

**GOVERNOR'S ENERGY POLICY TASK FORCE
MEETING MINUTES**

JULY 9, 2001

**DUANE ARNOLD ENERGY CENTER
3313 DAEC ROAD
PALO, IOWA 32324**

MEETING MINUTES

This Governor’s Energy Policy Task Force meeting was called to order by Co-chairs David Hurd and Lee Clancey at 12:30 p.m. on Monday, July 9, at Duane Arnold Energy Center, 3313 DAEC Road, Palo, Iowa.

MEMBERS PRESENT	MEMBERS ABSENT
David Hurd	Kevin Eekhoff
Lee Clancey	Joyce Mercier
George VanDamme	
Kent McLaughlin	
Don Wiley	
Lana Ross	
Lisa Davis-Cook	
Sandy Opstvedt	
Brenda Dryer	
Howard Shapiro	
Roger Amhof	
John Sellers	

MORNING SESSION:

Task Force members were invited to tour the Duane Arnold Energy Center facility.

AFTERNOON SESSION:

Lee Clancey:

In your folders you will find several documents. One is a letter that was submitted by Dean Robertson as a follow up to his presentation at our last meeting. There are copies of three resolutions passed at the U.S. Conference of Mayors annual meeting two weeks ago dealing with energy matters. These resolutions were passed by the Conference as a whole. One resolution is on supporting the benefits of waste energy in landfill gas as renewable energy. Another resolution is on national electricity markets. The last resolution I included is on national energy policy. Even though these are geared more toward national policy, I thought you might find them interesting.

David and I have been talking about the date of the next meeting which is scheduled for July 26. There are a couple of Task Force members for whom that is a difficult date for them to attend. Do we want to try and find another date or just keep it there? We could possibly meet July 30 or 31. We also need to discuss scheduling the following meeting. David and I were thinking about August 10.

GENERAL TASK FORCE DISCUSSION ON SETTING MEETING DATES.

Lee Clancey:

We will change the meeting originally scheduled for Thursday, July 26 to Tuesday, July 31, 10:00 a.m. – 2:00 p.m. at the Iowa Utilities Board.

The meeting to follow will be Friday, August 10, 10:00 a.m. – 2:00 p.m. at the Iowa Utilities Board.

The agenda today is pretty open so we can work on the opening section of the Task Force report. What we would like to do is go through the statement and see what issues anyone has with the existing wording.

“Overview Section”:

There were no changes suggested for the first paragraph.

There were no changes suggested for the second paragraph.

The third paragraph, second sentence read; This has been accomplished without the need to build additional **base-load** generating capacity within the state to a large measure by controlling demand growth through **interruptibility** of retail customers, improving the efficiency of energy use and contracting ~~with other utilities~~ **with merchant plant and utility power suppliers** in adjacent states that had **surplus available** generating capacity **and energy**.

The rest of the paragraph should read the same. Let's discuss those suggested changes.

George VanDamme:

What do you mean by, and energy? The utility business operates in two ways. Contract capacity is demand. That will always be available. Or, you can try and measure in kilowatts? When you

contract for energy it is available as kilowatt hours. When you pay for it, it is a lot less. You didn't buy actual capacity that you can count on in the future. It is just the available kilowatt hours. Energy is the variable generation of making kilowatt hours. Capacity is buying a portion of a generating plant.

Howard Shapiro:

This particular paragraph, and that sentence in particular, deals with avoiding the need to build additional base load generating capacity in Iowa. That is by essentially purchasing power when we have the demand. It seems like adding and energy isn't adding to the point you are going to do something.

George VanDamme:

It depends on how you want to do it. You can buy energy on the spot market or you can make an investment in a capital facility which we have to pay for every month of the year. When you buy capacity you are essentially investing in a physical asset. You are required to pay for it every month. Alliant does that with a nuclear plant in Nebraska. A substantial portion of Alliant's load, 25%-28%, is under contract. It used to be under capacity contract. I don't know how it is now. The utilities satisfy their generating needs by either buying capacity, which is buying a portion of a plant for the long- or short-term. Or, sitting on the spot market and satisfying their needs through purchase power contracts.

Howard Shapiro:

I don't question what you are saying, I agree with it. I just don't think that sentence relates to that. Contracting with merchant and utility power suppliers in adjacent states that had available generating capacity means we are trying to control demand by contracting with companies that have available capacity, which is what the sentence says earlier. That does not preclude purchasing whatever we want from them, but they have to have capacity available or we can't purchase anything from them.

George VanDamme:

I just wanted to add them both so that it is clear...

Lee Clancey:

What we are talking here is what has happened in the past. We have gotten along without the need to build additional base load generating capacity because we are doing these things.

Sandy Opstvedt:

Why was the change made to say, with merchant plant and utility power suppliers, instead of with other utilities, or other utility providers?

George VanDamme:

MidAmerican is working through a merchant plant now when they buy from the Cordova plant.

Sandy Opstvedt:

I would suggest going back to other utility and just add the word providers.

Lee Clancey:

with other utilities and providers?

Sandy Opstvedt:

No, other utility providers.

George VanDamme:

As long as we know a utility is not necessarily a regulated entity anymore.

Sandy Opstvedt:

I don't think it says that if you add the word providers.

Lana Ross:

I had some questions about the interruptibility of retail customers. Being the first thing in the sentence. Organizations or businesses taking that alternative do that by choice, correct?

David Hurd:

Yes.

Lana Ross:

I would like to have that clarified in the statement. If you read this, and don't know specifically what that means, it appears to be similar to what is happening in California, which isn't the case.

Lee Clancey:

How do you suggest it read?

Lana Ross:

I would be OK if that phrase was not even in the statement.

Howard Shapiro:

Add the word voluntary.

Lee Clancey:

voluntary interruptibility of retail customers.

George VanDamme:

That would be correct to give the people the impression that it is voluntary, but there is a financial incentive to do it. I have no problem with putting voluntary in the statement. I just don't want anyone to think it is voluntary with no compensation.

Lee Clancey:

Now, what we have for this portion of the statement is, through voluntary interruptibility of retail customers, improving the efficiency of energy use and contracting with other utility providers. Is there anything else?

David Hurd:

I am having real trouble following this when it goes on to say, in adjacent states that had available generating capacity and energy. It seems to me that a period after generating capacity would convey that. Are these terms of degree or are they very different things? Is it possible to have energy available without having available generating capacity?

George VanDamme:

Yes. There is an open market for kilowatt hours. In many cases, the utility does not have a firm contract. If it is available, they will sell it to you, but the output of that capacity is dedicated to what is called the “native load”.

Lee Clancey:

They don't necessarily generate it, they can get it from elsewhere as well. Is that what you are saying?

Howard Shapiro:

Somebody has to have excess capacity.

George VanDamme:

They have excess capacity, but they are not willing to sell it. They have excess energy. They will sell you the kilowatt hours, but when they need it they will stop selling kilowatt hours to you.

Howard Shapiro:

One of the means that we use to control demand is to purchase power from other places. We are trying to make this sentence out to be much more than what it should be. It seems to be a simple point. That people who have excess energy, no matter where it is...

George VanDamme:

It is actually surplus. In the utility business capacity and energy are two totally different things.

David Hurd:

Can we take care of this if we just say, the controlling demand growth of interruptibility of retail customers, improving the efficiency of energy use and contracting with other utility providers in adjacent states? We won't try to describe how it is we approach that.

George VanDamme:

That is good.

Lee Clancey:

Is everyone OK with how the third paragraph in the "Overview Section" reads now?

NO FURTHER COMMENTS FROM TASK FORCE MEMBERS.

Lee Clancey:

OK, fourth paragraph of "Overview Section", there were no changes?

TASK FORCE MEMBERS CONCUR

Lee Clancey:

Next is the "Policy" paragraph. One change under number 1) of the foundation of four basic elements is the deletion of the word greatly.

George VanDamme:

There is no hidden agenda in taking out those adjectives. If you feel they add value to the document, I have no objection to leaving them in.

Lee Clancey:

How does everyone feel about that?

David Hurd:

I thought the word was relevant at this point, since we were saying that energy efficiency was going to be the foundation on which the rest of this statement was built.

Lana Ross:

That is what I thought also, through our presentation and discussion.

Howard Shapiro:

Couldn't you say, 1) significant enhancement of energy efficiency? The point is that significant enhancement suggests that we have to go from where we are to something measurably better.

Lee Clancey:

OK, so we want to say, significant enhancement of energy efficiency.

Is everyone OK with that?

NO FURTHER COMMENTS BY TASK FORCE MEMBERS

Lee Clancey:

OK, "Energy Efficiency" paragraph. There are a number of changes in this paragraph. You can see those additions are underlined and those that have strikethrough are deletions. Is everyone OK with those changes?

NO FURTHER COMMENTS BY TASK FORCE MEMBERS

Lee Clancey:

OK, "Energy Efficiency and the Environment" paragraph. There are some deletions and additions to this paragraph. Are there any issues with this paragraph as proposed?

Howard Shapiro:

I am concerned about peak demand reduction. It is entirely possible that peak demand could be reduced by energy efficiency. It would do that across the board. Peak demand reduction may be a strategy for controlling demand, but it is not a strategy that simultaneously reduces energy use. An example would be, sometimes energy storage off peak is less efficient but costs less because we are delaying the use to off peak and we can generate it more cheaply. I would not put that as a primary strategy. I think it is a strategy that utilities can and do use to manage demand, but I don't think it fits with energy efficiency necessarily. There may be another point to be made here about demand reduction.

David Hurd:

So maybe if that point were made in a different paragraph of the statement instead of the Energy Efficiency and the Environment paragraph?

Howard Shapiro:

For example, in the "Base Load Generation" paragraph we should probably be addressing trying to reduce demand as a specific strategy to delay the need for base load. Add base load capacity as proposed when necessary. To me it just doesn't fit with our key strategy.

Lee Clancey:

So you are suggesting that it go down under the “Base Load Generation” paragraph, or someplace in that paragraph?

Howard Shapiro:

I haven’t thought that through, but I don’t think it fits with the purpose of the “Energy Efficiency and Environment” paragraph.

Sandy Opstvedt:

I agree with Howard. I don’t think it fits into the context of what the point is at all.

Lee Clancey:

OK, why don’t we take that out for now and see if it fits anyplace else. The sentence should then read, In addition, implementing energy efficiency activities can immediately delay the need for new energy generation and transmission. Does anyone have any problems with this change?

Lana Ross:

So the next sentence in that paragraph changes to This can help keep energy costs down and benefit the environment.?

Lee Clancey:

Yes. Are there any other changes to this paragraph?

NO FURTHER COMMENT BY TASK FORCE MEMBERS

Lee Clancey:

Now we will go on to the “Meaning of Energy Efficiency” paragraph.

David Hurd:

I think adding the words, or productivity, is a good idea. It picks up issues that we don’t otherwise touch.

Lee Clancey:

Are there any other changes with that paragraph?

NO FURTHER COMMENT BY TASK FORCE MEMBERS

Lee Clancey:

Now we will go on to the “Renewable Diversification” paragraph.

There is one addition to the last sentence of the word help, otherwise it is much the same as what you have seen before.

David Hurd:

There was one addition that does not show as an addition. In the first sentence the word hydro power was added. Joyce Mercier made that suggestion.

Lee Clancey:

Are there any other comments on the “Renewable Diversification” paragraph?

NO FURTHER COMMENT BY TASK FORCE MEMBERS

Lee Clancey:

Now we will go on to the “Base Load Generation” paragraph.

Howard Shapiro:

I came up with a suggestion for the second sentence that would address the demand issue. This need can be further delayed by demand reduction strategies, but ultimately will need to be addressed. This need, meaning the need for increased base load of what we currently have.

Lee Clancey:

Comments on that addition to the “Base Load Generation” paragraph?

George VanDamme:

I am unclear as to where that is placed in the paragraph.

Lee Clancey:

It will be the second sentence of the paragraph. It will not replace any wording in the paragraph.

David Hurd:

In the next sentence, which was the second but now the third, George VanDamme suggested adding, investors in merchant plant and. I have another suggestion for that sentence. Instead of talking about, investors in merchant plant and investor-owned and municipal utilities, we could say, to encourage investors of all types, public and private, to make the necessary commitment of capital.

Lee Clancey:

Is everyone in agreement with that paragraph as it now read?

NO FURTHER COMMENTS BY TASK FORCE MEMBERS.

Lee Clancey:

OK. Now we will go to the “Transmission” paragraph. There are a number of changes to this paragraph.

Sandy Opstvedt:

I have question about this paragraph. The version I was reading had a whole section at the end of it that was added in and underlined. I had multiple concerns with the whole section that was added. One of the points was the unbundled transmission service because the issue of unbundling was controversial in Iowa. The issue is bringing the political aspect into it in referring to President Bush’s energy policy.

Lee Clancey:

I thought we had deleted that last time.

Lana Ross:

The next to the last sentence in the paragraph talks about interstate transmission facilities as proposed by the President.

Sandy Opstvedt:

The fifth sentence in this paragraph reads, The Task Force acknowledges that the FERC's polices designed to unbundled transmission service at President Bush's recently announced energy policy...

Lee Clancey:

What would you like to change?

Sandy Opstvedt:

I think we need to get rid of the whole section.

George VanDamme:

Yes.

Howard Shapiro:

I read the first sentence that refers the President Bush's policy as being OK, because if we want to agree with FERC there is nothing wrong with acknowledging what the President's policy says; it is not endorsing it. Whereas, the second reference in the paragraph sounds like more of an endorsement of the policy. I am actually OK with the first reference.

Sandy Opstvedt:

But I don't agree with FERC's policy. That is an issue in itself.

George VanDamme:

You do acknowledge FERC is doing it and it has to be done by December of this year. I think you are just saying what is going to happen until they stop it.

Lee Clancey:

I have no problem with deleting that if people are uncomfortable with it. What I would like to keep in is, Iowa should continue to be very engaged in the national and regional discussions that have been underway since the Energy Policy Act of 1992.

Howard Shapiro:

I think it is stronger if we acknowledge that FERC is actually doing this and that the national energy plan is also intending to do this, therefore we should stay in touch. I think it strengthens it. I don't think it was an endorsement.

Don Wiley:

I guess that is what I thought also. I didn't take it as an endorsement. It is a fact that we have to understand what is going on at the present time.

Sandy Opstvedt:

The problem is how it is perceived. When I read it, it came across as an endorsement. It is not perceived by others as an endorsement. If it has the potential of being perceived as an endorsement, I think we need to stay away from the political aspect of the issue.

David Hurd:

I read it as saying that the Task Force knows that there are things going on at the national and regional level that will have some impact, but that it will not be enough, so we are making these recommendations that certain actions be taken. I don't know if there is a way to get past the problem of this and still acknowledge the fact.

John Sellers:

I would suggest that if we do leave the sentence, The Task Force acknowledges that the FERC's... in the paragraph, then we strengthen the other sentence which acknowledges that they are doing their thing out there, but we are not waiting for them.

Lana Ross:

What David Hurd just said states it more clearly than the last sentence in the paragraph. He roughly said that the Task Force knows all of this is going on, but we want to do even more".

Lee Clancey:

OK, let's get the changes down here so we can have something on the table to discuss.

Lana Ross:

What we are saying in the next to last sentence is, We recommend that Iowa consider supporting the power supply and transmission industries efforts to attract capital into this segment of Iowa's energy industry by endorsing a stronger role for the federal government for the siting of interstate transmission facilities.

David Hurd:

So, we will just delete the words, as proposed by the President, from that sentence.

Lee Clancey:

Are there any other changes you want to discuss?

George VanDamme:

I'm not suggesting a change, but the more you get the federal government involved in siting, the less chance you will have of changing. This may be good or bad. Many farmers and other residents are really upset by the federal government telling them when and where to put in lines. It may be the only cure for the "Not-In-My-Back-Yard" syndrome. Do we want to set a policy that says to the federal government that we are at their mercy?

John Sellers:

We needed that to build the interstate highway system. I feel this is equally important.

Lee Clancey:

What we might want to add is, for the siting of interstate transmission facilities in cooperation or coordination or in conjunction with state and local entities, governments or jurisdictions.

Joan Conrad:

I know it is probably not appropriate for me to speak at this time, but I know there has been a concern that if the siting of the transmission goes strictly to the feds that you lose some of the control of the environmental issues. I know that has been the Utility Board's concern with having all of the siting going to the federal government.

David Hurd:

I was mentioning the Utility Board's comments in the subcommittee.

Lee Clancey:

Why don't we add, in cooperation with state and local jurisdictions?

Howard Shapiro:

After the word government? Would that be a good place for it?

Lee Clancey:

I was thinking after the word facilities in the second to last sentence. Where we deleted as proposed by the President.

Howard Shapiro:

It is not clear as to what it relates too. If you put it after government it would say, a strong role for federal government, in conjunction with state and local jurisdictions for the siting.

Lee Clancey:

OK.

I have been looking at Sandy Opstvedt's concerns here. We could make one long sentence out of the fifth sentence in the paragraph. You could start that sentence with the word While instead of The. While the Task Force acknowledges that FERC's policies designed to try and unbundle transmission services and President Bush's recently announced energy policy have specific initiatives designed to stimulate transmission investment, Iowa should continue to be very engaged in the national and regional discussions that have been underway.

Sandy Opstvedt:

That sounds good.

Lee Clancey:

So we have a couple changes here in creating one sentence out of two and the second to last sentence reads, We recommend that Iowa consider supporting the power supply and transmission industries efforts to attract capital into this segment of Iowa's energy industry by endorsing a stronger role for the federal government in conjunction with state and local jurisdictions with the siting of interstate transmitting facilities.

Are there any other concerns with this paragraph?

NO FURTHER COMMENTS FROM TASK FORCE MEMBERS

Lee Clancey:

OK, now we will go on to the "Summary" paragraph.

The changes in the first sentence are, Rising energy prices, ~~occasional~~ predictable shortages and ~~serious~~ environmental concerns... There are one addition and two deletions in this sentence.

David Hurd:

I felt we should not delete the word serious. I believe they are serious concerns.

Roger Amhof:

How does one measure serious when they are not serious when you compare them with other areas of the country? There are more serious problems in other parts of the country than here. I do not like using those kinds of adjectives. Adding serious doesn't do anything to the sentence.

Howard Shapiro:

I think we are trying to over do that whole sentence. We can simply say, rising energy prices, shortages and environmental concerns are likely to drive some of the needed investments. We don't have to overstate those.

David Hurd:

Rising energy prices, shortages and environmental concerns are likely to drive some of the needed investments.

Lee Clancey:

Are there any other issues in that paragraph?

NO FURTHER TASK FORCE MEMBER COMMENT.

Lee Clancey:

Now to the "Agriculture as Fuel and Petroleum Replacement" paragraph.

Are there any issues with this paragraph?

NO FURTHER TASK FORCE MEMBER COMMENT.

Lee Clancey:

What we would like to do now is vote on the opening section as a whole so that we get it on record that we are in favor of going forward with the opening section. We will do this with each of the subcommittee reports as well. We will go through the subcommittee reports and make any suggested changes and then vote on them as a whole.

With the changes that have been suggested in this meeting is there a motion to accept the opening section?

Lisa Davis-Cook:

I will move for approval.

Howard Shapiro:

I will second that.

Lee Clancey:

Is there any further discussion on this opening section?

NO FURTHER TASK FORCE MEMBER COMMENT

Lee Clancey:

All those in favor?

UNANIMOUS VOTE FOR APPROVAL BY TASK FORCE MEMBERS

Lee Clancey:

We will get revised copies of all of this to you.

I would like to get some feedback from you on how you would like the final report to look and how to go about doing this. The subcommittee reports are all formatted differently. We would like to have something that looks more uniform. I would like you all to take a look at the subcommittee reports to find the one formatted in what you believe is how you want the report to end up looking. If there is a format not seen in the subcommittee reports you think would be better, bring that example. We will then decide on a format and figure out a way to get all of the subcommittee reports formatted the same way. Is there any one of these reports that looks more like what we want to end up with than another?

Howard Shapiro:

I think that the subcommittee reports are all for kind of a different purpose than what we want to end up with. There is a lot of overlap in the subcommittee reports. My thought would be that we would look at each of these and how they fit into what we just accepted as an opening statement. Then try to structure all of these points into further elucidation of the various things that are in the opening statement, so that the opening statement becomes an executive summary. All of these points would fit in an organization similar to the sequence of ideas we have in the opening statement, where we would actually use these as the starting point that covers all these other issues. It seems like we have organized them that way.

David Hurd:

I think the draft opening statement is at least a part of the organization just by selecting items out of the subcommittee reports and feeding them into what seems to be a somewhat larger order.

Don Wiley:

Don't you have three stages to go through? Number one is making sure that each of these subcommittee reports reflect what we as a Task Force feel. Two, what format we want to present these in. Three, is we need to then combine them into that format so we don't have four individual reports saying the same thing.

David Hurd:

Is it possible to collect subcommittee reports so there wouldn't be any concern that we are going by any points? I suppose we could take them one at a time and go through them, sentence by sentence, like we have done with the opening statement, and seeing if we still feel the same. When we get to the end of the subcommittee report, making any edits or changes, set it aside. Finish up the subcommittee reports that way. Then someone can sit down and work that into a uniform format. The Task Force at that point accepts or suggests changes for the format.

Lee Clancey:

If we go through these subcommittee reports line by line, it may not end up being what it says in the subcommittee report if the format is going to change. We can go through these subcommittee reports and vote or agree on the concepts within each subcommittee report but the wording may not show up the same if we change the format. Either we choose the format and try and make the other subcommittee reports fit into that format and approve the wording as we go

along or we conceptually agree on the various points within the subcommittee reports and create a format that all of them fit under and rewrite the documents.

John Sellers:

I think that would be simpler and easier, time wise.

David Hurd:

I like to idea of our trying to agree on the idea of the subcommittee reports not so much on how it is said.

Lee Clancey:

I think that we have agreement on many of the points in these documents. I know there are a few points on which there is disagreement. We will need to come to a consensus on those. We will find those as we go through the subcommittee reports. I just don't want anyone to think that when we agree on these concepts that it will look exactly like what is in the subcommittee report. It may not in the final report.

David Hurd:

We approve the ideas in the subcommittee reports then someone sits down and writes the opening statement into an executive summary, we can return to that subcommittee report to see if it still sounds that way. We haven't given free reign to whoever drafts this.

Lee Clancey:

What I am hearing is that you are comfortable with taking a look at the conceptual ideas within the subcommittee reports and then coming up with a format that is uniform in trying to mesh all of the concepts that we agree on into that format.

Lisa Davis-Cook:

Once we get through all those concepts, it might lay out a format for us; it may dictate what the format is.

Howard Shapiro:

I see that coming together. We have four major points in our opening statement. It goes one to one with our subcommittees. We have the overview which talks about what we did and how we did it which will have to be in the final report. Each of these sections would have a narrative which would be an expansion of the narratives that we have here. Then a set a recommendations which would be bullets.

Lee Clancey:

When you say narrative do you mean an overview?

Howard Shapiro:

There would paragraphs that would explain how we are seeing that issue in more detail than what we put in this opening statement. It is essentially what we put into the opening statement. These will naturally fit into that format.

Brenda Dryer:

The narrative, just using the Transmission subcommittee report, what we wrote out as issues is the kind of thing that would be talked about in an overview narrative then getting into the bullets.

Howard Shapiro:

Yes.

John Sellers:

We will also have to decide, like in Renewables, net metering and access were addressed in that report. Maybe it should fit over into the Transmission side.

Lee Clancey:

I think that is what Howard Shapiro was talking about. We need to be very aware as we go through these subcommittee reports where we have crossover.

Don Wiley:

If we think of the timeline now, that will take the entire next meeting in order to get it done. We need to keep that in mind.

David Hurd:

I think we have it figured as to being done with the subcommittee reports after the next two meetings.

Lee Clancey:

We will not have a speaker at the next meeting. We are just going to concentrate on going through these subcommittee reports.

MEETING ADJOURNED 2:00 PM