

MINUTES

HOUSE ENVIRONMENT, ENERGY, & TECHNOLOGY COMMITTEE

DATE: Thursday, February 06, 2014

TIME: 1:30 P.M.

PLACE: Room EW41

MEMBERS: Chairman Raybould, Vice Chairman Eskridge, Representative(s) Anderson(1), Hartgen, Vander Woude, DeMordaunt, Nielsen, Thompson, Anderson(31), Anderst, Mendive, Monks, Morse, Trujillo, Smith, Rusche, Woodings

**ABSENT/
EXCUSED:** Representative(s) Vander Woude, Monks, Morse

GUESTS: Ken Miller, Snake River Alliance; Parker Papworth, Lobby Idaho

Chairman Raybould called the meeting to order at 1:31 p.m.

MOTION: **Rep. Smith** made a motion to approve the minutes of January 28, 2014 and January 30, 2014. **Motion carried by voice vote.**

Paul Kjellander, President of the Idaho Public Utilities Commission (PUC), gave a presentation to the committee identifying cases the PUC has seen recently which will likely be issues before the legislature in the next few years. He discussed six main issue areas. These areas were PURPA and gaming issues, net metering, coal fire generation, power cost adjustments, the legally enforceable obligations suit, and the changes occurring in the telephone industry with the rise in broadband influence.

Mr. Kjellander stated PURPA (Public Utility Regulatory Policy Act) is a federally mandated program that requires power companies to purchase local renewable energy. This policy, he said, has led to some gaming issues which were one of the leading factors in the PURPA case. He said in that case they tried to resolve the gaming cost issues to ensure the customers weren't paying for power before they needed it. This process, he stated, included setting the minimums and looking at deficits to determine whether or not the power is needed.

In regard to net metering, **Mr. Kjellander** stated this issues also has ties to PURPA but the major issue in this case was an imbalance between power and cost. He stated that net metering is a private source of generation used to offset other energy consumption. This becomes an issue, he said, when overbilling of the resource leads to additional gaming issues. This occurs when there is excess power from the consumer and the individual tries to receive payment from the utility for the excess power. He stated there needed to be a distinction between net metering and PURPA. What was decided, he said, was to reserve contracts for PURPA and to change the way the utilities handled net metering to not have set contracts. It was determined that net metering could only be used to off set power consumption and the excess could be banked and used as credit to off set future costs and not through direct individual refunds. These determinations were also attempts to deal with the distribution of and reallocate power with increasing numbers of net metering sites coming on line.

With regard to the Bridger Coal Fire Generation Complex, **Mr. Kjellander** talked about the decisions being made with regard to coal power and the direction the state will go in the future. He discussed the differences and difficulties that arise with multi-owner businesses, such as Bridger, and the impacts on company decisions and on those who use the power they provide. He stated these issues are further complicated by the fact that the people who use the resources are often not from the same state as where the power is generated. The issue Idaho utilities deal with, he said, is determining when the cost of the resource generation and the costs of maintaining that facility exceed the benefit of maintaining it.

With regard to the power cost adjustment, **Mr. Kjellander** stated that it is an annual mechanism to recover the incorporate revenue savings, and compensate for the forecasts in power distribution. He said the adjustment is made based on current working projects, fuel costs, the water forecast, purchases or improvements made, and the forecast of use in the area. The major issue of rising costs in Idaho the last few years, he said, was due to a compounding of a variety of circumstances that led to the volatile hike in power costs. A major factor, he said, was the inclusion of the PURPA wind projects which added to the cost of energy production. Another factor was the water power generation issue. He stated in order to solve some of these issues, the PUC is looking at moving the PURPA projects to the base rates and out of the annual adjustment so that companies will be better prepared to predict future costs.

In response to questions as to why the increased costs were not phased in over time, **Mr. Kjellander** said a layered recovery is not beneficial because costs will continue to add up which will leave companies no better off. He mentioned moving the PURPA projects to the base rates will help companies plan for future costs. He stated the costs will not go away but the change will allow for more predictability.

In response to questions regarding other base sources that can be used, **Mr. Kjellander** said natural gas will likely make the most sense because of the price, the ease of permitting and building, and transmission. However, it would be unwise to solely rely on natural gas when planning on future investments. Rather, it would be better to have a mixed resource portfolio to minimize the risk. He called this method integrated resource methodology planning.

Mr. Kjellander then gave an update about the FERC case and changes that had occurred in the lawsuit. This lawsuit, he explained, dealt with whether or not legally enforceable obligations could exist without a fully executed contract and if so, whether the agreements in questions were enforceable obligations. He stated the two parties (FERC and the PUC) worked out a deal to move forward and the suit was dropped from federal court. He stated that during this same time, a similar case, was before the Idaho State Supreme Court. The Court unanimously concurred the IPUC had acted appropriately which set some favorable precedent should any other action be pursued.

With regard to telephony, **Mr. Kjellander** stated the regulatory regime is extremely outdated and could possibly be an issue for the legislature. He stated this has been influenced most by the rise in mixed services and the inclusion of broadband networks. He stated the federal program, the Federal Universal Service Fund, which helps off set the high costs of telephony, was expanded to include broadband. This increased the number of people using the fund but, he stated, the federal government seems to have no intention of actually increasing the size of the fund. This could potentially create an increase in state costs. He stated the fund in Idaho which mirrors the federal fund does not include broadband. He said the biggest decision Idaho will have to make is whether or not to continue to mirror the federal program.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 2:22 p.m.

Representative Raybould
Chair

Kaela Becklund
Secretary