

Subject to the approval of the Wind Energy Task Force

MINUTES

Wind Energy Task Force

October 1, 2013

Capitol Building – East Wing- Room 42

700 W. Jefferson Street

Boise, Idaho

Co-Chairman Brackett called the meeting to order at 9:10 a.m.

Members present included Co-Chairman Senator Bert Brackett, Senator Jeff Siddoway, Senator Elliot Werk, Co-Chairman Representative Judy Boyle, Representative Paul Shepherd, and Representative Elaine Smith. Senator Curt McKenzie and Representative Linden Bateman were absent and excused. Staff members present were Eric Milstead and Cyd Gaudet.

Others present included Don Kemner, Gary M. Vecellio, Idaho Fish & Game; Ken Miller, Snake River Alliance; Randy Gardner, Atlantic Power; Randy Lobb, Idaho Public Utilities Commission; Raeleen Welton, Rocky Mountain Power; Pat Barclay, Idaho Council on Industry and the Environment; Rich Hahn, Idaho Power; Teresa Molitor, Energy Integrity Project; Jonthan Parker, Holland & Hart; John J. Williams, Bonneville Power Administration; Neil Colwell, Avista Corporation; Dar Olberding, Ridgeline Energy; Bjorn Doskeland, Windland; Cally Younger, Office of Species Conservation; Paul Kjellander, Idaho Public Utilities Commission.

NOTE: All copies of presentations, reference materials, and handouts are on file at the Legislative Services Office and are also available online at the Legislative Services Office website:

<http://www.legislature.idaho.gov>.

Co-Chairman Brackett indicated that the members had each been given a copy of the minutes from their previous meeting in Idaho Falls. He asked if there were any corrections or additions to those minutes. **Senator Siddoway** moved that the minutes be accepted as presented. **Co-Chairman Boyle** seconded the motion. The motion carried on a voice vote.

Co-Chairman Brackett stated that their first agenda item was a discussion of sage- grouse, and he welcomed **Ms. Cally Younger** from the **Office of Species Conservation**. **Ms. Younger** advised the committee that she was an attorney and policy advisor for the Office of Species Conservation, and that one of the primary areas that she works on is sage- grouse.

She gave a brief history of activities surrounding sage-grouse, starting in 2011 when the Interior Secretary invited Governors to develop state plans for sage –grouse conservation on federal lands

through the creation of Idaho's Sage-Grouse Task Force, to the September 2012 draft alternative submitted to the Bureau of Land Management.

She advised that in the last year they had been working to obtain concurrence from the U.S. Fish and Wildlife Service, so they could implement Idaho's interim plan, while the Environment Impact Statement process was being completed. Fish and Wildlife identified several items that the task force needed to address to obtain concurrence. **Ms. Younger** indicated that the task force worked on those issues and again requested concurrence in March of 2013. In April of 2013 Fish and Wildlife replied back to the task force with a partial concurrence, but requested refinement on a few issues. In May of 2013 the BLM requested further clarification refinement so they could implement the alternative into their BLM regulations and fit it within the wording they use for the Environmental Impact Process.

Ms. Younger advised the committee that in July 2013 the BLM submitted their first administrative draft, and the task force worked with them through the summer to insure that their plan was represented adequately. After the BLM released a second version in August 2013 the task force felt comfortable enough to allow movement to the next stage, which was a review at the Washington, D.C. office. If all goes according to plan they expect a draft of the Environmental Impact Statement to come out in early October 2013, with final comments due in January 2014. She explained that her office will be coordinating all of the state's agencies final comments. She advised that the BLM expects to have their final record of decision published by September 2014, which gives them a year to implement before Fish and Wildlife makes their final decision in 2015.

Ms. Younger also advised that Governor Otter will be meeting with Secretary Jewell in late October of 2013 to further discuss sage-grouse. She added that she had a copy of the July letter to the BLM for each of the committee members, as well as a copy of Fish and Wildlife's response.

Co-Chairman Boyle asked if it was correct that the BLM would have a year to implement before Fish and Wildlife makes their final decision. **Ms. Younger** indicated that was correct.

Co-Chairman Boyle asked if the alternative which was chosen was detrimental to Idaho could the state file suit, or would Idaho have to wait for Fish and Wildlife's final action. **Ms. Younger** said that was a tricky area, however if they chose an alternative detrimental to the state, the record of decision would be a final agency action. In that case Idaho could sue for a reason different than Fish and Wildlife's final decision, but not specifically for a listing.

Co-Chairman Brackett indicated that it was his understanding that **Ms. Younger's** office had established a record in the event that it may be necessary. **Ms. Younger** indicated that was correct as they have been very involved in the process, had submitted comments, and had taken actions to insure that they had a strong record for the decisions they made and the plan they have developed.

Co-Chairman Brackett indicated that regulatory certainty was one of the factors that Fish and Wildlife considers in making their decision, and he asked **Ms. Younger** how her office had dealt with that. **Ms. Younger** said that one of the good things about their plan was their adaptive management structure

which gives the plan a trigger strategy that allows them to take action if something should change. Also with their wildfire conservation measures they have specific timelines in which to achieve certain goals.

Co-Chairman Brackett said that it was his understanding that Fish and Wildlife also considered the Rangeland Fire Protective Districts an important component. **Ms. Younger** said that was definitely something that was considered a regulatory mechanism, and since it is already being implemented, it will be a huge factor that Fish and Wildlife will use to make their decision. She said that not only is it certain, but they have already been doing it and have seen successes, so it would be a huge regulatory certainty for Fish and Wildlife.

Representative Shepherd asked what effect wind turbines have on sage-grouse. **Ms. Younger** said that there is a considerable amount of differing scientific information regarding how they are affected by infrastructure, such as wind turbines. She indicated that in their plan, within the best and most important habitat for the bird, they have a very restrictive infrastructure policy. She explained the policy as no infrastructure unless someone has a pre-existing right or a valid right-of-way. Where the habitat is less important to the bird those activities would be more flexible.

Senator Siddoway asked about the 3% disturbance that was recommended by the National Technical Team in their opinion, and how that was being interfaced with the Idaho plan. **Ms. Younger** said that they disagree with the science of the NTT report, and feel that they have developed a good record to contest the science in the report. She indicated that they didn't feel that the 3% should be as hard and fast as the NTT report claims, and their plan focuses on the zonal approach as to infrastructure and disturbance areas.

Senator Siddoway indicated that he had been at a recent county commission meeting where he heard a presentation regarding the commissioner's authority in coordinating sage-grouse management within their county. He stated that there are many counties in Idaho that have not had catastrophic fires and have not had the rangeland segmentation due to developments. He asked what kind of authority county commissioners would have if Idaho went to a statewide sage-grouse plan implementation. **Ms. Younger** said that the EIS and resource management plans were meant to be very broad, and that part of their plan incorporates the 2006 sage-grouse plan, and anticipates that this will be a framework for more local plans. She indicated that certainly some of the alternatives would make the local land use planning efforts more difficult, but the ability for county level planning will be permitted. She added that if the state plan alternative is chosen it will be easier for county level planning to take place. She stated that a lot of the measures in the NTT report are irrelevant for Idaho, so they would not affect the state even if that alternative was chosen.

Senator Siddoway asked if factors such as grazing, which when categorized, have a lower impact on the population are considered less by the agencies because of the low impact, or if they are considered more heavily because it is easier to control grazing than wildfires or habitat segmentation. **Ms. Younger** said that they examine the cause of population or habitat loss by first looking at primary threats. If those were not the cause then they would look down at the other threats to see if they were the cause of the loss. She indicated that their plan could avoid the type of issues that **Senator**

Siddoway was asking about so it is their hope that the BLM uses the good points in their plan when they make their final decision. She did note that she could not speak to what would happen if their plan was not selected.

Senator Siddoway asked if in putting together their plan there were discussions about the historic population of sage-grouse, what the decline was, and what percentage of decline would warrant a listing. **Ms. Younger** said that she couldn't speak to historic population losses. However she did know that in 2010 Fish and Wildlife determined that the sage-grouse were warranted for a threatened listing, but they were precluded due to higher priority animals or species. In knowing that if nothing changed by 2015 they would have to list the sage-grouse, her office has tried to focus on the things that were identified in the threatened listing.

Co-Chairman Brackett indicated that **Don Kemner** from **Idaho Fish & Game** was in the audience, and asked him if he had anything to add regarding the sage-grouse population. **Mr. Kemner** said that although the trend was a decline in sage-grouse, the decision was not necessarily based on the number that used to exist versus the number that existed in 2010. It was due to the lack of regulatory mechanisms in place that would assure the continued existence and management of sage-grouse in the Federal Land Management Plans. Also there had been a large loss of sage-grouse habitat since the previous decision in 2005.

Teresa Molitor from **Molitor and Associates** was next to address the task force. She explained that she was an attorney and lobbyist who had worked with the **Energy Integrity Project** over the last few years. She apologized that Tauna **Christensen** was not available; but she had agreed to distribute **Ms. Christensen's** presentation to the task force. She indicated that although she would go through the presentation she wanted to make the disclaimer that it was **Ms. Christensen's** work product and not her own.

Ms. Molitor then gave a brief history of the Energy Integrity Project which was formed when wind development began, predominately in Eastern Idaho, and residents were surprised to see turbines being erected near their property. The group was formed initially as a response to items such as viewshed, and local ordinances that would give notice to local property owners. She advised that over the two years that the group urged the state to do a two year moratorium on wind energy they were advised that many of the issues were local in nature and not appropriate for the state to consider. However they do feel that their efforts over the last few years in educating legislators on the impacts of wind energy on local residents, as well as all rate payers, has had an impact in Idaho as developers have slowed down and perhaps become less interested in our state. She pointed out that the people who formed the basis of the group are still dealing with issues that need to be addressed, and they feel that the state has a role in the costs of incentivizing wind energy. **Ms. Molitor** stated that even people who live far away from wind turbines, and don't have to deal with declining property values because of the turbines, are all impacted by the cost of wind energy.

She pointed out that Europe has a decade more experience with wind energy than the United States, and shared with the task force newspaper articles that discussed the problems they are having there with the high cost of wind power and other renewables.

Ms. Molitor indicated that the group's focus is now on the incentives that are being offered to wind developers to continue to operate wind turbines at taxpayer expense. She indicated that wind power cannot be operated on its own, and has to be backed up with a traditional power source. She also pointed out that on the coldest and warmest days, which are the times when people need power the most, the turbines are not generally producing much energy.

She concluded by saying that her group felt that as a matter of state policy, if Idaho is going to continue to offer incentives to wind developers, we should have the most current cost information.

Senator Siddoway asked **Ms. Molitor** for detailed information regarding state and federal subsidies which the wind energy companies receive. **Ms. Molitor** said that she did not have those numbers, but did know that the federal subsidies had been very lucrative for wind developers, and that there were also county and state subsidies. She indicated that previously there had been a state subsidy on sales tax, and there still was a subsidy which offered a production tax in lieu of property tax. She stated that at this time wind energy cannot exist in the marketplace without some subsidies. She suggested that this would be a good question for the tax commission to find out what impact these subsidies were having on the general fund.

Senator Siddoway said that he would probably disagree that there was a loss of property tax as there was a substitution made for a production tax. He then asked, in referring to **Ms. Molitor's** discussion about Europe, if electricity was so expensive there why they were not allowed to use less expensive fossil fuels. **Ms. Molitor** said that it was her understanding that Europe had heavily subsidized wind and solar to the point where the tax payers were paying for the additional cost and infrastructure. She believes that this is a result of their rush to subsidize energy sources that cannot exist in the free market. She did not know if their policies mirrored ours, however they are about a decade ahead of us in putting resources and hope into the green energy movement and they are finding that those sources, particularly wind, cannot exist in the free market.

Senator Siddoway asked if the Europeans gravitated towards green energy for health reasons or if they lacked natural resources. **Ms. Molitor** said she would guess that they had made those decisions for the same reason that we in America had made our decisions in that we were persuaded that wind energy would be clean, inexpensive, and would solve our energy crisis. She feels that we can learn from the experiment in Europe as many European countries are scaling back their subsidies and incentives for green energy because the numbers just don't add up.

Co-Chairman Boyle referred back to a portion of **Ms. Molitor's** presentation and asked if the Energy, Resource and Technology committee had asked for a study on the costs of wind power. **Ms. Molitor** said that to her knowledge nothing had been undertaken to provide a wide lens view of wind energy costs. She stated that she would support obtaining accurate current data as Idaho is still in the middle of subsidizing wind energy to the detriment of rate payers.

Co-Chairman Brackett indicated that Idaho has a large amount of hydropower and asked how that is integrated with wind power. **Ms. Molitor** said that she would be foolish to try to answer that with representatives of Idaho Power in the room.

Representative Shepherd asked what the total tax benefits, from federal and state, were on wind energy. **Ms. Molitor** agreed that it was an appropriate question; however she did not have those numbers. **Representative Shepherd** asked if it would be possible to get that information from someone in the future.

Commissioner Kjellander from the **Idaho Public Utility Commission** was next to address the task force. He began by outlining the percent of PURPA and non-PURPA hydropower from Idaho's utilities. He indicated that Avista has 6.8% of its resources in PURPA contracts, and 58% in non- PURPA hydro. Idaho Power has 20.1% of its resources in PURPA contracts, and 62% when non-PURPA hydro is counted. PacifiCorp has 20.8% in PURPA contracts, and their total including the non-PURPA hydro is 29%.

He indicated that the most significant case that the PUC had over the last year was their general PURPA case. He explained that PURPA is a federally mandated program that requires investor owned utilities to purchase the output of qualified renewable energy projects. He indicated that not every utility is subject to PURPA because the Federal Energy Regulatory Commission has said is that if a power company is part of a Regional Transmission Organization (RTO) they are not subject to PURPA. He explained that the utilities which the Idaho Public Utility Commission regulates in the northwest are not part of an RTO, and that there are no RTO's in this area. Although PURPA is a federal program, the states are responsible for establishing the size and the price of PURPA projects. In looking at the price they look at the avoided cost rate, or the published rate. He explained that if a developer has a qualified renewal project that comes in within a certain size then they could see what that published rate would be.

The case that the PUC recently decided addressed two main problems which they faced with PURPA in Idaho. The first was that they had developers who were gaming the system by breaking up large utility scale projects into multiple smaller projects, and then forcing the utility to purchase the total output under the published rate. The second problem was that the published rate no longer reflected the true avoided cost, and that had to be adjusted. He indicated that those two problems forced utilities to pay for power they did not need, at prices that were too high, and ultimately the customers were burdened with recovering the cost of any development project. He advised the task force that currently Idaho has 119 PURPA projects under contract which represents approximately \$ 3.6 billion that needs to be recovered over the lifetime of the contracts.

Commissioner Kjellander, in giving the committee some background, said that the PUC had established 10 average megawatts delivered, and 20 year contracts, which could be considered a generous size for PURPA projects. This was intended to assist the basic economy of scale of those developments. The problem they had was that the Federal Energy Regulatory Commission (FERC) had a one mile separation rule that said if the projects were separated by one mile they would be considered a separate project. What happened was that developers of large utility size projects that were 200 megawatts and higher

would break them into 10 megawatt size projects and then force the utilities to pay the published rate. That caused a lot of wind development, or other intermittent resource development coming on, and a lot of money going out at the published rate, with possibly more resources coming on than needed. So the issues which the PUC dealt with in this case largely had to do with large scale wind projects and solar projects, as they could be easily separated by a mile.

To address the gaming issue the PUC dealt with size, so instead of 10 average megawatt delivered projects, their order said that it should be 100 KW to receive the published rate. Their hope was that would eliminate the desire to break up the projects since trying to break up a project that is 10 average megawatts, separated by a mile, was easier than they had anticipated. Their order also said that larger scale projects, up to 80 megawatts, would have to go through the Integrated Resource Planning Process, and a contract rate would be established. For other projects such as bio-gas, bio-mass, and small hydro they left it that these projects could go up to 10 average megawatts delivered.

He then explained that the price used to establish the published rate was based on natural gas, and the report that they had been using was not updated regularly. So they located a natural gas pricing model, which most of the parties to the case could agree on, which comes out annually. This information is now available on their website so a developer can see what the price will be for a project brought online on a given day, and this will be adjusted annually.

Commissioner Kjellander indicated that the PUC had also dealt with net metering, which is a way that consumers can build resources to help offset their energy cost in homes and small businesses. He said that the majority of those customers were using solar, and would not see a change.

He stated that the power adjustment case they had with Idaho Power this year highlighted the utility customer's biggest exposure to wind. He explained that annually they look at the power cost adjustment, which is separate from a rate case, and consider the costs which the utility has to expend to provide energy. This usually includes wholesale purchases, and looks at the forecast for hydro, along with some other factors. The reason that the power cost adjustment this year resulted in a greater exposure to wind was that wind, for PURPA, was included. He indicated that in the future wind will probably be included in the general rate case. The reason that there was more exposure to the customers was because Idaho had a poor hydro year. If it had been a good hydro year, with a good forecast, along with some other factors, they may have seen an offset to some of the wind costs.

He indicated that it was not his intent to demonize wind, as another major contributing factor to the power cost adjustment was \$23 million in costs related to the Hoku Silicon Plant which went out of business. He explained that the costs for power delivery had already been included in the rate base for the utility, so they had to look at recovering those rates through the power cost adjustments since there was no longer any revenue coming in from that facility. The impact of this for customers was a one year surcharge which was a 12.5% increase through the power cost adjustment.

Commissioner Kjellander said that from his perspective the major considerations facing wind development for Idaho based utilities would include three main factors. The first is natural gas prices which will play a key role in the amount the utilities pay on PURPA projects. He indicated that if gas prices remain low, the published rate will also remain low, and that will have an effect on future development. Load growth projections will also have a large impact, as until there is more demand for power large scale wind projects will be somewhat diminished. Other resource opportunities such as energy efficiency and demand side management will also play a role as utilities look more at these opportunities. He added that perhaps the area that has the most potential impact is the EPA. He explained that if the EPA continues to use the clean air act to push more costs onto creating cleaner coal fired generation as they have heard that the administration intends to do, that could push costs to such a point to where some utilities look at shuttering those facilities, and bringing on other resources to replace them. He indicated that if there was a closure of a sizeable coal fire generator in our region we would likely see natural gas or renewable resources as the primary areas of new construction, along with more aggressive efforts toward energy efficiency and demand side management. He said that all of these energy resources cost money, so the ultimate impact would depend on whether the useful life of the facility that was being shuttered were actually recovered by bringing on new resources. He indicate that the likelihood of more stringent EPA standards was something that they all anticipated coming forward fairly quickly, and the impact of those will probably be different for each utility.

Co-Chairman Brackett asked if the task force could have a copy of the Commissioner's presentation.

Commissioner Kjellander indicated that he could put together some bullet points from his presentation.

Co-Chairman Boyle asked if FERC sued Idaho over the PUC's order. **Commissioner Kjellander** answered that they did sue over some previous orders that related to PURPA, which was an unprecedented move on their part, and that the matter is now in federal court. He said that he had been advised by legal counsel to restrict his comments as they are in litigation, however he would bring to the task force some talking points regarding the case.

Co-Chairman Boyle asked **Commissioner Kjellander** to explain how federalism works between FERC and the states. **Commissioner Kjellander** said that from his perspective there isn't cooperative federalism today, and he felt that was one of the issues that they faced with several of the federal agencies. He said that it was not a partisan issue; it simply has to do with the role the federal agencies have been moving towards in the last 15 to 20 years. He indicated that now it is taking on a new flavor where they are seeing some unprecedented actions. He said that they are also seeing this with the Federal Communications Commission, the EPA, and other agencies. He indicated that he thought there were ways in which they could make progress, as they have with the FCC, however it does take change. He stated that as commissioners come and go, and as new appointees come into the mix, he thought that was something that our state's congressional delegation needed to pay attention to. He advised that what he is seeing he believes to be an extraordinary overreach, without recognition of what their decisions really mean to consumers, as it is consumers who have to foot the bill. He said that the states have to be a partner in the relationship, and that is not happening today.

Senator Werk said that he wanted to commend the PUC on their work on the annual adjustment to PURPA rates, as he felt it was a very good step in the right direction. He indicated that it was his understanding that it was extraordinary for a federal agency to go after the PUC, but that it was an interesting decision that the PUC had made to retroactively apply an order that took out some contracts. **Commissioner Kjellander** indicated that there were no signed contracts. **Senator Werk** said that he understood that Idaho Power had not signed the contract, but he did want to ask about the cost, to date, of the litigation and who will end up paying those costs. **Commissioner Kjellander** answered that the costs to date are within the PUC's budget, and they have not asked, nor did he see the need in the near future, for any increased budget allocation. He said that each year when they go before JFAC they have a component in their budget for contracts, and that was how they were dealing with the outside legal counsel, which was needed when dealing with the federal government and FERC.

Senator Werk said that he wanted to make sure he was clear about PURPA rates and the purpose of PURPA rates. He stated that it was his understanding that if PURPA rates were adjusted properly, those rates should balance for an avoided cost rate for another resource. So if the avoided cost rate favored a wind development, or a solar development, or whatever it was that balanced the scale, the consumer should be protected. Or, in other words, that the purpose of adjusting the PURPA rate was to protect the consumer. **Commissioner Kjellander** indicated that was close, as in the end the customer should not be burdened with additional cost that they otherwise shouldn't see. He said that the problem they had was large scale projects breaking up and bringing a lot of that resource online well before it was needed. He indicated that the only thing they could do was to look at how to avoid that happening again, and how they could bring on these resources in a way that was more price conscious to the consumers. He said that what they have done is defined distinct silos for energy projects.

Senator Werk asked if the Commissioner had a sense of what the biggest exposure for the IOU's in Idaho were in the next five to ten years such as wind, regulations on coal, climate change or drought. **Commissioner Kjellander** said that he could not speak for his colleagues; however his own personal view was that the future of coal was the biggest issue they would face, specifically with Idaho Power and PacifiCorp. He indicated that there is a tremendous amount of uncertainty as they don't know what the EPA standards will look like, or how they will come online. He said that if they come online in stages that can be absorbed and dealt with in a reasonable fashion we may continue to see coal generation with the current fleet. He stated that he did not think that there would be any new coal generation because the investment community was not willing to put money behind what could be a potential risk. He said that if base load resources are shuttered we will likely see natural gas playing a more important role as natural gas typically has a 50% less carbon foot print than coal. He indicated that his hope is that the EPA standards do not come online before the end of the useful lives of the coal facilities have been exhausted. If that happened not only would those stranded costs have to be recovered, there would also be the cost of bringing on new resources.

Senator Siddoway asked if the power cost adjustment was primarily based on the cost of natural gas. **Commissioner Kjellander** answered that the PURPA published rate was based on the cost of natural gas.

Senator Siddoway asked if it was directly, or inversely proportional to the cost of natural gas.

Commissioner Kjellander indicated that the power cost adjustment was not tied to natural gas prices; however one of the factors in the PURPA rate was natural gas prices. He explained as those prices climbed, then the cost that would be paid under the avoided cost rate, for a PURPA project, would also rise.

Co-Chairman Brackett indicated that no one else had signed up to testify before the task force, and asked if anyone in audience would like to testify. As there was no one else that wanted to testify he indicated that the committee would be coming back after the Idaho Power Grid Operation tour and would have a wrap- up discussion at that time.

Co-Chairman Brackett then indicated that the committee had a question for **Mr. John Williams**, from the **Bonneville Power Administration**, who was in the audience. He asked if **Mr. Williams** would yield for a question.

Mr. Williams came forward, and **Co-Chairman Boyle** asked for a status of BPA's policy known as "environmental dispatch" which FERC had challenged. She reminded the committee that the Public Power Council had filed comments, and were challenging the FERC order. **Mr. Williams** indicated that BPA does not call their program "environment redispach" any longer, and it is now called "the oversupply management protocol". He explained that this case deals with the integration of wind power, and how to pay wind developers when there is so much hydro in the system that the BPA has requested, through the reliability of the transmission system, that the developers reduce the output of wind to run the turbines of the hydro facilities on the Columbia River. He advised that BPA has filed a motion to extend what they are calling "the oversupply rate case" because of non-related issues. One of these non-related issues involved veteran's preference hiring policies, and led to the Department of Energy's removal of BPA's Chief Executive Office and Chief Operating Officer last July. **Mr. Williams** explained that they now have an acting administrator who decided to delay the oversupply rate case as he had some other time sensitive issues, such as the Columbia River Treaty Review, the Biological Opinion, as well as the veteran's preference process, which needed to be dealt with.

Mr. Williams then discussed the Northwest Power Pool Market Assessment and Coordination Initiative Group which includes BPA, as well as most of the major utilities in the region. He indicated that this group is working on designing a governing structure which will integrate wind, and will work for everyone in the northwest.

Co-Chairman Boyle asked if the FERC order had been stayed until BPA had time to work on their other issues; and then BPA would move forward on how to integrate wind. **Mr. Williams** indicated that was correct.

Representative Smith said that it was her understanding that wind plants presently provide about 8% of the electrical energy consumed in Idaho. She asked what percentage of BPA's power comes from wind.

Mr. Williams said that he did not have that information with him, but wind was a huge resource, however it was not a consistent resource. He did indicate that if the neighboring states had all worked

together they could have developed an effective manner in which to integrate wind. He also indicated that he would obtain an answer to **Representative Smith's** question.

Senator Siddoway asked if **Randy Gardner**, from **Ridgeline Energy** would be willing to address the subject of subsidies. **Mr. Gardner** advised that he is a **Senior Project Manager at Ridgeline Energy** which is now a wholly owned subsidiary of **Atlantic Power**.

Senator Siddoway asked **Mr. Gardner** to give the task force an overview of any state or federal wind industry subsidies or incentives. He also asked what the long term benefit of the production tax was over a depreciating property tax. **Mr. Gardner** said that he had been in the wind business for 13 years. He indicated that at one time Idaho had allowed wind producers a sales tax exemption; however that was no longer offered. He explained that Idaho had also gone through the process of changing the property tax basis to a generation tax which is currently based off of 3% of the production of a wind farm. He said that there were many good reasons for this change, one of them being that the generation tax did not seem to decline, as all of their negotiated contracts accelerate in compensation.

He advised that there are four wind farms in the Bonneville County area. In 2012 the two that he is familiar with wrote checks to Bonneville County in excess of \$1.2 million. In 2013 another wind farm will be up and running, and they are predicting that the tax liability from all of the wind farms will be in excess of \$2 million. He indicated that he did not know how that would have compared if they were still using the old system, however this amount was close to the projections they had used when they testified before the committees.

Mr. Gardner advised that there is still a federal production tax credit which runs through 2013 for wind farms which are under construction by the year end, and are brought online by the end of 2015. He indicated that there are no federal credits if construction is begun after 2013, and there are no longer any credits in Idaho.

Senator Siddoway asked if the PURPA rates were set by negotiated agreements or if they were set by a regulatory agency. **Mr. Gardner** said that the PURPA rules had changed, he believed, in 2012, and as it stands today the price for a project over 100 kilowatts would be negotiated with the power company.

Senator Siddoway asked what the time frame of those contracts would be. **Mr. Gardner** said that in Idaho the contracts are for 20 -25 years, but he has seen contracts of 15 years in other states.

The committee then recessed for lunch and their tour of Idaho Power's Grid Operations Center.

During the tour the task force was able to interact with representatives from Idaho Power to obtain answers to their questions. As the task force's primary focus was on wind energy, a hand-out entitled "Incremental Cost of Wind Integration" was given to the group.

Co-Chairman Boyle called the committee back to order at 3:05p.m., and asked **Eric Milstead** to read the committee's charge. **Mr. Milstead** read, "The task force's analysis shall address, but not be limited to, issues related to the effect that wind development is having on power rates, the ability of Idaho's utilities to integrate more intermittent wind power into their systems, the effect wind turbines are

having on wildlife and species that could be listed as endangered, the effect that wind turbines have on private property values and uses, the range of tax issues regarding wind power development and any other issues to be pertinent. The task force is to report to the Idaho Legislature on or before January 10, 2014.”

Co-Chairman Boyle asked the committee if they would like go through each of the points to see if they had accomplished their charge, or if they still had questions or issues that they needed to address. She began with the effect on power rates, and reminded the group that Idaho Power had given them a lengthy presentation during their last meeting. However she understood that they had brought on more wind since that time so she didn’t know if that information had changed. She said that she thought they had a good understanding of how they integrate wind.

Next was the effect that wind turbines have on wildlife and species that could be listed as endangered. **Co-Chairman Boyle** indicated that she had wanted to have U.S. Fish and Wildlife come and speak to the group, but because of the government shutdown that was not possible. She said it would be good to have them come in and talk to the task force about how they work with wind developers, what happens when a possible endangered animal is killed, and if there is some type of mitigation that is done. She agreed with **Co-Chairman Brackett** that Fish and Game had talked about this in their last meeting, but had said that they consult with U.S. Fish and Wildlife, but they generally do not take the lead.

Co-Chairman Boyle said that the next items to be addressed were property values and uses, the range of tax issues, and other issues pertinent. She then opened the discussion to the committee for input as to questions they needed answered, or any pertinent studies.

Representative Shepherd confirmed that their charge was to issue a report to the legislature, which would also be a public report. And in this report they would mainly address costs and power rates that impact the consumers. **Co-Chairman Boyle** said that was her understanding.

Co-Chairman Brackett indicated that they were to report on or before January 10th, and to do much more investigation would require another meeting or two. He stated that there was no end to the depth they could go into some of the issues, but they had already touched on the listed issues as well as some issues that they deemed to be pertinent. With that in mind he said that he was comfortable writing a report with what they already had, with the possible exception that they would like to see the Energy, Environment and Technology Interim Committee investigate the cost of energy.

Senator Siddoway said that he supported **Co-Chairman Brackett’s** position. He indicated that wind power was probably going to cost more per kilowatt hour, however it was part of a diverse portfolio. He stated that most of the incentives that were offered to develop wind power had disappeared, or were on the verge of disappearing. He indicated that some of our leaders have expressed a national preference towards green energy, but he hoped that from here on out wind energy will be driven more by the true economics of the development and sale of the energy. He said that when it comes to the endangered species the state has its hands tied as most of that is done on a federal level. While our local Fish & Game Department has stated that they can’t support or object to wind turbines, it seemed to him that there wasn’t enough information at this time for that agency to lead the task force to decide

one way or the other on the wildlife issues. **Senator Siddoway** indicated that he had read that 94 or 97 eagles were killed in the last year in all of the turbines across the United States, and that these incidental takes were within the threshold of allowances. So he thought they could justify their stand that if it is economically feasible, then it probably will be feasible as far as the wildlife that they have looked at. He said that he thought they had met their charge, and their report should state that Idaho should allow the economics of wind energy to drive development.

Senator Werk said that he agreed with what **Senator Siddoway** had said. He also wanted to add that he appreciated the tour given by Idaho Power, and that he had learned why 800 megawatts of wind really counts with Idaho Power in terms of their ability to be able to relatively inexpensively integrate the wind energy. He indicated that it seemed like it was probably time to write a report, and asked **Co-Chairman Boyle** if she would like that in the form of a motion, or just as a consensus of the committee.

Co-Chairman Boyle said that she believed that they could write the report but first she would like to see some facts and figures which they could ask the experts to provide. One thing she wanted to see was the difference between the 3% generation tax that the counties are receiving now, compared to what they would receive if it was a property tax. She said that she would also like a report as to the exact cost of wind to the rate payers of Idaho, and that the PUC would probably be the best entity to provide that information. She indicated that as BPA would not be able to give a final report for some time the committee could just indicate their current status in the report. Lastly, she said that U.S. Fish & Wildlife could give them a report on endangered and threatened species. **Co-Chairman Boyle** asked if the committee agreed to obtain this information to add to their report.

Co-Chairman Brackett said that he thought those were valid requests, and he asked **Mr. Milstead** if the staff could pursue those reports from the agencies. **Mr. Milstead** said that the staff could certainly follow up with the entities, and get back to the task force with their responses so that information could be added to the report. **Co-Chairman Boyle** asked that the information be forwarded to all of the members of the task force. She also indicated that if any of the committee members had any additional questions they could forward those to **Mr. Milstead** for research.

Mr. Milstead confirmed that the committee was requesting that the staff write up the report, including the information received from the agencies, and then forward that report to the committee members for review and feedback.

Senator Siddoway moved that the committee direct the Legislative Services Office to put together a report on the presentations of the task force in such a way that the report could be sent back to the committee for review and submission of the final report to be given to the legislature as a whole.

Representative Shepherd seconded the motion. The motion carried on a voice vote.

Co-Chairman Boyle thanked the staff for their help.

The meeting was adjourned at 3:25 p.m.