



State of Idaho Strategic Energy Alliance Board of Directors Meeting

Date: Monday June 30, 2014

Time: 9:00 am to 4:30 pm

Location: Idaho State Capitol, House Majority Caucus rm., 4th floor, 700 W. Jefferson St., Boise

The purpose of the Alliance is to enable the development of a sound energy portfolio for Idaho that includes diverse energy resources and production methods, that provides the highest value to the citizens of Idaho, that ensures quality stewardship of environmental resources, and that functions as an effective, secure, and stable energy system.

Meeting Objectives

The primary objectives of this board meeting will be to hold a discussion on Energy Imbalance Markets, potential effects of EPA greenhouse gas regulations on existing power plants, an update on Washington state efforts to reduce coal-generated electricity, and how ISEA might support the Department of Commerce in their economic development activities. Additional items include updates on transmission line projects, the Idaho Energy Plan, oil and gas lease sales, and ISEA communications.

Meeting Agenda

9:00 – 9:15 Welcome/Introductions – Jackie Flowers

9:15 – 10:15 EPA greenhouse gas regulations on existing power plants 111(d) – Idaho Power Company, Rocky Mountain Power, Avista

- Update on the process
- Utilities will give their initial perspective on the regulations

10:15 – 10:30 Break

10:30 – 11:00 Washington state efforts to reduce coal generated electricity – Avista

- Update on situation
- Potential impact on Avista and power planning

11:00 – 12:00 Energy Imbalance Markets – Stefan Bird, PacifiCorp

- Overview presentation

12:00 – 1:00 Lunch (lunch on your own)

1:00 – 2:00 Economic Development – Susan Davidson, Idaho Department of Commerce

- Department of Commerce's Economic Development plan and activities
- How ISEA can support the Department of Commerce in Economic Development

- 2:00 – 3:00 Other Business**
- Regional Energy Projects update - John Chatburn
 - Final Approval of Task Force Fact Sheets - Jackie Flowers
 - Oil and Gas lease sales - Idaho Department of Lands
 - Membership of Transmission Task Force - Jackie Flowers
 - Communications Task Force update - John Kotek
- 3:00 – 3:15 Break**
- 3:15 – 4:15 Open Discussion – Jackie Flowers**
- 4:15 – 4:30 Wrap up and Adjournment – Jackie Flowers**

Board of Directors Meeting Minutes

Introductions and Announcements

Idaho Strategic Energy Alliance (ISEA) Executive Chair, Jackie Flowers opened the meeting by welcoming everyone and continued with a round-table introduction of present Board members and alternate guests.

Jackie announced a change to the order of events on the agenda. The changes are reflected in the minutes below.

Energy Imbalance Markets

Stefan Bird, PacifiCorp, gave a presentation on Energy Imbalance Markets (EIMs) and PacifiCorp's endeavor to join the Energy Imbalance Market with California's Independent System Operator (CAISO). Stefan explained that the 38 Balance Authorities (BAs) in the Western Interconnection are largely independent and that recent events highlighted shortcomings in operations planning and real-time situational awareness. The BAs do not trade intra-hour which results in inefficiencies and higher costs to customers. With 38 different and independent BAs, this presents a barrier to transition from baseload resources to variable energy resources. Within the hour (intra-hour), each BA must balance loads and resources within its borders which limits the pool of balancing resources, causes inflexibility, requires higher levels of reserves, and results in higher economic inefficiencies and increased costs. While in an EIM, the market dispatches resources across BAs on an intra-hour basis to balance energy. EIMs increases diversity of balancing resources, increases flexibility, lowers needed levels of reserves, improves reliability by increasing responsiveness, is more economically efficient, and decreases integration costs. EIMs are voluntary markets, not a Regional Transmission Organization (RTO); balancing authorities retain their responsibilities and obligations. Participating BAs are free to exit the EIM when and if they desire. EIMs provide an opportunity for more efficient use of

existing assets. EIMs work by integrating the different BAs into one real-time market so that each BA can see the entire market with accompanying the resources and demand live. EIMs essentially allow BAs to trade within the hour, live-time and utilize all assets to meet load.

Stefan explained that CAISO approached PacifiCorp to join the EIM. PacifiCorp has conducted a study to determine ultimately if it has a positive cost-benefit analysis. Integration would involve capital costs to upgrade communications, metering systems, generation controls that improve plant dispatch, and consolidation of grid operations scheduling and balancing functions. However, the study found that the total benefits were significantly larger than the small investment costs. It cost PacifiCorp \$2.1 million to join the EIM and for up-front capital expenditures. They estimate total annual benefits range from \$21 million to \$129 million; half of which would go to PacifiCorp, making the EIM a compelling economic opportunity.

As a result of the study PacifiCorp has been working on implementation into the EIM. Market simulation is projected to begin in July, 2014 and completed in September, 2014. If all goes well, the whole PacifiCorp BA system will go live on October 1, 2014. Part of joining an EIM requires revising tariffs. CAISO and PacifiCorp had orders on both tariffs issued by FERC on June 19, 2014. The implementation elements to bring PacifiCorp's BAs online with the EIM are an IT interaction exercise. It is also a network model expansion that allows viewing the entire grid in real time. PacifiCorp has metrics in place to determine the actual economic benefit to them.

After the presentation, a question and answer period began. Questions regarding security confidence, potential risk resulting from increased interaction with California's system, concern about the EIM turning into a RTO, impacts on those that do not join an EIM, customer savings, and when others will be able to join.

EPA Greenhouse Gas Regulations on Existing Power Plants 111(d)

Jackie Flowers opened up a roundtable discussion on the EPA's recently proposed greenhouse gas rules on existing power plants (111(d)).

The rule sets goals at the state level; it appears implementation of the rule is not on EPA's radar since the state-by-state approach is problematic (rather than a utility-by-utility approach) since Idaho utility companies own generation resources that are located in other states. This suggests that Idaho needs to coordinate with other states, but half of those states have policies in place that would make it impossible to negotiate. It was also discussed that multi-state plans couldn't work given the politics of the different states and the time restraint to forge an amenable plan. There was general agreement that the state must make comments during the 120 day comment period. Final rule "guidelines" are to be in place by June 2015; then the states have one year to determine how they will meet the guidelines, i.e., state plans are to be submitted by June 2016, although a one year extension may be granted. Regional plans (if any) are not due until June 2018.

A consensus formed that many organizations are still trying to figure the rule out and it seems there are more questions than answers. State plans for implementing the rule were questioned because of concerns of utilities that have resources in other states. John Chatburn, Office of

Energy Resources (OER) informed the Board that the Western Interstate Energy Board is pursuing a grant to study implementing the renewable energy standards within 111(d). John will be sending out a link to additional information on the study.

The conversation on 111(d) was put on hold until after the Economic Development presentation. Jackie asked the Board to consider what the ISEA role will be for providing information for the legislature on 111(d) and raising public awareness on the subject. John Chatburn will send information on a few informational meetings on 111(d) to the Board.

After lunch, Jackie asked the Board if they had any additional thoughts on the previous conversation of the EPA 111(d) rules. It was asked if the Legislature's Energy, Environment, and Technology Interim Committee would want an update on the situation. It was discussed the ISEA should prepare to give a briefing to the legislature during the next session on the EPA rules to give at least a baseline understanding of how the rules work, their complications, implementation, and how they can affect Idaho. The briefing could also include any plans the state may have at that point.

While discussing Washington State's efforts to limit coal-by-wire, a discussion on the regional planning efforts for 111(d) was undertaken.

Economic Development

Susan Davidson, Idaho Department of Commerce, shared the mission and an overview of the Business Attraction Program within the Department of Commerce with the Board. The Business Attraction Program provides consultative services to companies with expressed interest in relocating or expanding their business in Idaho. Some of the major factors that influence businesses to pick Idaho are support infrastructure and abundant renewable energy resources.

The Governor established the RAPID team, a select body of individuals from various agencies that are tapped to quickly provide information when a business opportunity for Idaho appears. The OER is on this team.

Susan wrapped up her presentation by stating that the Department of Commerce will work with all partners to help advance Idaho's business environment and expand Idaho's economy.

A question and discussion period followed the presentation, Jackie recapped the previous economic development conversation the Board had and how the ISEA could assist. The Board identified three areas: near-term support through information sharing, mid-term support by addressing energy concerns, and long-term support by capitalizing on Idaho's unique resources for development. Susan noted that energy was selected as a target market and that if the ISEA has an opportunity to either develop infrastructure or bring new businesses, the Department of Commerce would be happy to assist. It was further discussed the ISEA could be a source of information for the Department of Commerce. The idea of providing an energy fact sheet tailored to businesses was discussed.

Before breaking for lunch, Jackie reminded the Board to put the Intermountain Energy Summit (19-20 August in Idaho Falls) on their calendars and that additional information on the event will be sent to the Board. Steve Aumeier announced that the Center for Advanced Energy Studies and the University of Idaho will be hosting a conference on law, technology, and policy (November 2014 in Sun Valley) with the focus of clean energy integration in the West. Additional information will be sent to the Board.

Washington State Efforts to Reduce Coal Generated Electricity

Larry La Bolle, Avista, provided an update to the Board on the efforts by the Governor of Washington to limit coal-produced electricity. Governor Inslee recently issued an executive order that essentially will establish a cap and trade program in Washington. With the Centralia, WA coal plant scheduled to convert to natural gas in 2025, the only coal-generating resource that applies to the state's efforts is in Colstrip, Montana. Currently, the utilities are in discussions with Governor Inslee's office but no known path forward has emerged yet. Avista has been reminding people that the Colstrip facility is a regional resource and that it serves a significant portion of customers in Idaho. Avista is concerned that the efforts will pit the Washington Governor against the Governors of Idaho and Montana. The proposal and talks will likely be wrapped up with 111(d) in a regional conversation. Avista has conducted a series of analyses, and is currently waiting for discussions among the Governor's office and the Colstrip owners to take shape.

Other Business

Regional Energy Projects Update

John Chatburn informed the Board that the Northwest Energy Efficiency Alliance has approved a new Business and Strategic Plan for the next 5 years. The budget is a bit less than previous plans with several opt-out options. John also updated the Board on the Gateway West Transmission Line and Boardman to Hemingway Transmission Line projects.

Final Approval of Task Force Fact Sheets

The Board reviewed the ISEA Baseload Resources, Wind Energy, and Wood Bioenergy Energy Fact Sheets for final approval. After reviewing, John Chatburn moved to approve all three fact sheets with no changes. Mark Duffin, Idaho Food Producers, seconded the motion. The motion passed unanimously.

Oil and Gas Lease Sales

Tom Schultz, Idaho Department of Lands, gave an update to the Board on the recent oil and gas lease sales the Department of Lands conducted. Idaho Department of Lands performs two natural gas functions:

1. Lease state-owned land, including riverbeds.
2. Regulate drilling.

Bids for leases are increasing due to competition. There are two major bidders; both are investing heavily in exploration and development in Idaho. Idaho Department of Lands is watching where

the industry is heading. Tom provided two hand-outs; the first was a breakdown of the revenues from the recent sale that raised \$1.148 million for the state in bonus bids (one time payments), and the second was a news article highlighting the sale. Tom noted that the news article summarizes the sale including arguments for and against gas exploration and drilling in Idaho ([click here for article](#)). The Board had a discussion on the lease sale and Tom fielded the questions.

Membership of Transmission Task Force

Jackie announced the new members of the Transmission Task Force:

Transmission Task Force Chair:

Mike Lidinsky – POWER Engineers

Members of the Transmission Task Force:

Dave Angell – Idaho Power Company (Jared Ellsworth, alternate)

Jake Gentle – Idaho National Laboratory

Lori Adams – Rocky Mountain Power (Rod Fisher, alternate)

Bill Eisinger – POWER Engineers

Craig Chapin – Intermountain Gas Company

Scott Waples – Avista Utilities (Heather Rosentrater, alternate)

John Williams – Bonneville Power Administration

Tom Baldwin – Idaho National Laboratory

Shawn Dolan – Kootenai Electric Cooperative

Communication Task Force Update

John Kotek, Chair of the Communications Task Force, was unable to provide an update on the Task Force. In his absence, Diane Holt, Office of Energy Resources, provided a brief update. The Communication Task Force is in the process of developing two ISEA Energy fact sheets; one on Carbon and another on Solar. Reports from the Transmission Task Force and from the Transportation Task Force will be completed and submitted to the Board late this year. Jackie discussed the fact that OER has been maintaining a new ISEA Twitter account.

Open Discussion

Jackie opened the remainder of the meeting to an open discussion on topics already covered or any new topics the Board wished to discuss.

Jay Larsen, ISEA Vice-Chair, mentioned that in previous meetings the Board had discussed having ISEA push to have hydropower defined as a renewable resource and asked if there was any development on the subject. It was discussed there was not additional momentum to define it as a renewable due to concerns over establishing renewable energy portfolio standards, with the EPA's 111(d) GHG regulations, interest may increase. It was also discussed that having the state define it as a renewable resource would not yield any positive impacts other than perhaps potentially it could be used as a marketing tool.

Meeting Adjourned at 2:37 PM

Next Steps

- Discussion will continue on developing a briefing book for the next legislative session.
- John Chatburn will send out link to the WIEB 111(d) study grant.
- The ISEA will prepare a briefing on 111(d) for the legislature during the next session.
- John Chatburn will send information on 111(d) meetings to the Board.
- Further discussion will take place for creating a one page energy fact sheet tailored to businesses.
- Further discussion will take place for determining how ISEA can assist the Idaho Department of Commerce.
- The ISEA will ensure information is available for the Department of Commerce when they need it.
- A link to the Intermountain Energy Summit will be sent to the Board.
- Steve Aumeier will provide information to the Board about the law, policy, and technology conference being hosted by CAES and the University of Idaho.