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October 1, 2013

## **MEMORANDUM**

**TO:** Council Members

**FROM:** Brian Dekiep and Gillian Charles

**SUBJECT:** Montana's Renewable Portfolio Standard

Subsequent to the presentation on the high level, regional-wide view of the Renewable Portfolio Standards (RPS) in the Pacific Northwest, this presentation provides a greater look at the unique characteristics and approaches in the Montana RPS.

Jason Brown, an Attorney with the Montana Public Service Commission, and Brian Dekiep, Council staff in Montana, will present an overview of the Montana Renewable Power Production and Rural Economic Development Act of 2005 (Renewable Act). The Renewable Act established a renewable energy procurement mandate that obligates Public Utilities and Competitive Electric Suppliers in Montana to procure 15% of their retail sales using qualifying eligible renewable resources by 2015 (and every year thereafter). Prior year mandates under the Renewable Act were 5% in 2008-2009 and 10% in 2010-2014.

In the 2012 compliance year, Competitive Electric Suppliers and Public Utilities in Montana met their mandates with over 700,000 kilowatt hours of renewable energy generation and Renewable Energy Credits (RECs).

John Bushnell, Lead Supply Planner from NorthWestern Energy, will discuss how NorthWestern Energy has met the standards in the Renewable Act thus far and what the utility's future development and procurement plans are going forward.

**Montana Renewable Power  
Production and Rural Economic  
Development Act of 2005**  
a.k.a. Renewable Portfolio Standard or "RPS"

Jason T. Brown, Attorney  
Montana Public Service Commission

Opinions I express  
in this presentation  
are my own and not  
necessarily those of  
the Montana Public  
Service Commission

**Disclaimer**

# Findings

- Montana is blessed with an abundance of diverse renewable energy resources
- Renewable energy promotes sustainable rural economic development by creating new jobs and stimulating business in local communities
- Increased use of renewable energy will enhance Montana's energy self-sufficiency and independence
- Fuel diversity, economic and environmental benefits from renewable energy accrue to the public at large
- All consumers and utilities should support expanded development of these resources to meet the state's electricity demand and stabilize electricity prices

Mont. Code Ann. § 69-3-2002.

## Procurement Mandate: Percentage Standard

- 5% in 2008
- 10% in 2010
- 15% in 2015

Percentage of prior year's "retail sales" of megawatt-hours in Montana

Applies to **Public Utilities** and **Competitive Electricity Suppliers**

May use **Renewable Energy Credits (RECs)**

Mont. Code Ann. § 69-3-2004(4)(a).

## Eligible Renewable Resource

- Wind, solar, small hydro, geothermal, etc.
- Commenced commercial operation after January 1, 2005
- In Montana or delivering electricity from another state into Montana

## Competitive Electricity Supplier

- Any person, corporation, or government entity
- Selling electricity:
  - In Montana
  - To **Small Customers**
  - At retail rates
- Not a **Public Utility** or cooperative

Mont. Code Ann. § 69-3-2003(5)(a).

# Choice Customer

- **Small Customer:**
  - **Retail Customer**
  - Average monthly demand < 5 megawatts

Mont. Code Ann. § 69-3-2003(16).
- **Retail Customer:**
  - Purchases electricity for end-use;
  - Does not resell electricity; and
  - Is separately identified in a **public utility's** billing system as an entity to which bills are sent for service to:
    - Facilities on contiguous property; or
    - Street lights

Admin. R. Mont. 38.5.8302(1)(d).

## Procurement Mandate:

### Community Renewable Energy Projects

- 50 megawatts in 2012
- 75 megawatts in 2015

Carve-out within percentage standard

Only applies to **Public Utilities**

Allocated based on proportion of "retail sales" in 2011 & 2014

Must procure RECs and electricity

Mont. Code Ann. § 69-3-2004(4)(b).

## Community Renewable Energy Project

- **Eligible Renewable Resource**
- ≤ 25 megawatts
- Facility in which **Local Owners** have a “controlling interest” or owned by a **Public Utility**

Mont. Code Ann. § 69-3-2003(4).

## Resource Certification

- Authority “to establish a system by which renewable resources become certified as **Eligible Renewable Resources**.”  
Mont. Code Ann. § 69-3-2006(2)(b).
- “Before entering into a long-term contract to purchase [RECs], with or without associated electricity . . . a **Public Utility** must petition the commission to certify that the [RECs] were produced by an **Eligible Renewable Resource**.”  
Admin. R. Mont. 38.5.8301(3).
- “A **Competitive Electricity Supplier** must petition the commission to certify any source of [RECs] used to comply with the renewable energy standards.”  
*Id.* at 38.5.8302(6).

# Certified Resources

Project	Owner	Type	Location	Size (MW)	Date Certified	CREP?	Docket
Flint Creek	Flint Creek Hydroelectric, LLC	Hydro	Granite County, MT	2	7/16/2013 9/17/2013	Yes	D2013.5.37 Order 7291 D2013.8.61 Order 7312
Musselshell 1	Musselshell Wind Project, LLC	Wind	Wheatland County, MT	10	7/16/2013	No	D2013.5.36 Order 7290
Musselshell 2	Musselshell Wind Project Two, LLC	Wind	Wheatland County, MT	10	7/16/2013	No	D2013.5.38 Order 7292
Diamond Willow 2	Montana-Dakota Utilities Co.	Wind	Fallon County, MT	10.5	1/29/13	Yes	D2012.3.24 Order 7211b
Lower South Fork	Lower South Fork Hydroelectric, LLC	Hydro	Carbon County, MT	0-455	12/20/12 7/16/2013	Yes	D2012.11.123 Order 7263 D2013.5.35 Order 7289
Cedar Hills	Montana-Dakota Utilities Co.	Wind	Bowman County, ND	19.5	7/03/12	Yes	D2012.3.24 Order 7221
Silver Sage	Silver Sage Windpower, LLC	Wind	Laramie County, WY	42	4/24/12	No	D2012.3.31 Order 7207
Spion Kop	NorthWestern Corp.	Wind	Judith Basin County, MT	40	2/14/12	No	D2011.5.41 Order 7150l
Gordon Butte	Gordon Butte Wind, LLC	Wind	Meagher County, MT	9.6	12/20/11	Yes	D2011.11.93 Order 7192
Klondike III	Klondike Wind Power III, LLC	Wind	Sherman County, OR	200	4/20/10	No	D2010.2.16 Order 7069a
Turnbull	Turnbull Hydro, LLC	Hydro	Teton County, MT	13	1/21/10	Yes	D2009.11.151
Wastewater Treatment Plant	City of Great Falls	Cogen	Great Falls, MT	0.35	10/21/09	No	D2009.5.61 Order 7037
Judith Gap	Invenergy, LLC	Wind	Wheatland County, MT	135	5/5/09	No	D2009.4.46 Order 6995
Happy Jack	Duke Energy Generation Services, Inc.	Wind	Laramie County, WY	30	3/17/09	No	D2008.12.139
Diamond Willow 1	Montana-Dakota Utilities Co.	Wind	Fallon County, MT	19.5	3/6/07	Yes	D2007.2.23

# Compliance

- Must submit annual reports by March 31  
Admin. R. Mont. 38.5.8301(9), 38.5.8302(3).
- Have until 3 months following end of each compliance year to procure RECs  
Mont. Code Ann. § 69-3-2004(6).
- May carry-forward “the amount by which standard was exceeded” for up to 2 years  
*Id.* at § 69-3-2004(9).
- May petition for a short-term waiver  
*Id.* at § 69-3-2004(11).
- Shall pay a penalty of \$10 per megawatt-hour of RECs if unable to meet standards  
*Id.* at § 69-3-2004(10).

# Exemptions

- **2005: Electric Cooperatives** and Municipal Electric Utilities  
*Mont. Code Ann. § 69-3-2008(1).*
- **2007:** Retail sales of a **Competitive Electricity Supplier** made under a contract entered before April 25, 2007  
*Id. at § 69-3-2004(12).*
- **2009: Competitive Electricity Supplier** that is a governmental entity only selling electricity from a facility < 0.25 megawatts that was in operation prior to 1990.  
*Id. at § 69-3-2003(5)(b).*
- **2013: Public Utility** serving  $\leq 50$  **Retail Customers** in Montana on December 31, 2012.  
*Id. at § 69-3-2004(13).*
- **2013: Competitive Electricity Supplier** with  $\leq 4$  **Small Customers** in Montana  
*Id. at § 69-3-2004(14).*

# Questions?

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## 2012 Montana RPS Compliance

	Avista	Black Hills Power	Conoco Phillips	Electric City Power	Montana Dakota Utilites	Northwestern Energy	PPL Treas. State	Totals In MWh
2011 retail sales (MWh)	529	50,820	123,471	95,874	747,562	5,920,073	204,059	7,142,388
RECs required (reported)	53	5,082	12,347		74,756	592,007	20,406	704,651
RECs required (PSC calculated)	52.9	5,082	12,347	9,587	74,756	592,007	20,406	714,239
2010 RECs carry-over	0	5,082	0	0	0	0	0	5,082
2011 RECs carry-over	0	0	0	0	0	149,179	20,406	169,585
2012 RECs procured	0	0	41,550	9,587	74,756	580,216	0	706,109
2012 RECs retired	0	5,082	12,348	9,587	74,756	592,007	20,406	714,186
2012 CREP Required					5.6	44.0		50
2012 CREP procured (MW, reported)	0				5.6	22.6		28
<b>Note</b>	\$633.72 rec'd by MT DOR (USB LEIA fund)	Happy Jack WY Wind	Klondike III Wind OR	Klondike III Wind OR	Diamond Willow and Cedar Hills Wind MT and ND	MT Wind and Small Hydro	Diamond Willow Wind MT	

## NorthWestern Energy - RPS Compliance <sup>1</sup>



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John Bushnell  
Lead Supply Planner,  
NorthWestern Energy



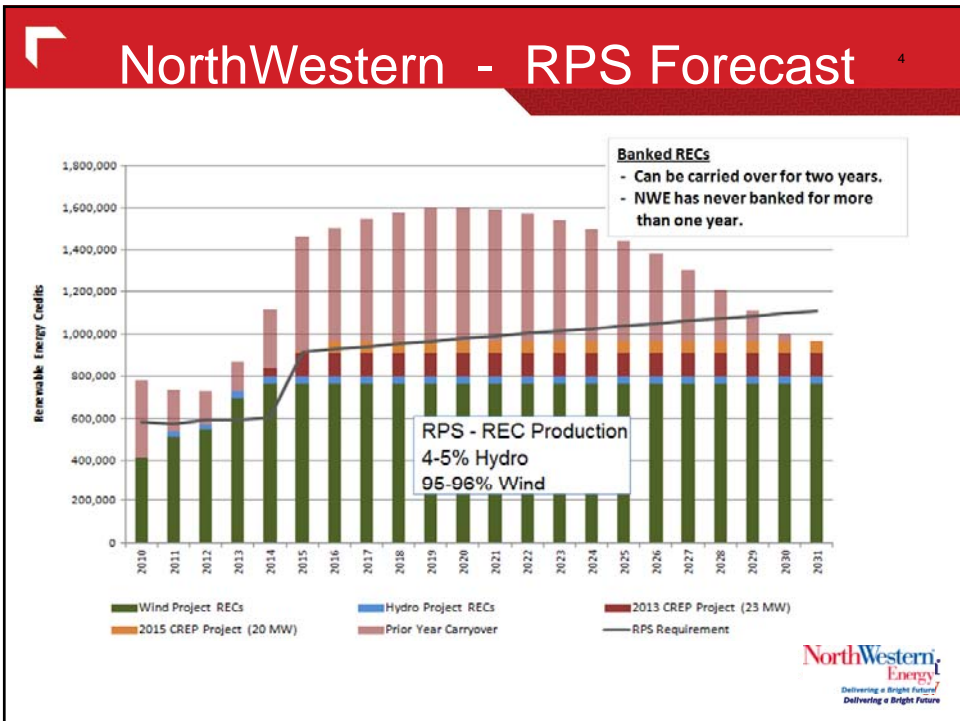
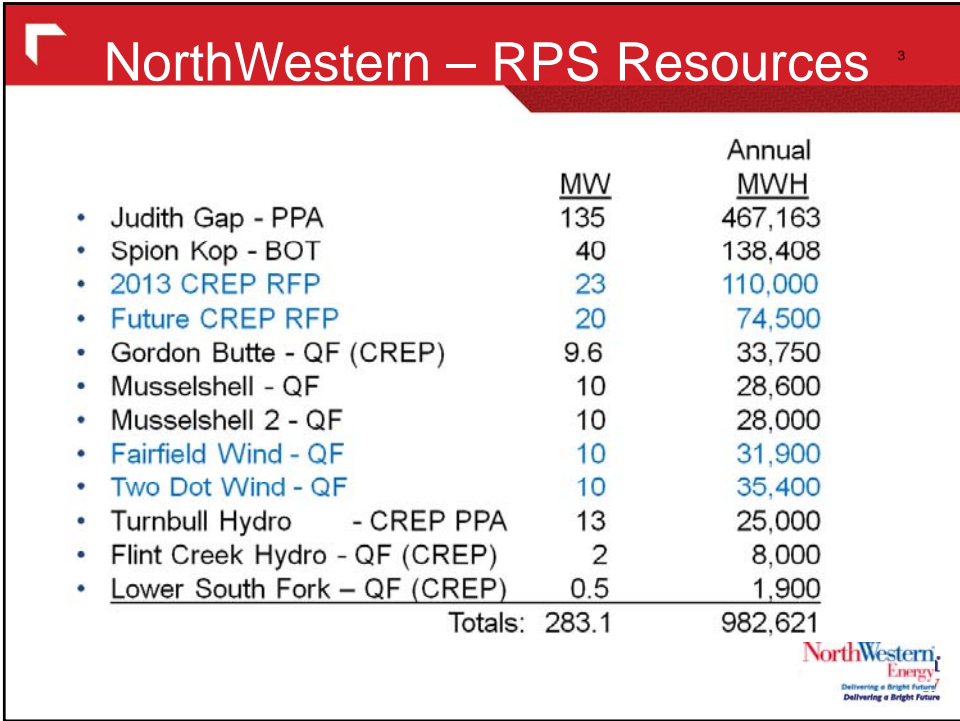
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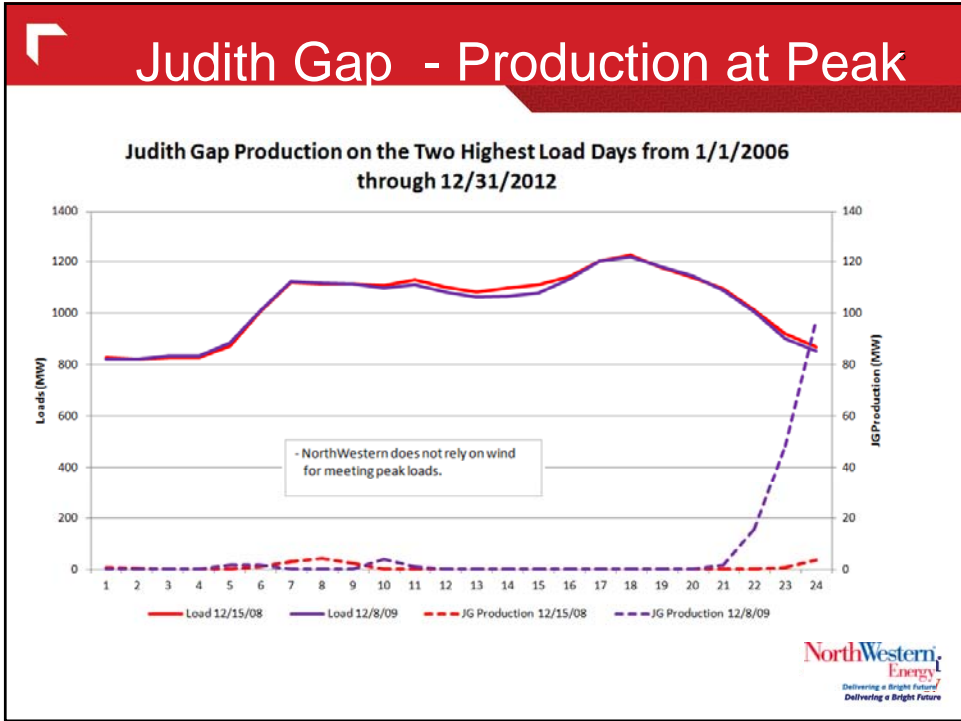
## RPS in Montana <sup>2</sup>

Montana adopted a Renewable Energy Portfolio Standard (RPS) in 2005 (69-3-201 MCA)

- RPS requirement (metered sales)
  - 8% renewable by 2008
  - 10% renewable by 2010
  - 15% renewable by 2015
- Community Renewable Energy Projects (CREP)
  - Subset of RPS
  - Statewide requirement, shared responsibility (90%)
  - Defined by “local ownership”
    - 50 MW installed capacity by 2012
    - 75 MW installed capacity by 2015



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## End of Presentation

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