

**MINUTES OF THE
PUBLIC UTILITIES AND TECHNOLOGY INTERIM COMMITTEE**

Wednesday, May 22, 2002 – 2:00 p.m. – Room 129 State Capitol

Members Present:

Sen. Leonard M. Blackham, Senate Chair
Rep. John E. Swallow, House Chair
Sen. Mike Dmitrich
Sen. Scott K. Jenkins
Sen. John L. Valentine
Rep. Douglas C. Aagard
Rep. Sheryl L. Allen
Rep. Ralph Becker
Rep. Chad E. Bennion
Rep. Eric Hutchings
Rep. Brent H. Goodfellow
Rep. Ty McCartney
Rep. Gordon E. Snow
Rep. Michael R. Styler
Rep. David Ure
Rep. Stephen H. Urquhart

Members Absent:

Rep. Kevin S. Garn
Speaker Martin R. Stephens

Staff Present:

Mr. Richard North, Research Analyst
Ms. Patricia Owen, Associate General Counsel
Ms. Junie G. Anderson, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary, Junie Anderson, at 538-1032.

1. Call to Order

Chair Swallow called the meeting to order at 2:45 p.m.

MOTION: Sen. Valentine moved to approve the minutes of the January 16 and April 24, 2002 meetings. The motion passed unanimously, with Rep. Becker, Rep. Bennion, Rep. McCartney, and Rep. Ure absent for the vote.

2. Utah Energy Issues

Mr. North briefed the Committee on energy issues and gave background information on Utah's energy generation and consumption patterns.

A. Energy Generation/Consumption: Current & Projected Capabilities

Mr. Lowell Alt, Director, Division of Public Utilities, distributed a handout "Utah Regulated Electricity" and discussed the energy generation and consumption data for the regulated power providers as outlined in the handout. He also referred to a map of Utah service territories that was distributed to the Committee.

Chair Swallow asked to be excused from the meeting and asked Sen. Blackham to chair in his absence.

Mr. Jeff Burks, Energy Policy Coordinator, Department of Natural Resources, gave a slide presentation "Municipal Power in Utah," which provided data for the municipal power providers in Utah. He distributed copies of the presentation.

Mr. North distributed two handouts "Unregulated Power Providers" and "Current, High Priority Energy Projects With Applications Submitted as of January 10, 2002" and discussed information regarding future energy issues.

Mr. Richard Sprott, Director, Division of Air Quality, distributed two handouts "PM_{2.5} Trends" and "8-Hour Ozone Trends" and discussed the trends as outlined in his handouts. He also addressed the air pollution credit issue and its effect on future construction of power plants in the State.

Committee discussion followed.

B. Energy Business Relationships: Incumbent Providers And Co-generators or Independent Power Providers

Mr. Roger Swenson, Energy Consultant for MagCorp (Magnesium Corporation of America), addressed the issues of energy security and rules that must be in place for the energy markets to send correct pricing signals. He provided copies of his comments and recommendations.

Mr. Edward Hunter, Stoel Rives, representing PacifiCorp, discussed the business relationship between PacifiCorp and MagCorp. He also discussed issues related to avoided costs of the facilities and rate-payer neutrality.

Committee discussion followed.

Mr. Steve Mecham, Chair, PSC (Public Service Commission), explained that the PSC recently approved an agreement, with PacifiCorp and MagCorp as parties, that allows for an avoided cost rate.

MOTION: Sen. Dmitrich moved that the PSC study and report back to the Committee on barriers to the development of small power production and co-generators. The motion passed unanimously, with Sen. Valentine, Rep. McCartney, Rep. Swallow, and Rep. Ure absent for the vote.

3. Industrial Electrical Infrastructure Act: Draft Legislation

Chair Swallow returned and resumed the chair of the meeting.

Sen. Curtis Bramble discussed draft legislation "Industrial Electric Infrastructure Act" that was distributed to the Committee.

Committee discussion followed.

MOTION: Sen. Blackham moved to approve the amendments proposed by Sen. Blackham that were distributed to the Committee that amend Page 3, Lines 80, 81, 85-88, and 90-97 of the draft legislation "Industrial Electrical Infrastructure Act." The motion passed unanimously, with Rep. McCartney and Rep. Ure absent for the vote.

MOTION: Sen. Blackham moved to approve the amendments proposed by Sen. Blackham that were distributed to the Committee that amend Page 1, Line 11 and Page 8, Line 230, with the term including a change from "categories" changed to "classes" in Subsections (3)(B)(b)(i) and (ii) of the draft legislation "Industrial Electrical Infrastructure Act." The motion passed unanimously, with Rep. McCartney absent for the vote.

The following spoke in favor of the draft legislation: Mr. Dale Holt, President of Codale Electric Supply; Mr. Bob Elkington, President of Alta Industries; Mr. Jim Miller, General Manager, Pacific Steel; and Mr. Joseph Cannon, Chairman of Geneva Steel.

The following spoke in opposition to the draft legislation: Mr. Dee Jay Hammond, Chairman of the Committee of Consumer Services; Mr. Charles Johnson, Utah Legislative Watch; Mr. Terry Terase, citizen of Utah; Mr. Jay Bocutt, Vice President, NewCorp Corporation; and Mr. Jeff Fox, Crossroads Urban Development.

Committee discussion followed.

An amendment to Page 1, Line 11 and Page 8, Line 230 of the draft legislation "Industrial Electric Infrastructure Act" proposed by Sen. Howard Stephenson was distributed and discussed.

The Committee discussed inclusion of the word "prudent" in the draft legislation. The Committee received comments from Ms. Owen, Mr. Mecham, and Mr. Hunter on this issue.

MOTION: Sen. Valentine moved that the Committee consider the need for investments in public utility service facilities at the June meeting of the Committee. The motion passed unanimously, with Rep. Ure absent for the vote.

The Committee also discussed past PSC actions related to recovery by a utility of capital investment and recent issues raised by costs related to CO₂ facilities. The Committee received comments from Mr. Mecham on this issue.

MOTION: Sen. Valentine moved to approve draft legislation "Industrial Electrical Infrastructure Act" as amended by the Committee.

SUBSTITUTE MOTION: Sen. Blackham moved to make a recommendation to the House, Senate, and Governor to place the draft legislation "Industrial Electrical Infrastructure Act" on call for the Fourth Special Session. The substitute motion passed, with Sen. Jenkins voting in opposition to the motion.

4. Adjournment

MOTION: Sen. Allen moved to adjourn the meeting. The motion passed unanimously. Chair Swallow adjourned the meeting at 5:37 p.m.