide information regarding what conservation measures they have for Idaho customers. **Mr. Ron Williams** said such a program could be beneficial. **Representative Anderson** said it was his opinion that this would create another level of bureaucracy. He noted that some of the information is confidential and reporting it would give that information to the competition. He does not think munis should have to report but if BPA wants to give the information that would be okay. **Senator McKenzie** suggested getting more information from the munis and co-ops regarding how this could be done without giving away proprietary information and how much of a burden it might be.

E-13. Idaho should provide a credit backstop to enable the Idaho Energy Resources Authority (IERA) to provide low-cost financing for customer-owned renewable generation and combined heat and power facilities.

Mr. Olson explained that the IERA was given the statutory authority to do this during the last session but they do not have any financial backing. The idea behind this item was to try to find a way for the state to give the IERA some ability to offer loans.

E-14. Idaho utilities should offer voluntary “green pricing” programs that allow customers to support environmentally preferred and renewable energy resources.

In response to a question from **Representative Jaquet**, **Mr. Olson** stated that this was just a suggestion that “green pricing” be offered and that how the PUC would actually handle it would be worked out at a later date.

E-16. The Idaho PUC should administer its responsibilities under the Public Utility Regulatory Policy Act in a way that encourages the development of customer-owned renewable generation and combined heat and power facilities.

Mr. Olson stated that the Idaho PUC has been ahead of the curve with respect to PURPA when compared to other states. This makes it official state policy that PURPA has meaning in Idaho. **Representative Stevenson** noted that the interconnection costs for PURPA projects are high and this directs the PUC to look at those.

E-18. Idaho utilities shall report annually to their retail customers their sources of electricity (their “fuel mix”).

Mr. Olson said this was discussed but not approved by the generation subcommittee but since there was a lot of interest in it, he was asked to bring it before the drafting subcommittee by the cochairmen. **Representative Stevenson** said there seems to be consensus for this item. He noted that it would not be difficult for the IOUs to provide this information. **Mr. Olson** said it was his understanding that all Idaho IOUs do this in other states in which they operate. It was decided

that this item would use the word “shall” instead of “should.”

Mr. Olson explained that for E-19 under the conventional generation resources subheading, E3 was directed to draft language directing the PUC and the Energy Division to study incentives for clean coal technologies. This language is included in another document “Draft Energy Plan Recommendations 11/9/2006” and will be discussed later.

Mr. Michael Louis, Energy Policy Institute/Center for Advanced Energy Studies distributed copies of the survey the institute is doing on the Idaho Energy Plan. He asked for input from committee members including comments about what has been included and what the priorities should be. The committee members were also asked to vote for their top 24 questions. **Mr. Louis** said that input was strictly voluntary and the surveys can be mailed or faxed to him. He asked that they be returned by Friday, November 17, 2006.

Mr. Ron Williams, ICUA distributed two pieces of draft legislation for future consideration. One authorizes cities to participate as joint owners or power purchasers in joint electric generation and transmission projects. The second draft includes technical changes to the Idaho Energy Resources Authority Act.

In response to a question from **Representative Nonini** regarding the first draft and whether the allowance for B rated bonds would open up any other areas where the treasurer could purchase other non-A-rated bonds, **Mr. Williams** said the language states “notwithstanding any other limitations” makes it so these purchases can only be for purposes of energy facilities.

The committee returned to discussion of the energy plan. **Mr. Olson** began with the Natural Gas policy statements and action items.

NG-2. Idaho should provide incentives for investments in non-traditional natural gas supply resources, including landfill methane, anaerobic digesters, and biomass methane.

Representative Stevenson explained that the subcommittee was hesitant to identify specific incentives because that would require more legislation.

In response to a question from **Representative Nonini** regarding the word “support” in several of the statements, **Senator McKenzie** said that at this time it is just a general statement but that could change at a later date to mean “financial support.”

Petroleum and Transportation Fuels was the next section. Action item T-1 was the first item that had discussion.

T-1. Idaho shall ensure that its state vehicle procurement rules promote purchases of high-efficiency, flex-fuel, natural gas and alternative-fuel vehicles where cost-effective.

There was consensus to leave the word “shall” in this statement because this is an area where the

state has control over what happens.

T-4. Idaho should establish an incentive for the production of ethanol and biodiesel that reflects the cost of alternative fuel production relative to the price of gasoline and diesel fuel.

Representative Stevenson explained that this item deals with countercyclical pricing so that an incentive would be received when ethanol and biodiesel fuel prices are low but the incentive would go away when the price reached a certain level.

T-6. Idaho should prohibit “exclusivity” requirements in future contracts between fuel suppliers and retail service stations that prevent the stations from offering alternative fuels.

Discussion of this item revolved around the idea of future contracts. **Senator Kelly** explained that some fuel supply contracts are made in perpetuity but that she was not sure whether anything can be done about that. **Senator McKenzie** said that one other state allows retailers to renegotiate without an exclusivity clause. He said he did not know the legality of the state entering into a contract. The committee decided to leave the word “future” in and look further into the legal issue.

T-8. Idaho should permit communities to authorize local option taxes for the purpose of promoting the use and expansion of public transportation.

Mr. Olson explained that different language had been developed for T-8 that is included in the 11-9-06 draft recommendations.

Representative Nonini voiced his concern over this item. He said he is not a big fan of local option taxes to begin with and this is creating yet another way in which they could be used. **Senator Gannon** also said he is not in favor of local option taxes but this statement just gives local governments that would like to expand public transportation (such as Ada County) that option. **Representative Stevenson** commented that subcommittee members from the Treasure Valley felt this was very important for that area.

The next issue for discussion was Energy Facility Siting. **Mr. Olson** noted that the drafting subcommittee only had about five minutes of discussion regarding this issue before time ran out. He distributed the handout titled Draft Energy Plan Recommendations 11-9-06. This was prepared by E3 from suggestions of the drafting subcommittee.

Representative Jaquet reiterated her concern that public hearings need to be held throughout the state before the plan is finalized. **Senator McKenzie** said that had been discussed and was dependent on the time frame of the committee and how much progress they made on the plan itself. He said he is not planning to reconvene the interim committee with a new budget next summer. **Representative Block** agreed with **Representative Jaquet** and noted that committees

have traveled for other issues such as property tax and community colleges. In her opinion this energy plan deserves that same treatment.

Senator McKenzie proceeded to discussion of the draft recommendations. He said if there are no objections to the changes, they will be made as shown.

Any changes made between the 11-9-06 document and the 10-30-06 document are discussed below.

On page one under the Energy Plan Objectives:

5. Provide the means for Idaho's energy policy to adapt to changing circumstances.

This item was moved to the implementation policy section.

The following definition of "cost-effectiveness" was added to item E-1 on page 3:

"Cost-effectiveness" means that the lifecycle energy, capacity, transmission, distribution, water and other quantifiable savings identified by the Idaho PUC, accruing to Idaho citizens and businesses, exceed the direct costs of the measure to the utility and participant.

Mr. Olson said that this definition directs the utilities and the PUC to use a total resource cost test basis when figuring cost-effectiveness. This means looking at more than just the utility costs. Participant costs also need to be considered. Under this definition programs that are the most cost-effective would be those that would add disposable income to Idaho citizens as a whole.

Senator McKenzie said that utility IRPs include cost benefits of conservation and this would shift how that is done. **Mr. Olson** said there are three tests involved in figuring cost: societal cost test, utility cost test and the ratepayer cost test and almost all measures raise rates.

Senator Kelly asked whether the definition might be more appropriate in a different location because the term "cost-effectiveness" is used throughout the plan. She also wondered if the Idaho PUC should be included. **Mr. Olson** stated that this definition refers to energy conservation/demand side programs. **Representative Anderson** commented that there may be several definitions of cost-effectiveness and this could create confusion.

Senator McKenzie asked how much effect this would have on how IRPs are done currently and whether it would add costs to ratepayers. **Mr. Olson** noted that the Northwest Power Planning Council uses this type of cost-effective test. He added that some IRP processes were similar to this but others were not.

After more discussion regarding the wording of the definition, the committee decided to have the PUC look at it to make sure there are no unintended consequences. **Mr. Neil Colwell, Avista** suggested it be taken back to those that handle cost-effective conservation to make sure

nonparticipants are not harmed. He said there is a desire on the part of suppliers to do all they can for conservation and it would be helpful to get their comments on a definition of “cost-effectiveness.” **Senator McKenzie** stated the definition will be included as written and the committee will get comments from utilities and the PUC about consequences.

E-19. The Idaho PUC and the Departments of Water Resources and Environmental Quality should investigate and report on the status of “clean coal” technologies and incentives to encourage Idaho Utilities to invest in environmentally-preferred uses of coal.

Senator Gannon agreed with the statement but asked who this report would go to. **Senator McKenzie** said that had been discussed and his thinking was the Energy Division would be the appropriate agency.

Representative Block voiced her concern that there really is no such thing as “clean coal.” She said no matter what the technology there are dangerous air and water pollutants emitted into the environment. **Senator McKenzie** commented that coal is something that will be part of Idaho’s energy mix and needs to be considered.

After more discussion of the language, the following was agreed upon:

The Departments of Water Resources and Environmental Quality shall make available their findings on the status of “clean coal” technologies and barriers to investment in environmentally-preferred uses of coal.

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T-8. Idaho should permit local authorization of transit option taxes to support the use and expansion of public transportation.

Senator Gannon asked whether this would give taxing authority to transit districts. **Senator McKenzie** said yes.

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21. Idaho and Idaho utilities should ensure that a baseline level of affordable energy service is available to all Idaho households.

Representative Stevenson asked whether this should include businesses as well as households. **Mr. Olson** explained that this section gets to the burden that energy bills have on low-income households. He said it also includes consequences to businesses if those bills are not paid. **Senator Gannon** suggested changing the category to “residential affordability” or “low-income affordability.” **Senator McKenzie** stated that all of the action items are household based and the policy is consistent with the action items.

Representative Nonini said this section was troublesome to him. He asked Avista about their project share. **Mr. Colwell** noted that all utilities do voluntary programs such as Project Share to help low-income customers pay bills. He said this attempts to go further and is beyond voluntary. He said the state match LIHEAP funding would be helpful and the Legislature should consider doing that every year.

Representative Jaquet said that she remembered a vice president from Avista asking for additional legislative help in the area of low-income people and bill paying. **Mr. Colwell** said there is legislation that was proposed that would allow the PUC to accept proposals from utilities to have different rate structures that would address the low-income issue. Currently, Idaho Code says that all rates have to be nondiscriminatory with regard to customer class and the PUC is concerned that this would be discriminatory over the residential class of customers. **Mr. Colwell** said that Avista would not object to that legislation.

A-3. The Idaho PUC and Idaho utilities should consider adopting tiered rate designs that offer small quantities of energy at a reduced “lifeline” rate.

A-4. Idaho should allow utilities to offer reduced rates to low-income customers.

Representative Jaquet said A-3 and A-4 above would probably not be objectionable to the committee. **Mr. Colwell** said that A-4 could include A-3. He said there has been legislation in the past that has been permissive so the PUC could allow this. **Senator McKenzie** said the report would combine A-3 and A-4. **Representative Nonini and Representative Anderson** voiced concern with allowing different rate classes and said their concern would be part of the minority report. They both feel that utilities have programs in place to handle this and that it is not the state’s responsibility. **Senator McKenzie** said this simply allows utilities to do this if they want to. **Representative Anderson** stated that the wording says “Idaho and Idaho Utilities” and in his opinion, that means the state.

A-1. Idaho and Idaho utilities should provide funding for Low-Income Home Energy Assistance (LIHEAP) and other programs to reach 50% of eligible Idaho households.

Representative Stevenson asked how eligibility would be identified. **Mr. Olson** said that to be eligible, household income must be 150% of federal poverty level; a household of four is \$30,000. He said about 100,000 households in Idaho would be eligible. **Representative Stevenson** said he was not sure this has a place in the energy plan.

Senator Gannon moved that the affordability section be stricken from the plan.

Representative Anderson seconded. Senator Kelly voiced her opposition to the motion. **The motion passed by voice vote.**

After lunch the committee began discussing Energy Facility Siting. **Mr. Olson** explained that the cochairmen wanted E3 to put more teeth into the plan for discussion purposes. This is included in the 11-9-06 draft recommendations.

Mr. Olson started with the action items on page 10.

S-1. The Idaho PUC should be vested with the authority to site transmission facilities within areas that have been designated by the U.S. Department of Energy as National Interest Transmission Corridors.

This was approved by the siting subcommittee after having been proposed by PUC Commissioner Paul Kjellander. **Senator Fulcher** distributed a draft of that legislation for the committee to review. **Senator McKenzie** said the committee did not need to take action at this time. He said recommendations will be finalized at a future meeting of the committee. **Representative Stevenson** clarified that this only applies to transmission siting corridors.

Action items S-2 and S-3 are alternative versions of each other.

S-2. For thermal generating facilities 50 MW or larger, an “Energy Facility Site Advisory Team” shall be established consisting of members appointed by the Department of Environmental Quality, Water Resources, Commerce, Health and Welfare, Agriculture, Fish and Game, and the PUC. The Energy Facility Site Advisory Team shall examine cross-jurisdictional impacts of the facility, provide technical information as requested by the local jurisdiction, and make an advisory finding as to whether the costs of the facility to Idaho citizens exceed the benefits.

S-3. Thermal generating facilities 150 MW or larger shall apply for and obtain a Certificate of Convenience and Necessity (CCN) from the Idaho PUC before commencing construction. The PUC shall grant a CCN unless it determines that the costs of the facility to Idaho citizens exceed the benefits.

Senator Gannon said he thought it had been determined that a CCN was not the right vehicle for this because the criteria for a CCN does not apply to merchant facilities. **Senator McKenzie** agreed that this is a barrier to merchant facilities. **Senator Gannon** said he likes the concept of the state having a team to bring together to examine particular issues and he likes leaving the decision-making at the local level. He said he would like to see this include all generating facilities that are not under the purview of the PUC, not just thermal generation. **Senator Gannon** added that, in his opinion, the next battles the state will face will be wind and/or ethanol plant siting. Siting should be expanded beyond thermal. **Senator McKenzie** said it could be defined by a megawatt standard.

Senator Kelly said she did not think ethanol plants should be included. She asked why S-2 and S-3 are either/or. Local jurisdictions still have to make a decision after the CCN is issued. **Senator Gannon** clarified that a CCN does not apply to merchant plants, just to IOUs. It is not applicable to merchant plants so the application form would not fit. **Mr. Olson** explained that the current PUC process is designed to protect ratepayers. He said it would have to be adapted for use by merchant plants similar to what is used for siting in other states. He said it could also be set up to require or allow approval from both state and local jurisdictions. **Senator Kelly** said

that S-3 does not distinguish between merchant/nonmerchant plants. She asked whether, once an IOU facility gets a CCN, they also need approval from the counties. **Senator McKenzie** said he would assume these facilities would be required to get local approval as well. **Senator Kelly** said it would seem that a state siting approval team would be helpful to local jurisdictions. **Mr. Ron Williams** commented that the process for siting any generating facility would have to comply with local siting laws, no matter what.

Senator Fulcher restated that the decision made by a majority of the subcommittee on transmission and siting was not to change the current siting process because it maximizes local control and they felt siting is best looked at on a case-by-case basis. **Senator McKenzie** asked about issues underlying the recommendation in S-2. He asked what would be inconsistent with having an advisory team to assist the local authorities. **Representative Anderson** stated that both S-2 and S-3 are inconsistent with the siting subcommittee recommendations. He thinks there are agencies already in place to do the work required for siting. **Senator Gannon** asked, given that the subcommittee felt the siting process was ok as is, did they consider or rule out the state making siting assistance available to local authorities if desired. **Senator Fulcher** said it was his recollection that the majority opinion of the subcommittee was that there were current processes in place that would allow that to happen. It can happen via the Legislature. He said the overriding benefit of leaving it as is, is the case-by-case basis provision for public input and review. **Senator Gannon** agreed that there are processes in place through the Land Use Planning Act to provide hearings and so on. He said there is also state involvement with DEQ for air quality and the IDWR for water quality issues but it is not as in-depth as it should be. He asked what would be wrong with the state providing a team for assistance if local authority wanted assistance sorting out intangibles such as down wind issues after state agencies had studied the air quality and so on. This would be similar to what the dairy siting committee does. **Representative Smith** said in her recollection, the subcommittee discussed that county commissioners could ask for assistance but the final vote would lie with the local jurisdiction. In her opinion, S-2 includes examples of who local jurisdictions could call on for assistance.

Senator Fulcher, in response to **Senator Gannon**, said he did not recall a question of asking for state assistance. He said he does recall the desire to leave local control of the final decision in place. He said he had no problem allowing local authorities to be able to ask for assistance/guidance from state agencies. He said this brings up the question of whether the local jurisdiction jeopardizes its authority by asking the state for help. **Representative Jaquet** said this type of siting authority, similar to the CAFO advisory team, could help bring expertise to local decision makers. It also makes everyone work as a team and respond to local authorities in a more timely manner.

Representative Block commented that after having experienced potential siting of an energy plant in her area, it was discovered that local authorities do not always have resources or expertise available to deal with all of the issues. She said her area did not know who or where to turn to. She also said they were not sure of what their legal authority was and it caused a lot of frustration. In her opinion, a state siting team that local jurisdictions could turn to for expertise as requested would be a great asset. **Representative Block** said such a team could also help

with cross-jurisdictional issues. **Senator Gannon** said he would be in favor of this team of agencies being pre-identified for local authorities so that they are aware of what is available. He noted that the entire team might not be utilized every time. He said another question is whether the team would be formed every time a siting issue is on the table or would it only be formed once a local authority asks for help. **Senator Fulcher** agreed with **Senator Gannon's** concept and said the wording in S-2 says "shall be established." He said without mandating a siting team, he is not sure how to carry this forward and noted that the subcommittee was against mandating this. **Senator Fulcher** said he realizes that resources need to be made available to local officials should they need them.

Senator McKenzie suggested that departments could designate liaisons to local decision makers that would report to the Division of Energy who would be the contact for local authorities. **Representative Jaquet** said that for the dairy siting team, the team members work for different agencies, the counties call for help and the team works together as a whole with common timelines. In her opinion an actual team is the way to go.

Representative Anderson said in his opinion, it would be more important to develop a checklist for commissioners of what steps need to be taken. He said a process needs to be developed that is consistent from county to county. His idea was not to have all agencies work together but to establish a checklist of agencies and what the local authorities need to get from those agencies. Counties could also put costs back on those proposing the plants. **Senator McKenzie** agreed that there needs to be some sort of checklist but he would think of the advisory team as the technical experts who could answer the questions on the checklist for local authorities. **Senator Fulcher** agreed. He suggested changing the language to say that members of agencies shall make resources available to local jurisdictions at the request of those local jurisdictions. **Senator McKenzie** clarified that to mean that the state would direct the agencies themselves to provide technical expertise and advise. **Senator Fulcher** said that was correct.

Senator Gannon said his concept was, that for generating facilities, the state should make available a siting advisory team on the request of a local authority. He said that the state should lay the groundwork for what the agencies would provide the local authority. This gives it some structure so that each county commission does not have to relearn the process and it is not mandatory that the state team be used.

In discussing the language dealing with costs and benefits, it was agreed that was beyond the expertise of the committee. **Representative Jaquet** said that the CAFO language talks about whether a site is high, medium or low risk. **Senator McKenzie** suggested language saying "identify risk associated and how to minimize that risk." **Senator Gannon** suggested striking the cost/benefit part. The committee agreed to this language instead of the cost/benefit language; "making site benefit recommendations and identifying risks and mitigating issues to minimize those risks."

Mr. Colwell stated that the language should be for plants 250 MW or larger because 50 MW is very small. He also said that the PUC should not be included in the list of agencies as part of the

team due to the fact that they issue CCNs. In his opinion the cost/benefit language should simply be left out. **Representative Block** commented that if an economic study of cost/benefits is not done, how can citizens be protected.

Representative Jaquet said it was her understanding that 50 MW was used to make it more general than just thermal power. **Senator Gannon** said he wants this siting team to be able to be used for all types of energy facilities, not just coal fired plants. He said megawatt amounts could be categorized based on types of plants proposed or a separate paragraph could be added for each type of plant.

After more discussion, it was agreed that language would include:

“all generating facilities 50 MW and above and, upon request, the state will make available technical assistance as requested from specific agencies and that the siting team would identify risks and make suggestions to minimize or mitigate those risks.”

Senator McKenzie made clear that this is a local decision and the state can provide expertise about risks and let the local jurisdictions make decisions based on the information provided. The committee was not able to reach consensus beyond that. He said that local commissioners would be responsible to make a final decision. In response to a question from **Representative Anderson**, **Senator McKenzie** said that cross-jurisdictional language would be eliminated.

Senator Kelly asked about the possibility of the proposer of a plant paying compensation for the costs to agencies, especially in the case of large facilities. **Senator McKenzie** said he would assume it would be the applicant who would pay for these costs. **Representative Stevenson** expressed caution for this idea because proposers have usually already spent considerable amounts of money. In his opinion, the state could afford to pay for this.

Representative Block said another problem in her area was the opportunity for public input from adjacent counties that would be affected. She said there is no consistent policy of whether or not public comment or input is allowed, county-by-county. **Mr. Olson** stated that this is dealt with in S-4:

S-4. When permitting large thermal generating facilities, local jurisdictions should be required to hear testimony about the impact of the facilities from citizens and businesses in neighboring jurisdictions.

Mr. Olson agreed that it is not currently well addressed. **Representative Smith** said that language needs to say “when permitting large generating facilities” not just thermal. **Senator McKenzie** agreed that this was important but stated that if local jurisdictions are required to take testimony, they need to be able to put limits on the amount of testimony and/or time allowed for testimony. **Representative Anderson** said there is also the need to define “neighboring jurisdiction.” **Senator McKenzie** noted that this does not say area of impact and anyone outside of those areas could testify if they wanted to anyway. **Senator Kelly** said there are many public meetings where people are allowed to make public comment and it is not really a huge burden.

S-5. Thermal generating facilities 150 MW or larger shall be centrally assessed.

After a lot of discussion that this might cause more harm than good, there was consensus that this be taken out of the recommendations.

In a summary of the siting policy items that would be included, **Mr. Olson** explained that 18 and 20 would be deleted.

19. Idaho state agencies should play a role in providing technical information to support local energy facility siting decisions.

Number 19 listed above is the only policy item under energy facility siting in the 11-9-06 draft recommendations that will be included.

The committee moved on to discussion of the implementation section of the 11-9-06 draft recommendations handout. **Mr. Olson** explained that this had not been assigned to any subcommittees and the drafting subcommittee did not address it because of time constraints. Implementation policies action items included:

A-1. The Department of Water Resources should become the Department of Energy and Water Resources (IDEWR), and Idaho should establish a statutory framework that prescribes the duties of the Energy Division within the IDEWR.

Representative Stevenson said it might be more appropriate to call it the Department of Water Resources and Energy because there are two water divisions included. This would give statutory authority to the Energy Division rather than it just existing through Executive Order. **Mr. Hoppe** agreed that would be helpful.

I-4. It is the recommendation of the Interim Committee that this Energy Plan be given the force of law through legislative approval.

After discussion of whether I-4 would require an opinion from the Attorney General, there was consensus to take it out.

Senator Kelly said it would be nice to have the Executive Office endorse the plan after it is finalized as well as the Legislature and she would expect specific legislation to result from parts of the plan that will be force of law.

There was discussion to word the support for the 25/25 plan in a similar manner to the federal language and to the governor's language. The statement will just show support for the idea.

Senator Kelly commented that there are some areas of discussion on which she does not concur including siting and the low-income section. **Senator McKenzie** said the committee will have to

meet again to look at the actual plan and then see what the consensus is.

The meeting was adjourned at 3:10 pm.