

**MINUTES  
ENERGY, ENVIRONMENT AND TECHNOLOGY  
INTERIM COMMITTEE  
FRIDAY, OCTOBER 6, 2006  
9:30 A.M.  
DOUBLE TREE RIVERSIDE  
BOISE, IDAHO**

The meeting was called to order at 9:40 a.m. by Cochairman Senator Curt McKenzie. Other members present were Senator Patti Anne Lodge, Senator Tom Gannon, Senator Russ Fulcher, Senator Kate Kelly, Senator Elliot Werk, Cochairman Representative George Eskridge, Representative Eric Anderson, Representative Bert Stevenson, Representative Ken Andrus, Representative Bob Nonini and Representative Elaine Smith. Adhoc members present were Representative Wendy Jaquet and Representative Mark Snodgrass. Senator Mike Jorgenson and Representative Maxine Bell were absent and excused. Staff members present included Mike Nugent, Paige Alan Parker and Toni Hobbs.

Others present were Russ Hendricks, Farm Bureau; Ken Miller, Northwest Energy Coalition; Peter Richardson, Industrial Customers of Idaho Power; Gary Gould, Shoshone Bannock Tribe; Glen Pond, Rocky Mountain Power/Pacificorp; Representative Sharon Block, District 24; Dar Olberding, Idaho Grain Producers/Ridgeline Energy; John J. Williams, Bonneville Power Administration; Wendy Eklund, Cool Boise; Neil Colwell, Avista Corporation; Mike Hecklar, Windland, Inc.; Marilyn Whitney, Idaho National Laboratory; Gerry Galinato, Idaho Energy Division; Rich Hahn, Idaho Power; Kelci Karl-Robinson, Idaho Association of Counties; Ron Williams, Idaho Consumer Owned Utilities; Eric Cutter (by telephone) and Arne Olson, E3; Ken Harward, Idaho Association of Cities; John Freemuth, Boise State University/CAES-EPI; Ken Eklund, Idaho Department of Water Resources Energy Division; Stan Boyd, Ridgeline Energy; Gary Seifert, Idaho National Laboratory; Jess Byrne, Department of Environmental Quality; Russell Westerberg, PacifiCorp; John Eaton, Idaho Association of Realtors; Brenda Tominaga, Idaho Irrigation Pumpers/Idaho Ground Water Association; Ron Law, Idaho Public Utilities Commission; Gerald Fleischman, Idaho Energy Division; Rich Rayhill, Ridgeline Energy; Bill Eddie, Northwest Energy Coalition; and Bob Neilson, Idaho National Laboratory.

After opening remarks from the cochairmen, Representative Anderson moved that the minutes from the last meeting be approved. Representative Stevenson seconded and the minutes were approved unanimously.

**Mr. Arne Olson** from E3 was introduced to review policy objectives the committee had discussed and agreed upon at an earlier meeting. This complete PowerPoint presentation is available at the Legislative Services Office. He explained that these draft policy objectives were

used to help frame the work of the subcommittees.

The five main categories of policy objectives include:

- C 1. Reliability and Stability
- C 2. Low-Cost, Affordability
- C 3. Environment, Conservation
- C 4. Jobs, Economy
- C 5. Flexibility

**Mr. Olson** developed these categories using objectives that were identified by committee members during the July meeting. The idea was that, as the committee progressed, each of these objectives would have policy statements and action items developed.

Draft Policy Objectives derived from these categories are to:

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

In response to a question from **Representative Jaquet** regarding how broad certain topics were, it was decided that since this will be the Idaho Energy Plan, the objectives would focus more on how they will benefit Idaho.

## **Subcommittee Reports**

### **Generation Subcommittee**

**Representative Anderson** spoke for this subcommittee. He noted for the record that the report includes both consensus and nonconsensus items that were discussed. This complete PowerPoint is also available at the Legislative Services Office.

**Representative Nonini** moved to approve the subcommittee minutes from their September 18 meeting. **Senator Werk** seconded and the minutes were approved unanimously.

Consensus policy statements agreed upon by the Generation Subcommittee include:

- C Resource Priority
  - 1. When acquiring resources, Idaho should give priority to conservation, energy efficiency and demand response; renewable resources where applicable; and all

other resources.

2. The Idaho PUC shall ensure that its regulatory policies provide utility and ratepayer incentives that are consistent with this priority order.

C Resource Diversity

3. Idaho utilities shall acquire reliable, diverse, cost-effective and environmentally sound resource portfolios sufficient to meet their customer's long-term electricity needs.

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

5. 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.

C Transmission

6. Idaho utilities should have the ability and the appropriate incentives to construct transmission facilities that are needed to provide reliable, low-cost energy service to their customers, access to regional markets, and access to a diverse set of resources.

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

C Environment

8. The Idaho PUC and Idaho utilities should place a high priority on technologies that reduce emissions of harmful pollutants and minimize water consumption.

9. Idaho and Idaho utilities should prepare for the possibility of federal regulation of greenhouse gas emissions.

Their report includes this footnote on affordability.

C "There was strong support for the following policy statement directed at universal affordability:

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

C This policy statement was not approved because the subcommittee felt it was too far afield from its charter to examine conventional and renewable generation sources. However, the subcommittee wished to ensure that the issue of affordability was considered by the full Interim Committee."

**Consensus Action Items**

C Idaho utilities shall acquire all conservation that is cost-effective from the perspective of Idaho citizens.

C Idaho should ensure that its public facility procurement rules provide appropriate incentives to allow full implementation of cost-effective energy efficiency and

- small-scale generation at public facilities.
- C Idaho should provide incentives for Idaho utilities to invest in “clean coal” facilities rather than conventional coal facilities.
- C Idaho and Idaho utilities should work with INL to investigate the feasibility of bringing the “next-generation” nuclear facility to Idaho.
- C Idaho should examine whether it is appropriate to opt-in to the EPA mercury cap and trade program for the purpose of attracting a “clean coal” facility.
- C Idaho should offer an income tax credit for investment in energy efficiency and small-scale generation by Idaho businesses.
- C Idaho should provide a credit backstop to enable Idaho Energy Resources Authority to provide financing for independent renewable projects.
- C Idaho utilities shall offer voluntary “green pricing” programs that allow customers to support environmentally preferred and renewable energy resources.
- C Idaho should participate in regional efforts aimed at increasing the capability of the western transmission grid and bringing to Idaho the benefits of cost-effective remote resources.
- C [Idaho should enhance the ability of the Idaho Energy Resources Authority to provide low-cost financing to Idaho utilities for needed transmission upgrades.]  
Note: the subcommittee asked that this item be placed in brackets because there wasn’t enough time to achieve consensus on the meaning of the word “enhance.”
- C Idaho should investigate the use of “dry cooling” technology for new thermal facilities.

**Senator Kelly** asked how the subcommittee defined “consensus.” **Representative Anderson** said the consensus items had unanimous support but the subcommittee did not actually vote on each item.

In response to a question from **Representative Eskridge** regarding the definition used for cost-effectiveness, **Senator Gannon** said that was addressed in general terms and they used the IRP process or quantifiable cost as their definition.

**Senator Werk** asked why they are limiting small scale generation to public facilities and small businesses. **Representative Anderson** said municipalities were included as public facilities for power production. **Mr. Olson** agreed that the subcommittee was thinking of state/county/city owned buildings recognizing that sometimes there are barriers written into procurement rules for how these entities buy equipment. He said that they are regularly required to take the lowest first cost when purchasing equipment rather than the equipment that would provide the greatest life cycle cost. He added that the action item calls for an income tax credit for businesses because there is already a tax credit for households for some types of energy generation.

There was discussion regarding previous legislation dealing with energy efficiency and schools and whether the term “public facility” be further defined. **Representative Anderson** said that these were just broad action items and that was too much detail at this time. **Senator Kelly** commented that this issue does overlap with the conservation committee scope. **Senator Gannon** commented that schools are required to put 2% of their budget toward maintenance and

that seems to have punished some school districts that are participating in energy conservation programs and needs to be refined.

### Nonconsensus Items

- C Idaho should establish voluntary targets for the acquisition of high-priority resources by Idaho utilities.

**Representative Anderson** explained that the subcommittee recommendation in this instance would be that the state not require mandatory renewable portfolio standards (RPS).

- C The Idaho PUC should allow recovery of the incremental cost of “clean coal” facilities relative to traditional coal steam facilities where the benefits to Idaho citizens outweigh the additional costs.
- C The Idaho PUC should determine the appropriate treatment of wind energy Qualifying Facilities as quickly as possible and return the maximum limit on PURPA Qualifying Facilities to 10 MW.
- C Idaho utilities shall report annually the source of electricity sold to retail customers (their “fuel mix”). *Note: this proposed action item had support among some subcommittee members.*
- C Idaho utilities shall offer net metering to facilitate investment in small-scale renewables by residential and small commercial customers.
- C Idaho utilities shall adopt the IEEE 1547 Standard for Interconnecting Distributed Resources with Electric Power Systems. *Note: this proposed action item had support among some subcommittee members.*
- C The state shall develop a uniform, statewide policy for insurance, credit and other requirements for net-metered facilities.
- C The Idaho PUC should investigate and report on mechanisms that provide utilities with appropriate incentives for construction of needed transmission facilities.
- C Idaho should create the Idaho Transmission Authority with a mandate to construct, own and operate transmission facilities that benefit Idaho ratepayers.
- C Idaho should establish and maintain an inventory of greenhouse gas emissions.
- C When evaluating resource investments, Idaho utilities should consider the full cost to Idaho citizens, including non-monetized “externalities.” *Note: this proposed action item had support among some subcommittee members.*

In response to a question from **Senator Fulcher** as to the sources of energy referred to as renewable energy in the first nonconsensus item, **Representative Anderson** said those include wind, biomass, geothermal, low-impact hydro and solar. Nuclear is not considered renewable under that definition.

**Representative Jaquet** asked, since the subcommittee did not recommend renewable portfolio standards, whether they discussed incentivizing those that achieve specific targets.

**Representative Anderson** said not under the renewable portfolio standard issue. He said they did talk about incentives in other areas. **Representative Jaquet** asked if other states have offered incentives for achieving more than the voluntary goal. **Mr. Olson** said there are a variety of things states could do to provide incentives. He said the PUC could establish a target

and if it is met, utilities would get a boost on their return in equity. The subcommittee was uncomfortable setting targets so they did not talk about incentivizing to meet targets.

**Representative Jaquet** suggested asking the PUC to study this issue. **Senator McKenzie** said that, in his opinion, the committee should only deal with consensus issues at this time rather than trying to pursue issues that divided the subcommittees. **Senator Kelly** said that renewable portfolio standards are an important issue and since other states are using them, she does not want to dismiss it completely. **Senator Gannon** said it was brought to the subcommittee's attention by the utilities and the PUC that just because renewable portfolio standards are not set, that does not mean utilities do not have them. The point of subcommittee recommendation is that it is not necessary to mandate them. Idaho utilities are not ignoring renewables.

**Representative Anderson** said there was discussion and testimony from the utilities and the PUC that gave the impression that renewables are being included in IRPs so there is no need to mandate.

**Representative Jaquet** commented that there is a consensus item to provide incentives for coal. She asked whether there is a way to provide incentives above and beyond IRP goals and that she would like further discussion of this at some point.

In response to a question from **Representative Eskridge** regarding nonconsensus items, **Mr. Olson** said that most nonconsensus items had some support. He explained that if there was more significant support, they put "had support of some committee members" off to the side of the item. **Senator Gannon** noted that one significant idea is that the subcommittee did not try to fix things that were not broken.

**Representative Jaquet** said she would also like to discuss non-monetized externalities at a later date. **Senator McKenzie** agreed but stated that the committee needs to focus on what the energy plan will look like.

**Representative Jaquet** said that Ketchum and Sun Valley are pursuing strategies to become energy independent and asked whether the report has any consensus that would stop them from doing so. **Senator Gannon** said no and that consensus action item #8 actually encourages this.

**Representative Eskridge** asked whether the report contains anything prohibiting a municipality from forming its own utility. **Mr. Ron Williams** said that goes back to the Idaho Constitution and what cities are allowed to do as well as to the Electric Stabilization Act and that it is very complicated.

**Dr. John Freemuth, Center for Advanced Studies Energy Policy Institute**, spoke to the committee regarding a survey that was proposed at an earlier meeting. He stated that money is now available for that survey and that the Energy Policy Institute wants to work with the committee in order to make sure proper questions are asked. **Representative Nonini** asked about the funding source. **Dr. Freemuth** said the funding is part of a federal grant from the Department of Energy that is a congressional earmark for the Center for Advanced Studies.

**Representative Nonini** asked whether this survey is just for Idaho. **Dr. Freemuth** said yes. **Representative Nonini** asked whether the formation of questions for the survey will include input from utilities and cooperatives and the like. He stated his concern that survey questions can be tweaked to get answers the surveyors want. **Dr. Freemuth** agreed that they need to make sure the questions are relevant. **Representative Eskridge** also voiced his concern with how the questions are asked. **Senator Lodge** asked whether the committee would be able to review the questions before they are put out to the public. **Dr. Freemuth** said yes that would ensure collaboration and trust.

**Representative Anderson** said there is a Bloomberg LA Times survey that has just been completed and that he thinks that would be beneficial since it was a national survey on energy. He suggested that tracking and matrixing those questions to those in Idaho would be a good way to see where Idaho stands compared to the rest of the United States.

**Representative Smith** asked about the time frame for this survey. **Dr. Freemuth** said that was open to question at this time. He said once the process begins, they usually have several months. **Senator McKenzie** commented that this committee needs to decide its time frame today and how that will fit in with the survey. **Representative Eskridge** said he appreciates the offer and would like the committee to take advantage of the information gathered from the survey.

**Representative Sharon Block** asked if questions from the audience on the subcommittee reports would be taken. **Senator McKenzie** said he did not anticipate that but said after all of the reports are completed, audience members would be allowed to weigh in.

#### **Conservation and Demand Side Management Subcommittee**

**Senator Lodge** explained that this subcommittee studied the Western Governor's Association Plan titled "Clean Energy, A Strong Environment and A Healthy Environment." She noted that subcommittee member David Hawk from the J.R. Simplot Company had participated in development of that plan. They also studied the Nevada Energy Plan since Nevada is similar to Idaho in that they also lack energy generation sources.

**Senator Lodge** said the subcommittee also discussed building and energy codes in Idaho. She said there seems to be a problem with enforcement of the 2003 Uniform Building Code and with training of local building inspectors. There are various stakeholders working with the Division of Building Safety about the proper mechanisms necessary to adopt and enforce building and energy codes.

The subcommittee discussed whether other public buildings should be built with a more stringent code than other private structures. **Senator Lodge** said that some people were concerned that local building officials are not being trained sufficiently for building and energy code construction oversight. The subcommittee decided that any legislation that might be adopted regarding conservation and demand side management needs to have strong educational and incentive packages. Below are several options the committee thought would help achieve energy efficiency.

- C 1. Do nothing as the market place will cause energy efficiency.
- C 2. Tax credits for persons or entities constructing up to a certain standard or retrofitting a building.
- C 3. Mandates on utilities or consumers.
- C 4. Set up funds for the education component with moneys coming from assessments on utility bills or the general fund.
- C 5. Incentives for new home construction.
- C 6. Income tax deductions for homes built to certain energy rating or existing homes that are retrofitted.

**Senator Lodge** said that with the absence of mandatory energy codes, it was felt that income tax deductions might be a step to provide incentives for energy conservation and demand side behavior.

- C 7. Allow deductions for the purchase of energy star appliances and energy efficient light bulbs.

A presentation given from Albertson's indicated that a new store in Worcester, Massachusetts would save 112,000 gallons of water and 11% on its annual energy production. The new Ada County Courthouse also includes many energy-saving features.

**Senator Lodge** stated that the subcommittee reached consensus on the following:

#### Policy Statement

- C In order to protect and enhance Idaho's quality of life, it is incumbent on all citizens to use Idaho's precious natural resources, including energy, in a wise and responsible manner.
- C The meaning of the wise use of energy sources is captured in the understanding that each unit of energy which is not used, or is used more efficiently has a positive effect on current cost and the availability of energy for future generations. Through leadership, education, communication and action the citizenry will leave a legacy of the acceptance of energy responsibility to Idaho, neighboring states and emerging economies.

#### Action Items

- C The Idaho PUC should encourage all Idaho utilities to fully incorporate cost-effective conservation, energy efficiency and demand response as the priority resources in their IRP planning.
- C On a three-year cycle, the State of Idaho should adopt international building codes as a minimum for building energy efficiency standards.
- C Market transformation programs should be supported if accountable as found by the IPUC.
- C There is a role in rate design that encourages energy efficiency.

**State Government's role - The state will:**

- C 1. Demonstrate leadership by promoting energy efficiency, energy efficient products, use of renewable energy and fostering emerging technologies by dramatically increasing

- energy efficiency in all facets of state government.
- C 2. Collaborate with utilities, regulators, legislators and other impacted stakeholders to advance energy efficiency in all sectors of Idaho’s economy.
  - C 3. Work to identify and address all barriers and disincentives to increased acquisition of energy conservation and efficiency processes and providers.
  - C 4. Educate government agencies, the private sector and the public about the benefits and means to implement energy efficiency.
  - C 5. Consider the situation and ensure there is monitoring and feedback to ascertain what is working with the state energy policy. There needs to be an evaluative process to keep the plan effective.

**Representative Jaquet** asked if item #3 under the state government’s role could have the words “provide incentives for” added to it. **Senator Lodge** agreed.

**Representative Jaquet** commented about a presentation given by Avista that talked about problems they have in not being able to provide assistance to help people pay their energy bills. She asked whether this subcommittee discussed low-cost energy assistance. **Senator Lodge** said no because they were focusing on conservation, not assistance. **Senator McKenzie** noted that the generation subcommittee had that (affordability) as a statement in their report but no one is sure where that fits in.

**Senator Kelly** said the subcommittee did discuss including weatherization programs to provide low-income households with incentives to make homes more energy efficient. She said the subcommittee found that, in terms of mandating conservation, there are not a lot of incentives and there is great opportunity to look at that. She added that building codes need to be looked at in terms of enforcement and implementation. The subcommittee would like to see more focus on that.

**Representative Stevenson** said, in regard to forgiveness of power bills, that in his opinion this should be the responsibility of county commissioners because they identify who qualifies. He said he does not think this belongs in a state energy plan. **Representative Jaquet** asked why Avista would say this was a problem. **Mr. Neil Colwell** from Avista commented that he was not sure what **Representative Jaquet** was referring to. He said that Avista was not opposed to legislation that was introduced last year that provided assistance for low-income people. He said that currently when people do not pay their bills, Avista tries to reduce the loss but in filing rate cases with the PUC there is a line item for uncollectibles. Other customers do end up paying for this. He noted that other states do have programs to help people not able to pay. **Mr. Ken Estep** from Power County said he thinks State Code says how much assistance a person can qualify for. **Senator Lodge** clarified that the Legislature passed the State LIHEAP program last year to help low-income people pay for power bills. **Representative Eskridge** said that was correct.

**Representative Eskridge** voiced his concern that the committee should be developing energy policy aimed at developing or acquiring resources in a cost-effective manner. In his opinion, this is getting too involved in other areas that are too detailed and are outside of the actual charge of

the committee. **Representative Jaquet** said she wants to make sure that the state protects low-income people who are unable to afford power.

**Representative Anderson** asked when the state adopts building or energy standards, what happens in counties that do not have building departments. **Senator Gannon** explained that State Code says if a county is going to adopt the state building codes, these are the rules. Some counties have not adopted any building codes. The subcommittee felt this was part of an education issue. He noted that it took two years for the Legislature to pass legislation to adopt building codes because many counties do not want to deal with them. He said there are also counties that collect building fees but do not do inspections. **Representative Anderson** commented that Bonner County does not have building codes or inspections but they can still build energy star homes and so on. He asked if a county adopts the building code, where is the enforcement. **Senator Gannon** said that the state has already adopted the International Building Code and that the subcommittee realized that there is a problem with implementation and enforcement in various Idaho counties. He said their statement encourages Idaho to continue to adopt the latest version of the International Building Code every three years.

**Mr. Ken Baker**, K Energy Consulting, said that Kootenai County has more stringent codes in place. **Mr. Estep** said that if the state makes compliance more strict, it needs to give a grace period to smaller counties to get in compliance. **Representative Eskridge** clarified that currently if the state adopts international building codes, local jurisdictions have the option to do so also; they can also choose to adopt stricter standards or none at all. **Senator Gannon** said that was correct. **Senator Kelly** said the subcommittee had no intention of changing the status quo. They just wanted to acknowledge that there is a need to help educate counties about the codes.

In response to a question from **Senator McKenzie** regarding what agency should be responsible for monitoring and feedback of the energy plan, **Senator Lodge** said the subcommittee thought the Energy Division was the best place.

**Senator Lodge** commented that the subcommittee realized that in order to get energy efficiency, mandates might be necessary but they tried to lean more toward incentives. **Senator Kelly** said the subcommittee also looked for ways to encourage a culture that is conscious of energy issues and energy conservation so that in the long run the savings are even greater.

**Representative Jaquet** asked whether schools would fall under all facets of state government or under all sectors of Idaho's economy. She voiced concern that schools are being included. **Senator Lodge** said the subcommittee discussed schools and heard a report that building inspectors in Nampa are working with local school districts in the planning and constructing of new schools. This report also said that there was a school in Rigby that was having to be remediated because it was not built up to code. **Senator Lodge** said the subcommittee wanted to encourage all schools and public buildings to build according to the highest energy codes possible.

## **Siting Subcommittee**

**Representative Snodgrass** explained that the subcommittee members felt that information that had been received on the issue of generation siting authority had been sufficient. The members stated that generation siting authority was a direction they choose not to pursue and that another meeting was not necessary.

**Representative Snodgrass** reviewed the recommendations and motions that were passed during the August 21, 2006 meeting. He said that a presentation was given regarding siting transmission lines and how state authority could be usurped by the Federal Energy Regulatory Commission pursuant to Section 1221 regarding National Interest Corridors. As a result, the subcommittee passed a motion in support of drafting legislation and rulemaking to allow the creation of a transmission siting authority within the Idaho PUC that would be created and exist only to deal with this specific situation. **Representative Snodgrass** said that the subcommittee asked **Mr. Paul Kjellander**, Idaho Public Utilities Commission, to undertake the initial draft of possible legislation to facilitate this.

**Mr. Kjellander** distributed a memo that includes a copy of this draft legislation addressing the siting of transmission lines in national interest electric transmission corridors. He said this has been circulated to various utilities and to representatives of municipal governments for feedback. He said in reviewing the legislation, it attempts to provide for local entities to try to control siting of transmission done through a federal FERC backstop as it relates to national interest electric transmission corridors. It requires these local entities to update their comprehensive plans and to work together with state agencies to “connect the dots” between the 368 corridors that are being developed today by the Department of Energy. It is understood that these specific corridors will likely be targets for national interest corridors. He said doing this in advance could alleviate a lot of eminent domain issues once corridors are identified and that recognizing where the corridors are can also help avoid issues dealing with private property rights. **Mr. Kjellander** said this document does not include how state agencies should be treated regarding transmission corridors. He added that if this legislation were approved, the PUC would be a very limited transmission siting authority only in the instance in which the Secretary of Energy were to designate a national interest corridor.

**Representative Snodgrass** continued reviewing the subcommittee actions.

The subcommittee passed the following motions:

- C That a memorial be drafted supporting an amendment to the Internal Revenue Code regarding the private activity definition.

This definition deals with supporting legislation that would provide tax exempt status for bonds issued by state agencies that expand interstate transmission or pipeline capacity.

- C That legislation be drafted to provide a sales tax exemption for materials used in transmission facilities or distribution lines.
- C That the State Energy Plan should have language to develop pertinent incentives to have long-term investment in transmission facilities.

The final motion the subcommittee passed involves the following bullet points. These were

considered to be possible consensus points.

- C The state should not create another layer of bureaucracy for purposes of a siting authority.
- C There should not be both a state and local energy facility process that could result in project disapproval (the intent of this is that they not conflict with one another).
- C The state should take advantage of existing processes and agencies to the maximum extent.
- C The energy facility siting process should ensure that energy facilities can be sited in Idaho under public oversight.
- C A state process, if there is one, should be a backstop to existing local processes.
- C Incentivize low-water consumption as part of siting.

The substitute motion involving these bullet points that was voted on is as follows:

**These (bullet points) represent the current processes in siting in Idaho that the subcommittee believes should be contained in any change to the current siting process. The bullet points represent the current siting process and the subcommittee recommends no change to the siting process.** The motion passed by a seven to three vote.

**Representative Eskridge** asked whether the incentives offered for electric transmission could also include gas and oil transmission and transportation infrastructure. **Representative Snodgrass** said that would be appropriate but the subcommittee did not specifically discuss that. He said the idea was to incent several different transmission mechanisms. **Senator Werk** said the subcommittee tried to focus on incentivizing behaviors that would not otherwise occur. He cautioned offering incentives for actions that will take place no matter what.

**Representative Jaquet** commented that the generation subcommittee recommended an incentive for clean coal but there is nothing in the siting report regarding siting of anything. She said since it is an action item in the generation report, in her opinion, it needs to be discussed in the siting report also. She said that if generation is incented, siting will be important. **Senator Fulcher** said this was not unanimous but the subcommittee decided that the existing siting process should not be changed at this time except that the PUC would have backstop authority if necessary after local jurisdiction authority had been exhausted. They did not identify specific locations for siting. In response to another question from **Representative Jaquet**, **Senator Fulcher** explained that the PUC would only get involved in siting as a last resort even for merchant plants. **Senator Kelly** asked whether cross-jurisdictional siting issues were discussed as far as local authority. **Representative Snodgrass** said yes and this is an area where the PUC authority might come into play. He said the PUC would need the ability to trump certain decisions in these types of cases. He said they did not study a lot of specific instances. **Representative Snodgrass** added that the subcommittee did not want to create a separate authority that could trump local authorities until there is a problem.

**Representative Smith** said she would feel more comfortable with a specific recommendation that the issue of a siting authority could be discussed and reviewed in the future as changes occur. **Senator McKenzie** said that is something the full committee could discuss.

**Representative Eskridge** stated that the ultimate goal of the plan is for it to be flexible and that policies can be changed as necessary. **Representative Smith** said she would like to see that specifically included rather than just assuming that it is so.

**Senator Werk** asked what the timeline was for Sempra from when it was proposed before it got to the Legislature. **Representative Stevenson** said the first talk of Sempra was about 18 months before they pulled out. He said the document for the actual plant design was never submitted.

### **Natural Gas and Transportation Fuels Subcommittee**

**Representative Stevenson** presented this report. The complete PowerPoint version is available from the Legislative Services Office. He began with background information on alternative fuels and stated that Idaho's relative strength is in biodiesel and cellulosic ethanol. He said there are six states that have adopted renewable fuel standards and more than 23 states have some type of incentives.

**Representative Stevenson**, in comparing ethanol to gasoline, said that ethanol price spikes and shortages have been a concern and that prices have fallen with increased production. The subcommittee discussed the fact that incentives should be tied to the ethanol-gasoline price differential. The subcommittee agreed that a fixed incentive for ethanol makes little sense, given volatile ethanol and gasoline prices. The price of ethanol relative to gasoline is heavily dependent on corn harvest, level of ethanol production, price of gasoline, incentives and mandates. According to industry observers, roughly 90 to 95% of ethanol is sold under long-term contracts (6 to 12 months). Many of these contracts are fixed price, while some are indexed to the price of gasoline.

**Representative Stevenson** said that the subcommittee learned that ethanol blended fuel cannot use existing distribution infrastructure. Ethanol must be transported separately and blended at the "rack," the distribution center where retail stations take delivery of gasoline. Refitting an existing pump to use E-85 costs about \$5,000, while installing a new pump can cost about \$18,000. He said the major oil companies argue that they have made substantial investments in branding and quality control for their gasoline. Allowing stations to mix ethanol threatens quality. Some argue that a mandate or renewable fuel standard is necessary to create demand and that absent a mandate, station owners and alternative fuel producers cannot justify investment in new facilities and equipment. Others want to avoid mandates and rely on voluntary incentives.

A biofuels working group enumerated the following recommendations that were not adopted by consensus:

- C Provide Grants to retailers for biofuels infrastructure
- C Provide investment tax credits for biofuels production, transportation and distribution infrastructure
- C Promote a culture of conservation
- C Provide a counter-cyclical biofuels production incentive that supports the industry when wholesale prices for biofuels decline below certain levels
- C Support a flexible fuel vehicle state fleet pilot project

C Provide incentives to livestock feeders to use ethanol plant byproduct for feed

**Mr. Steve Thomas and Mr. Russ Hendricks** had discussed the results of the Biofuels Working Group at an earlier meeting of the committee. The group developed the above six recommendations pertaining to biofuels for the State Energy Plan. However, the group failed to reach consensus on advocating for a renewable fuel standard. Some working group members would only support the six recommendations with the agreement that no working group member would pursue additional proposals before the state Legislature, including a renewable fuel standard, for five years. Other working group members felt that such a commitment would be too restrictive and that a renewable fuel standard or other measures may prove necessary for the development of a viable biofuels market in Idaho.

**Representative Stevenson** said, in providing background information on petroleum and transportation, that there was general agreement that Idaho should diversify its fuel supply, given its reliance on out-of-state refineries and full utilization of existing capacity. Several argued that primary emphasis should be placed on conservation, which can achieve significant, cost-effective savings. Others supported emphasizing conservation as long as new supply and infrastructure development were also encouraged.

The subcommittee felt that Idaho can benefit from the experience of other states (WA, OR, CA) that have implemented more aggressive fuel conservation and public transportation programs in recent years. Support for public transportation should be included, though the committee felt additional input on existing efforts at various agencies and commissions was needed. The direct option tax (allowing local governments to propose tax measures) is a related issue that will face the Legislature.

He added that truck idling has gained attention in other states and should be addressed in Idaho as well. Attention should also be given to efficiency in school buses, local government fleets and state fleets.

The PowerPoint contains more detailed information of what other states have adopted.

**Representative Stevenson** said that the subcommittee learned more about natural gas from several speakers. He said that many of the speakers supported promoting the best end use of natural gas. In particular, well-to-end-use efficiency supports replacing electric heating with natural gas. There was widespread agreement that gas fired generation will continue to be necessary for peaking capacity. Some argued that base load electric generation is not the best use of natural gas; more BTU's are captured in direct end use and industrial applications. Others cautioned that utilities need the flexibility to respond to changing conditions and that placing limits on the use of natural gas has proven problematic in the past. It was left that it is best for the state to articulate goals promoting the best or most efficient use of natural gas without placing express limits on its use.

It was generally argued that new supply (LNG, unconventional) anywhere in the U.S. will help

Idaho in a well-integrated market, though Idaho should support west coast projects in particular. Some interest was expressed in addressing potential infrastructure constraints as pipeline expansions move historically captive supply eastward.

Subcommittee recommendations for alternative fuel include:

- C It is in the interest of Idaho to promote the production and use of alternative fuels through policies, strategies and actions that are cost-effective and environmentally sound. In adopting incentives and other measures the state should consider the benefits to economic development, security, reliability, environmental protection and public health.
- C Incentives may include, but are not limited to, tax deductions, tax exemptions, tax credits, loans, loan guarantees, grants, and parking and HOV lane privileges. Potential measures may include, but are not limited to:
  - C Encouraging state fleet purchases and use of efficient, flex-fuel and alternative fuel vehicles
  - C Incentives for alternative fuel feedstock providers and producers located in Idaho
  - C Encouraging future development of cellulosic ethanol production in Idaho
  - C Incentives for the purchase and use of efficient, flex-fuel and alternative fuel vehicles
  - C Incentives for retail and wholesale alternative fuel supply infrastructure
  - C Incentives for the sale and purchase of alternative fuels
  - C Promoting research and development and business-university partnerships to speed the commercialization of alternative fuel technologies
  - C Encouraging education and promotion campaigns for alternative fuels

Transportation fuel and efficiency recommendations:

- C It is in the interest of Idaho to promote conservation and efficiency as a means of improving the reliability and cost of Idaho's transportation fuel supply and reducing transportation related emissions. Potential measures may include but are not limited to:
  - C Working with other states to promote an increase in Federal CAFÉ standards
  - C Incentives for the purchase of efficient, flex-fuel and alternative fuel vehicles
  - C Promoting the use and expansion of public transportation where effective in reducing vehicle miles traveled, including intercity transportation where feasible
  - C Promoting the reduction of truck and tour bus idling
  - C Encouraging the use of rail and intermodal freight transportation where feasible
  - C Encouraging regional land use planning and policies that minimize vehicle miles traveled

Natural Gas Recommendations:

- C It is in the interest of Idaho to employ the highest and best use of natural gas and to ensure that Idaho consumers have access to an abundant and reliable supply from diverse and varied resources. Potential measures may include, but are not limited to:
  - C Encouraging the highest and best use of natural gas
  - C Encouraging direct end use in applications for which natural gas is the most efficient energy source

- C Encouraging, where appropriate and cost-effective, the use of natural gas vehicles for company and/or state owned fleets
- C Promoting non-traditional natural gas supply resources, including landfill methane, anaerobic digesters, and biomass methane
- C Supporting responsible exploration and production of natural gas supplies and the expansion of the transmission, storage and distribution infrastructure
- C Supporting the siting of liquid natural gas terminals and other infrastructure in the United States to provide delivery capability to Idaho

Petroleum Recommendations:

- C It is in the interest of Idaho to support responsible exploration and production of petroleum supplies and the expansion of transmission, storage and distribution infrastructure benefitting Idaho.

In response to a question from **Senator Werk** regarding the alternative fuel recommendations, **Representative Stevenson** said the subcommittee was not specific on how much or on the type of incentive to be offered. **Senator Kelly** noted that the wording in the recommendations says “may include but not be limited to.” **Senator Werk** informed everyone about a “Consumer Reports” article on ethanol and alternative fuel vehicles. He said it was very interesting.

**Committee Discussion**

**Senator McKenzie** explained that a drafting subcommittee would be formed to take the recommendations from each subcommittee and to come up with a plan. The subcommittee will not make any actual policy decisions but will start a process as to how to implement the policy decisions. The draft this subcommittee develops will be brought back to the entire committee for discussion.

It was decided that both cochairmen of the full committee, Senator Gannon, Representative Bell, Senator Kelly and Representative Jaquet will be on the drafting subcommittee. This subcommittee will meet on October 30, 2006.

**Senator Werk** clarified that the consensus items from the subcommittee reports will form the basis for the initial draft and the full committee will look at that and make adjustments. **Senator McKenzie** agreed and said they can still discuss items that were not consensus items at a later time but, in his opinion, the plan needs to include consensus items already discussed.

The next meeting was scheduled for November 15, 2006 at Templin’s Red Lion in Post Falls, Idaho.

**Representative Block** asked when the public would have input in the document. **Senator McKenzie** said, in his opinion, this was done through the subcommittees that included citizens as part of the membership and other committee meetings. He said that the survey done by the Energy Policy Institute will be used as part of the public comment for the document. **Senator Werk** said that it was his understanding that the plan will be presented through the standing

committees of the Legislature. As he sees it, a series of public hearings would be held after the legislative session and to take comment on the plan before it is finalized. **Senator McKenzie** added that the public can also testify on the plan before the standing committees.

**Representative Block** asked for more information on the backstop authority given to the PUC. She asked, for example, if a county were to approve a proposal for a coal plant, could the PUC step in if the public voiced opposition to such a plant. **Representative Snodgrass** said that local processes and processes already in place would have to be exhausted before the issue would go to the state authority. The local process would be preeminent. **Representative Block** asked once a county has approved siting, whether that means that local processes have been exhausted. **Representative Snodgrass** said that would be one step but there would also need to be approval by DEQ, the city, Idaho Department of Water Resources and so on. He said hopefully the county commissioners would be participating in the public process and would be aware of the public's opinion on such siting issues. **Representative Block** said she is not sure that public meetings are mandated. **Representative Snodgrass** said it would behoove the counties to make sure the public is involved. He noted that no matter what number of people are involved in the decision making process, the public has a lot of opportunity to be involved and make their feelings known. **Representative Snodgrass** said the committee has not reached the point of exactly how that backstop provision will work and how much authority it will give the PUC.

**Representative Stevenson** said siting of a coal plant currently would be hypothetical and because Idaho has opted out of the mercury cap and trade program thus eliminating any siting of coal plants in Idaho. **Senator Kelly** explained that the current governor has opted out but that can always change under new administration.

**Senator Lodge** asked for a motion to approve the Conservation and Demand Side Management minutes with the correction of Representative Andrus' first name. **Senator Kelly** so moved and **Representative Smith** seconded them as corrected. The minutes were approved unanimously.

**Senator Kelly** moved, with a second by **Representative Jaquet** for approval of the Transportation Fuel Subcommittee minutes. These minutes were also approved unanimously.

**Senator McKenzie** commented that the drafting subcommittee would start with the policy objectives that were listed at the beginning of the meeting and move forward. **Representative Andrus** said he wants to make sure growth and independence are incorporated into the plan. By this he means focusing on having the energy necessary to meet population growth and to become independent from external energy sources.

The meeting was adjourned at 2:30 p.m.