

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Wednesday, February 04, 2015  
**TIME:** 8:02 A.M.  
**PLACE:** Room C310  
**MEMBERS PRESENT:** Senators Co-chairman Cameron, Keough, Mortimer, Bair, Nuxoll, Johnson, Thayn, Guthrie, Schmidt, Lacey  
Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Burtenshaw, Horman, Malek, Monks, King, Gannon  
**ABSENT/EXCUSED:** None  
**CONVENED:** Senator Cameron convened the meeting at 8:02 A.M.  
**STAFF PRESENT:** Houston

**PRESENTATION:** **DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ)**

**PRESENTER:** **Curt Fransen, Director**

To view the presentation, please click on the following link: [Department of Environmental Quality](#)

The mission of DEQ is to protect human health and preserve the quality of Idaho's air, land and water for use and enjoyment today and in the future. The Director recognized DEQ's staff and thanked them for their dedication. DEQ was created on July 1, 2000, and has six regional offices located in Coeur d'Alene, Lewiston, Boise, Twin Falls, Pocatello and Idaho Falls. As a regulatory agency, DEQ implements state environmental programs pursuant to state laws and rules. In general, Idaho's environmental programs meet the requirements of the major federal environmental protection laws including the Clean Air Act, Safe Drinking Water Act, Resource Conservation and Recovery Act, and a portion of the Clean Water Act. DEQ does not administer the National Pollutant Discharge Elimination System portion of the Clean Water Act, known as the NPDES program, which permits the discharge of wastewater to Idaho's streams, rivers and lakes. (Last year House Bill 406 directed DEQ to begin the process of obtaining authorization to administer this permit program in Idaho.) Though state programs must meet national standards, Idaho is much better positioned to also understand and meet the specific needs and interests of the state of Idaho. **Fransen** commented that DEQ's performance has a direct impact on the state, not only in the protection of public health and the environment but also in the area of economic development.

DEQ manages a broad range of activities including: 1) monitoring Idaho's air and water quality, 2) assessing environmental problems, 3) overseeing facilities that generate air, water, and hazardous waste pollution, 4) overseeing the cleanup of contaminated sites, 5) responding to hazardous materials and emergency response calls, 6) issuing permits and authorization for new and expanded businesses and manufacturing facilities, and 7) administering grant and low-interest loan programs to fund new and upgraded wastewater and drinking water systems for communities and municipalities.

The Governor's budget recommendation for FY 2016 is \$64,637,700. **Fransen** discussed additional budget items including the recommendation to remove a total of \$3,200,000 in dedicated and federal spending authority to more accurately reflect potential expenditures even though federal/dedicated fund expenditures are estimates and remain variable. He said it is difficult to project the exact amount of federal and dedicated funds that will be utilized each year due to several factors, the biggest one being the timing and amount of operating dollars that pass through DEQ each year to contractors performing cleanup work in the Coeur d'Alene Basin. There is also cleanup work being done in Southeastern Idaho due of phosphate mining. The amount of work performed each year depends on changing schedules and the amount of cost recovery funding received from the companies participating in cleanup activities. There is a recommendation for increased Employee Benefit Costs; included is a \$28,900 fund shift from federal funds to the General Fund because some of the federal grants are not able to support the increase in health insurance premiums. In the budget there is also one-time funding for several replacement items. The 3% Change in Employee Compensation (CEC) totals \$688,500; DEQ strongly supports this recommendation which will advance the Department's goal to attract and retain qualified and experienced people and reward them for their performance.

The most significant budget enhancement for FY 2016 is \$261,400 for funding for three positions in the Water Quality Division to develop an Idaho permitting program for discharges to surface waters in lieu of EPA'S National Pollutant Discharge Elimination System (NPDES) program. Currently Idaho is one of four states that does not have primacy to implement the program. Three people are currently on staff and the FY 2016 budget recommendation will provide for another three positions which will represent the beginning of a phased-in approach for building the state program, developing state capacity, and applying for state authorization. At full program build out, it is estimated the annual cost will be \$2.7 million with 26 full-time positions. Initially, General Funds will be necessary to develop this program. How the program will ultimately be funded is a major issue that needs to be considered and resolved. The Governor is also recommending \$85,200 to support a position in the Air Quality Division to assist with the development of area improvement plans and Idaho's State Implementation Plan (SIP). SIP is not a single plan or document, but the overall authorities and plans of the state that document what the state has done, is doing, and plans to do to ensure compliance with federal air quality standards.

Another budget enhancement is for \$40,000 of one-time funding from the General Fund for a research study to quantify regional, state, and local economic impacts if lake levels are lowered to accommodate downstream interests. The study relates to Lake Pend Oreille, Pend Oreille River, Priest Lake and Priest River Commission, commonly referred to as the Lakes Commission. Another budget enhancement is the annual \$1.5 million transfer from the Water Pollution Control Account to the Environmental Remediation Fund for the Superfund cleanup in the Coeur d'Alene Basin. The final enhancement for DEQ is to convert some current temporary positions to permanent positions; a total of 7 additional FTPs would be added to the FTP cap.

**PRESENTATION: IDAHO PUBLIC UTILITIES COMMISSION**

**PRESENTER: Paul Kjellander, Commission President**

To view the presentation, please click on the following link: [Public Utilities Commission](#)

The Commission was established in 1913 and statutory authority is provided in Idaho Code, Titles 61 and 62. The Governor appoints and the Senate confirms commissioners for six-year terms. The Commission's role is three-fold: assurance of adequate earnings, assurance of safe and reliable services, and establishing reasonable rates. The PUC regulates investor-owned electric, gas and water utilities, natural gas pipeline and rail safety, eight small rural telephone companies, and large telephone companies—only customer service issues, not pricing. The Commission is a dedicated fund agency and operations are funded by annual assessments set in Idaho Code, Section 61–1004.

The following rate adjustments (increases/decreases) have occurred: 1) for Avista Utilities with 124,742 customers there was no base rate increase but there was an annual Power Cost Adjustment (PCA) increase of 4.2%, 2) Rocky Mountain Power with 72,661 customers had a PCA decrease of 2.6%, 3) Idaho Power Company with 483,987 customers had an annual PCA 1% increase, an Annual Fixed Cost Adjustment (FCA) increase of 1.2%, and their revenue sharing program has continued, 4) Intermountain Gas with 327,161 customers had an annual Purchased Gas Cost Adjustment (PGA) increase of 2.6%, and 5) Avista Gas with 76,145 customers had an annual PGA decrease of 2.1%.

Regarding solar development, Idaho Power added 461 megawatts of Public Utility Regulatory Policies Act of 1978 (PURPA) mandated solar generation in 2014. The Commission is updating rates for integrating solar generation into transmission and distribution. The goal of the Public Utilities Commission is to support renewable generation at a reasonable price and integrate those resources in a manner that does not threaten reliability. Upcoming discussions will include: 1) transmission considerations, 2) demand-side management and energy efficiency, 3) distributive generation (net metering), 4) telephonic communication issues and broadband deployment, and 5) emission considerations.

The Governor's FY 2016 budget recommendation is for \$6,163,000 and includes maintenance items with increases in benefit costs, inflationary adjustments, and replacement items. There are two line items covering vacation leave for \$20,000 (one-time spending authority) and \$282,900 for the Pipeline Safety Program.

**PRESENTATION: OFFICE OF ENERGY RESOURCES (OER) , OFFICE OF THE GOVERNOR**

**PRESENTER: John Chatburn, Administrator**

To view the presentation, please click on the following link: [Office of Energy Resources](#)

The Office of Energy Resources was originally created through Executive Order (EO) in 1975, was re-established in 2007 by another executive order, replaced in 2011 and again in 2012 with EO 2012-08. The duties, powers and authorities of OER include: 1) coordinating energy planning and policy development in Idaho, 2) coordinating the State's comments on all federal energy policy issues and documents, 3) serving as Idaho's clearinghouse for energy information, 4) representing Idaho in regional and national energy policy forums and processes, 5) administering loan and financial assistance programs, and 6) coordinating the Idaho Strategic Energy Alliance (ISEA). Currently, OER's major activities include transmission projects, federal regulations, energy efficiency, participation in regional energy policy forums, biomass energy development, industrial energy efficiency awards, a program called Government Leading by Example, and the energy loan program.

Three major transmission projects include the Gateway West Transmission Line Project, the Boardman to Hemmingway Transmission Line Project, and the Hooper Springs Transmission Line Project. Federal regulations OER is involved with include the Clean Air Act 111(d) Rule regarding carbon emission standards for existing power plants, BLM hydraulic fracturing on Federal and Indian Lands, and the BLM natural gas lease sale in western Idaho. **Chatburn** also discussed his involvement in energy efficiency groups in Idaho, regional energy policy forums, collaboration with forest biomass utilization, awards given for industries that implement energy efficiency, identifying and funding energy saving measures for public buildings, and low-cost loans to residential and commercial entities for energy saving installations.

OER has an FY 2015 supplemental request for \$246,000 in spending authority to implement a federal grant for regional energy planning. The Governor's FY 2016 recommended budget is \$1,515,000. There is a line item for \$343,500 requesting spending authority to implement the second year of a federal grant for regional energy planning. Since OER is a dedicated agency no General Funds are used.

**PRESENTATION: DEPARTMENT OF WATER RESOURCES (IDWR)**

**PRESENTER: Gary Spackman, Director**

To view the presentation, please click on the following link: [Spackman: Dept. of Water Resources](#)

The Governor's FY 2016 budget recommendation was \$19,821,200, a decrease of 8.5%, or \$1,846,000 from the previous year. The Director provided a budget comparison of IDWR's budget for FY 2015 and FY 2016 highlighting the differences in the General Fund, the Aquifer Planning and Management Fund and the Northern Idaho Adjudication appropriations. Regarding Decision Unit 2, the Department requested and the Governor recommended transferring \$716,000 from the Revolving Development Account to the Secondary Aquifer Planning, Management, and Implementation Fund for the purpose of aquifer monitoring, measurement and modeling of the Eastern Snake Plain Aquifer, Wood River Valley, Treasure Valley, Rathdrum Prairie, Palouse, Lewiston and some others areas. The Director also discussed the following decision units: 1 ) Additional equipment for \$10,000, 2) \$110,800, ongoing, in spending authority from the Miscellaneous Revenue Fund to provide water master services, 3) \$64,400 for a full-time Flood Plain Management position, 4) \$175,000 for a one-time increase to the General Fund for a comprehensive review of computer applications and business processes, and 5) moving 4.24 positions and \$394,500 to the continuously appropriated Secondary Aquifer Management, Planning, and Implementation Fund to better align actual duties with funding sources. The Director asked for lump sum spending for FY 2015.

Regarding legislative audit findings, a management review for FY 2011 through FY 2013 was conducted in April and May of 2014; the Department has not received the final report. The Director is planning to implement zero-base budgeting in order to: review statutory assignments and authorities, review and revise cost center rankings, identify legislative concepts to address priorities if necessary, and identify budget decision units to address priorities. **Spackman** also discussed the Water Center and rent expenses at IDWR'S regional offices.

**PRESENTATION:**    **WATER ADJUDICATION**  
**SNAKE RIVER BASIN ADJUDICATION (SRBA)**  
**COEUR D'ALENE-SPOKANE RIVER BASIN ADJUDICATION**  
**(CSRBA)**

**PRESENTER:**        **The Honorable Eric J. Wildman, Presiding Judge**

To view the presentation, please click on the following link: [Judge Wildman: Water Adjudication Court](#)

**Judge Wildman** presented the following information on the SRBA: the Final Unified Decree was entered into on August 25, 2014. Claims are remaining in four groups: 1) 15 Interstate claims — source in Wyoming, 2) 16 claims in the Owyhee Federal Reserved Wild and Scenic area, 3) 8 Reservoir Refill claims (possibly 23 more), and 4) 2 miscellaneous claims. Post-adjudication procedure for deferrable domestic and stockwater claims is now in effect.

He also gave an update as of January, 2015 on the CSRBA. CSRBA includes Basins 91–95 with a total of 11,596 claims. In Basin 93, 553 claims were filed and 371 decrees have been issued. The projected filing date for the Director's report for Basin 92 with 905 claims is May, 2015; after that date the adjudication process will begin for that basin. Projected filing dates for the Director's report for Basin 91 with 606 claims filed is February, 2015; Basin 95 with 7,584 claims filed is July, 2016; and Basin 94 with 1,948 claims filed is November, 2015.

A summary of federal law claims filed were: Avista Corp., 2 claims; U. S. Forest Service, 9 claims; the Bureau of Indian Affairs on behalf of the Coeur d'Alene Tribe, 353 claims; there have been approximately 85,000 objections and the initial scheduling conference is February, 2015. He briefly mentioned the Palouse River Basin Adjudication and the Bear River Basin Adjudication.

**PRESENTATION:** **Idaho Water Resource Board**

**PRESENTER:** **Roger Chase, Board Chairman**

To view the presentation, please click on the following link: [Idaho Water Resource Board](#)

The FY 2015 appropriation provided \$20 million for the following projects: 1) \$15 million in one-time funds for recharge, storage, Mountain Home, northern Idaho, and the Water Supply Bank, and 2) \$5 million in ongoing funds from the Cigarette Tax for statewide aquifer stabilization with the first disbursement in July, 2015. The Eastern Snake Plain Aquifer (ESPA) is the first priority. Stabilization of the ESPA is essential to: 1) preventing future groundwater versus surface water user conflicts, and 2) meeting the State's obligation to provide minimum stream flows in the Snake River at the Murphy Gage near Swan Falls Dam. When flow at Milner Dam near Twin Falls is zero (the Milner zero flow principle) which it is for much of the irrigation season, there is still an obligation to maintain minimum flows in the Snake River 180 miles downstream at Swan Falls Dam which provides for a hydropower generation base. When the flow past Milner Dam is zero, the flow in the river is made up almost entirely of spring discharge from the ESPA through Thousand Springs. Aquifer storage and spring flow are directly correlated—as aquifer storage declines so does spring flow. Continued declines in aquifer storage and spring flows are jeopardizing the ability to meet minimum flow obligations under the Swan Falls agreement. Therefore, the ESPA must be managed to stabilize and rebuild aquifer levels and spring flows which means managed recharge needs to be increased to 250,000 acre feet per year to compensate for the 200,000 acre feet annual loss from the ESPA.

The Board has been working on a winter recharge program with canal company partners using an incentive plan so canal companies would willingly deliver water during the winter. There is enough water for recharge at Milner from November to March, and sometimes longer; above American Falls Reservoir it is limited to high-year spring run-offs due to water right priorities. Beginning the end of October, 2014, the recharge effort began by recharging 35,000 acre feet that otherwise would have spilled past Milner Dam. Even so, 130,000 acre feet went past Milner because there was no way to get the water out of the river and into the ground. The Board is working with canal companies to increase winter recharge capacity by 1) improving canal bank access roads to make them drivable during frozen/muddy conditions, 2) adding by-passes around in-canal hydro plants to keep water out of the plants during freezing conditions, 3) evaluating systems to keep ice off canal gates, 4) building out at Milepost 31 recharge basin and upgrading the concrete flume leading to the Shoshone recharge basin, and 5) working with canal companies above American Falls Reservoir to prepare for recharge deliveries if there is enough water. Also it is important to insure that both American Falls Reservoir and Lake Walcott fill and that 2700 cubic feet per second is going through the Minidoka powerplant before recharge can occur above American Falls.

**Chase** also discussed being able to reach a comprehensive settlement for the Hagerman Valley including the Rangen call. A professor at the University of Idaho estimated that proceeding with the Rangen Curtailment would cost Idaho's economy between \$200 million to \$300 million. The Board is proposing that groundwater users pay for below-the-rim mitigation projects while the State undertakes stabilization of the Eastern Snake River Plain Aquifer and spring flows. The IWRB assisted the groundwater users by: 1) providing a loan for \$1.26 million for the Magic Springs Pipeline to deliver replacement water to Rangen which should be online to meet the Court's February 7, 2015 deadline, 2) the Board has already acquired the Aqua Life Hatchery from the Parks and Recreation Department for a total cost of \$1.885 million; IWRB then leased the land to the ground water users on a long-term lease to provide a replacement to Seapac for pulling water away from Magic Springs to deliver it to Rangen, and 3) planning to finance several additional mitigation projects in the Hagerman Valley to address other water calls and water shortages.

The Board is: 1) working to develop a replacement water supply for Mountain Home Air Force Base in order to eliminate use of declining ground water, 2) completing the purchase of senior Snake River water rights from the Simplot Company (the State would stay in control of the water rights), and 3) discussing with the Air Force the best way to finance and build a delivery system. It is estimated that Mountain Air Force Base accounts for approximately \$1 billion of economic activity.

The IWRB has partnered with the Rathdrum Prairie Aquifer communities and the University of Idaho to determine future water needs from the aquifer which feeds the Spokane River. A water demands study will provide information needed to move forward with water right applications in advance of Washington's instream flow right. Another study determined that ground water pumping in Washington had the most impact on flows in the Spokane River.

\$5 million in ongoing funds from the Cigarette tax funds is to be used for statewide aquifer stabilization because the Board realizes other areas of the state have needs. The Board is working on an evaluation process and anticipating involvement in the Big Wood River, Treasure Valley and the Palouse in the next year. **Chase** also updated the Committee on the following storage projects: Weiser-Galloway, a new 750,000 AF reservoir; enlargement of Island Park Reservoir by 30,000 AF; and enlargement of Arrowrock Reservoir by 300,000 AF.

The Governor's office has requested the Water Board to 1) develop a water sustainability policy, 2) work to ensure water supplies are available for existing uses, for future growth, and for environmental purposes, and 3) research the trend of switching to higher water-use crops on existing acres.

**ADJOURNED:**

There being no further business, Senator Cameron adjourned the meeting at 11:06 A.M.

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Senator Cameron  
Chair

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Peggy Moyer  
Secretary