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## Energy and Telecommunications Interim Committee

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### 62nd Montana Legislature

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SONJA NOWAKOWSKI, Lead Staff  
TODD EVERTS, Staff Attorney  
DAWN FIELD, Secretary

August 24, 2012

**TO:** ETIC members

**FR:** ETIC staff

**RE:** Renewable Portfolio -- Hydro Legislation (LCet00)

The ETIC met in July and requested draft legislation revising the definition of an eligible renewable resource in Montana's renewable portfolio standard (Title 69, chapter 3, part 20) to include certain hydroelectric projects. The proposal would allow hydroelectric expansions completed after the draft takes effect to be included in Montana's Renewable Portfolio Standard.

The draft also grants the Public Service Commission rulemaking authority to clarify that the calculation of energy generation and renewable energy credits reflect the actual electrical production from the expansion as it relates to seasonal water conditions.

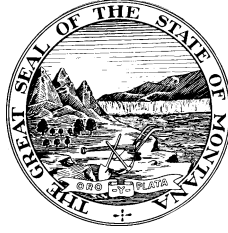
The committee asked that the bill be modeled after a similar proposal brought before the 2011 Legislature, and that the bill be posted for public comment.

The document was posted for public comment through August 20. A request for comment was posted on the ETIC Listserv and notice was also sent out on Newslinks.

Comment received is attached. Additional comment may come in after the mailing deadline. Staff will include any additional comments received in your September meeting folders.

Sonja Nowakowski

# PUBLIC SERVICE COMMISSION STATE OF MONTANA



Travis Kavulla, Chairman  
Gail Gutsche, Vice Chair  
Bill Gallagher, Commissioner  
Brad Molnar, Commissioner  
John Vincent, Commissioner

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August 17, 2012

Sonja Nowakowski  
Energy and Telecommunications Interim Committee  
Legislative Services Division  
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Re: Comments of the Montana Public Service Commission on LCetoo

Dear Energy and Telecommunications Interim Committee:

The Montana Public Service Commission (PSC) appreciates the opportunity to comment on LCetoo, which would make expansions to existing hydroelectric projects eligible to earn renewable energy credits (RECs).

The PSC previously appeared as an informational witness to request clarification of the meaning of the following language: “. . . the actual electrical production from the expansion as typically reduced by seasonal water conditions.” Mont. H., *Hearing on H. Bill 59*, 62d Legis., Reg. Sess. (Jan. 12, 2011). This language appears again in LCetoo, which also provides, “The eligible renewable resource includes only the actual amount of increased generation capacity produced by the project as a result of the expansion.”

Because hydroelectric expansions are measured by their capacity (in megawatts), but would earn RECs for hours of output (megawatt-hours), various interpretations of this language would lead to very different outcomes. If interpreted to refer specifically to additional turbines, a project would not earn any RECs if the additional turbines were not turning, and would earn RECs for all hours of output if only the additional turbines were turning. If interpreted to refer to incremental capacity, a project would not earn RECs until its output exceeded its original, pre-expansion capacity. If based on a ratio of the capacity of the expansion to the total expanded capacity, as proposed by the PSC, then a percentage of every hour of output would earn RECs.

The ratio method would create more certainty for owners of hydroelectric projects, and be much simpler to administer. Rather than tracking specific turbines, hourly output, and seasonal conditions, a project owner could count on earning RECs during all hours of production based on its “increased generation capacity . . . as a result of the expansion.”

The PSC proposes the following language: “The eligible renewable resource includes only the proportion of actual hourly generation resulting from the expansion based on the ratio of added capacity to the total capacity of the expanded hydroelectric project. If the total capacity of the expanded hydroelectric project subsequently changes, the ratio of added capacity to the total capacity of the hydroelectric project shall be recalculated.”

The PSC also recommends making its rulemaking authority permissive rather than mandatory, since an administrative rule should not be necessary if the Legislature adopts the PSC’s proposed language.

Representatives from the PSC will be available to answer questions about these comments at the next Energy and Telecommunications Interim Committee meeting on September 7, 2012.

Respectfully,

By the Montana Public Service Commission

Travis Kavulla, Chairman  
Gail Gutsche, Vice Chair  
Bill Gallagher, Commissioner  
Brad Molnar, Commissioner  
John Vincent, Commissioner