

MINUTES
SENATE STATE AFFAIRS COMMITTEE

DATE: Wednesday, January 23, 2019

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairwoman Lodge, Vice Chairman Harris, Senators Hill, Winder, Vick, Anthon, Souza, Stennett, and Buckner-Webb

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairwoman Lodge** called the Senate State Affairs Committee (Committee) to order at 8:00 a.m. with a quorum present.

VOTE ON GUBERNATORIAL APPOINTMENTS: **Vote on the Gubernatorial Appointment** of Kyle Wills to the State Athletic Commission. **Vote on the Gubernatorial Re-appointment** of Paul Jagosh to the Idaho Human Rights Commission. **Vote on the Gubernatorial Appointment** of Hyrum Erickson to the Idaho Human Rights Commission.

MOTION: **Senator Winder** moved to send the Gubernatorial appointment of Kyle Wills to the State Athletic Commission to the floor with the recommendation that he be confirmed by the Senate. **Senator Hill** seconded the motion. The motion carried by **voice vote**.

MOTION: **Senator Buckner-Webb** moved to send the Gubernatorial re-appointment of Paul Jagosh to the Idaho Human Rights Commission to the floor with the recommendation that he be confirmed by the Senate. **Senator Souza** seconded the motion. The motion carried by **voice vote**.

MOTION: **Senator Hill** moved to send the Gubernatorial appointment of Hyrum Erickson to the Idaho Human Rights Commission to the floor with the recommendation that he be confirmed by the Senate. **Vice Chairman Harris** seconded the motion. The motion carried by **voice vote**.

GUBERNATORIAL APPOINTMENT: **The Gubernatorial Appointment** of Alex Adams as Administrator of the Division of Financial Management.

Alex Adams, Administrator of the Division of Financial Management (DFM), extended his appreciation for the opportunity to work with this Committee and the DFM. **Mr. Adams** said he has previously worked with some of the Committee members in his role as Administrator of the State Board of Pharmacy. His current goals stem from statute which outlines the purpose of the DFM. The primary role of DFM is to support the Governor in his role as Chief Budget Officer in the development of the executive budget for presentation to the Legislature each year. Currently, the budget principles are to ensure a structurally balanced budget, conservative spending, and to contain government so it grows slower than the economy. **Mr. Adams** stated his primary goal is to ensure that the Governor is able to accomplish those principles.

Mr. Adams related his experiences at the State Board of Pharmacy; his major emphasis was regulatory reform. They cut 55 percent of the word count in pharmacy regulations, eliminated six types of licenses, and eliminated 62

percent of the restrictions. According to the Governor's State of the State speech, regulatory reform will be a priority. Those efforts will be part of DFM and Mr. Adams is looking forward to participating in those activities for the State.

Senator Vick asked Mr. Adams what his financial background was that would qualify him for this position. **Mr. Adams** recounted that he went to graduate school at John Hopkins University and then completed several certification programs including: The U.S. Chamber of Commerce's Institute for Organization Management on financial management and budgeting and the American Society of Association Executives program on financial management, budgeting, and accounting. He ran a State agency where he followed the Joint Finance Appropriations Committee (JFAC) presentations as that agency's budget was structured.

Senator Hill asked what led Mr. Adams to make such a significant change in his career. **Mr. Adams** explained that he grew up in a small town in Ohio where his dad, grandfather, and great-grandfather all owned independent pharmacies; he is a fourth generation pharmacist by training. During his educational years, he changed his direction and interest to policy and politics; he went to work for a local state senator. He also worked Washington, D.C. for seven years.

Senator Stennett asked him what immediate changes he foresees at the DFM. **Mr. Adams** stated he wants to study first and not rush into any actions, although he does have some changes in mind. The one thing to think about is the maintenance budget which is growing at 5.2 - 5.5 percent; there must be a robust review as to what is sustainable over the long term. **Mr. Adams** commented on how the Legislative Services Office (LSO) has branched out and is trying to get the germane policy committees more involved in the budget process to allow for a more in-depth knowledge of the budget process for members of the legislature.

Mr. Adams voiced some thoughts on the economic outlook for the State. The State needs to position itself to ensure there is adequate funding in the rainy day funds to offset any drastic shortfalls. In terms of other changes, when the executive orders are out on regulatory reform, the DFM will have a significant part to play.

Senator Souza asked how Mr. Adams would take the philosophy of "evidenced based" to this job. **Mr. Adams** responded DFM has responsibility for Title 67 Chapter 19 and that relates to the strategic plan and performance reports for each agency. **Mr. Adams** explained those reports in more detail.

Chairwoman Lodge thanked Mr. Adams and stated that voting would be held at the next meeting.

PRESENTATION: IDAHO NATIONAL LABORATORY (INL)

Mark Peters, Director, INL, introduced Doug Hunter, CEO of Utah Associated Municipal Power Systems (UAMPS), who will have information on the small modular reactor project following the INL presentation. **Mr. Peters** stated he has been at INL about three and one-half years; INL is doing very well, but not without challenges. During Mr. Peter's presentation he talked about INL's highlights, accomplishments, and opportunities which are important to the State of Idaho.

Mr. Peters introduced his associates who were in attendance: Marianne Walsh, Deputy for Science and Technology and an expert on energy research and development; Rita Baranwal, INL, who has been nominated as the U. S. Department of Energy's Assistant Secretary for Nuclear Energy; and Leah Guzowski, Industry Engagement at INL who will be assisting with interaction plans engaging the private sector.

Mr. Peters described the INL site located in Idaho Falls, Idaho. The 17 laboratories at the site provides a tremendous capability to test reactors. This capability differentiates INL from other laboratories. The National Reactor Innovation Center (NRIC), authorized under the Nuclear Energy Innovation Capabilities Act of 2017 will allow INL to go forward to accommodate advanced reactor concept companies who want to use the INL site and its capabilities to demonstrate more advanced systems. This is an important opportunity for economic development and jobs for Idaho. **Mr. Peters** expanded on the types, size, and capabilities of the systems they are working on. They are making great progress at INL as well as engaging in collaboration through their education mission with the research universities: University of Idaho, Idaho State University, and Boise State University. In the area of workforce development, INL has a very important role in helping to build the next generation in the areas of scientists and engineers; there is a particular interest in Science, Technology, Engineering, and Math (STEM) and putting corporate resources into those programs.

Currently, INL will be doing an annual update of their economic impact (see attachment 1 final slide). **Mr. Peters** stated it is very important for INL to be active throughout the State although their biggest footprint is in eastern Idaho.

DISCUSSION:

Vice Chairman Harris asked if education opportunities in the STEM program allowed INL to offer internships for Idaho schools. **Mr. Peters** replied that opportunities were there for late high school, but internships are more extensive at the undergraduate level.

Senator Souza referred to the major construction scheduled for completion in 2026 and asked where the specialized construction workforce will come from to create and build the specialized facilities being planned; how many people will need to migrate to Idaho. **Mr. Peters** replied that the requirements will be in the hundreds in operations, and in the thousands during the construction phase. This will be one of the biggest challenges INL faces.

Senator Winder explained that he toured facilities in France where nuclear energy was being generated. He observed the process to recycle fuel rods to dispose of liquefied waste through a basic glass process which they called an obsidian vitrification. The U.S. gave them the technology 30-40 years ago that now allows them to produce nearly 80 percent of their power with nuclear energy. **Mr. Peters** agreed. He explained that the French, by national policy, reprocess the waste; U.S. policy has been not to reprocess or recycle waste but to directly dispose of our material. It is a policy issue.

Senator Hill thanked Mr. Peters for appearing before the Committee and for being the Director of the INL. He stated that almost all funding for INL comes from the federal government. He asked about the relationship with Battelle Energy Alliance (Battelle) and asked Mr. Peters to explain the process and the relationship with the federal government. **Mr. Peters** stated the INL small reactor modulator (SMR) program started as a result of the Deely research program (1990's) and was a collaboration between INL and Oregon State University; they currently partner with UAMPS and ultimately, with the Department of Energy (DOE). **Mr. Peters** described the intricacies of these relationships.

Relating to contracting, INL has three separate projects with three separate contractors: the Navy Reactor facility is managed by a federal contractor with the federal government; the legacy or cleanup is managed by Fluor Idaho; and the research mission is managed by Battelle. There are no lifetime contracts, each must be renegotiated at expiration.

Vice Chairman Harris stated that Idaho Falls and Logan, Utah are investigating SMRs. He asked if other cities in the U.S. are considering this program. **Mr. Peters** deferred that question until the UAMPS presentation.

PRESENTATION: **Douglas Hunter**, CEO and General Manager of Utah Associated Municipal Power Systems (UAMPS) in Salt Lake City, Utah, explained they are a joint action, project based agency that incorporates 46 different utilities in 6 western states. The members, who are municipals and cooperatives, use UAMPS as a template to develop projects. They are involved with coal, wind, hydro, natural gas and a number of other different energy products. Today will be an update on their carbon free project which, in answer to Vice Chairman Harris' question, there are 30 different utilities that have entered into this agreement. They are working on additional memberships. **Mr. Hunter** explained in detail the capacity of each unit, the range of uses for these modules, and where they are in the research and implementation process. The expected commercial operation date is 2026.

Mr. Hunter outlined how many jobs this project will create, where those jobs will be located, and who they are working with to obtain skilled and trained workers. He also explained they are trying to avoid government regulation of the utility business by creating something that does not leave a carbon imprint. One concern is the current instability of the grid. When energy is in high production, too much power is generated and when energy is at a low, not enough is generated. With the SMRs, large power outages can be avoided and power can be restored, thus maintaining reliability for critical infrastructure; this operates on a regional basis.

DISCUSSION: **Senator Anthon** stated his appreciation for their leadership in innovation and providing solutions for small communities. He asked Mr. Hunter how they were approaching the issue of Idaho Power's excess power and how the closing of Intermountain Power plants out of Delta will affect the overall production. **Mr. Hunter** responded there are a number of facilities going off line in the near future in Utah, California, New Mexico, and Arizona; they are preparing for a potential shortage of generation. Most of UAMPS air subscription is based on replacement and not on load growth.

Vice Chairman Harris asked if UAMPS had customers or members that are required to have a portion of their portfolio made up of clean or green power. **Mr. Hunter** answered in the affirmative and indicated their California members are all under current restrictions. Others, such as Utah, have a goal but it is not a mandate. **Mr. Hunter** stated that he has a market-based concept to try to avoid regulation by showing people they can be trusted. Idaho and Wyoming do not have renewable portfolio standards.

Senator Souza asked if there was any role that would encompass North Idaho in this plan since they are primarily hydro. **Mr. Hunter** assured Senator Souza that the cooperatives and municipals in the northwest are engaged in the discussion.

The Bonneville Power Administration (BPA) contracts expire in 2028 and those contracts are being renegotiated. **Mr. Hunter** stated he anticipates that northern Idaho, as well as other Idaho cooperatives and municipals, will eventually join.

Senator Stennett asked Mr. Hunter how fair it would be to avoid regulations; would they be held to a similar standard or would UAMPS be held to a different standard? **Mr. Hunter** answered that they did not want special treatment. Currently, their generation falls under the Clean Water Act and the Clean Air Act along with other state regulations. Those are very expensive regulations. UAMPS is not trying to avoid those regulations. They are trying to associate with the Nuclear Regulatory Association which has its own set of regulations that

are very tough, but would work better rather than regulations that relate to carbon. **Mr. Hunter** stated that corporate and personal responsibility is a priority in order to avoid regulation. The electric industry did that in the 1960s.

Senator Stennett asked Mr. Hunter how the waste product would be managed given industry allowances were made. **Mr. Hunter** replied that he has heard that question many times at the more than 100 public hearings they have held. The difference is that the regulation requires them to look at every molecule. They are aware of every molecule of waste from these projects. That waste will be on site until there is a permanent repository to move it to. The Department of Energy does not become responsible until it is in a dry cast. UAMPS four acres will accommodate 60 years of by-product storage and UAMPS will monitor that product. He also noted that it could be recycled but the U.S. does not recycle. From a social point of view, it is more responsible to hold the waste yourself rather than dumping it and expecting society to pay for it.

Senator Stennett asked what the size of these smaller reactors would be. **Mr. Hunter** said the reactors are located on 35 acres of land and produce 720 megawatts of power; the reactors are 76 feet tall, 15 feet in diameter, they are below grade, and sit in a pool of water. They are built in the factory and hauled to the site. Modules will be added as needed.

ADJOURNED: There being no further business, **Chairwoman Lodge** adjourned the meeting at 9:40 a.m.

Senator Lodge
Chair

Twyla Melton
Secretary