

The Montana Renewable Power Production and Rural Economic Development Act

VOTE YES ON THE GOVERNOR'S AMENDMENT TO SB 415

Both the Senate and the House have now wisely adopted SB 415, “The Montana Renewable Power Production and Rural Economic Development Act.” The purpose of this bill is to stimulate the development of Montana’s vast renewable energy resources, and foster economic activity in rural Montana. Electricity consumers will benefit from a greater diversity of resources, and a greater diversity of suppliers. With no fuel or water requirements, renewable energy also offers long-term rate stability and environmental benefits.

Unfortunately, an amendment was added in the House Energy Committee which greatly limits the bill’s effectiveness. While the spirit of the amendment was well-intentioned ~ to ensure that the acquisition of renewable energy makes economic sense ~ the specific language is problematic. Under the amendment, a comparison is made between the cost of renewable energy and the cost of alternatives. But the amendment artificially inflates the cost of renewable energy with respect to the other options, by requiring the consideration of numerous additional factors for renewable energy only. The result is an “apples” to “oranges” type comparison that unfairly discriminates against renewables. It is quite likely that under this standard, even the Judith Gap project would not qualify ~ despite its clear benefits to Montana consumers. Of the 18 other states that have passed this type of legislation, not one has included comparable language.

In contrast, the Governor’s Amendment provides rock-solid consumer protection without compromising the basic purposes of the act. The amendment directs the Public Service Commission to develop cost caps “to prevent adverse rate impacts to consumers.” The calculation of rate impacts would still include “ancillary services” (as defined in the original amendment), but would treat all resources fairly (by including those costs whenever they arise).

Questions of ratemaking have traditionally been delegated to the PSC, as the agency with the technical expertise to properly assess these issues. In recent years, the Commission has proven itself a strong champion of consumers, and ought to be involved in this process. Note also that the cost caps would be developed through a contested case proceeding with the full participation of affected stakeholders.

Another problem with the current language is the “double standard” it applies to NorthWestern Energy and Montana-Dakota Utilities, with different cost-cap provisions for each. The Governor’s Amendment simplifies the bill by applying a consistent standard.

Montana needs a Renewable Energy Standard that is effective both in protecting consumers and in encouraging renewable energy development. Vote YES on the Governor’s Amendment.

(Amendment Language on Reverse Page -->)

.....

The Montana Renewable Power Production and Rural Economic Development Act

VOTE YES ON THE GOVERNOR'S AMENDMENT TO SB 415

Amendment Language

.....

Reference Copy

Requested by the Governor

For the Senate Committee of the Whole

Prepared by Greg Petesch

1. Page 7, line 4.

Following: "PROCURED"

Insert: "at a cost less than or equal to the applicable cost caps developed by the commission pursuant to [section 7]"

2. Page 8, line 28 through page 9, line 7.

Strike: section 7 in its entirety

Insert: "NEW SECTION. Section 7. Cost caps. The commission shall establish cost caps for each utility in a contested case proceeding for purchases under [section 4(2), (3)(a), (3)(b), (4)(a) and (4)(b)] to prevent adverse rate impacts to consumers, taking into account ancillary services costs, the commodity costs of renewable energy, the availability of tax credits for renewable energy, the costs of alternatives available to the utility, and the purposes of [sections 1 through 7] as set forth in [section 2]."