

## **SJR 6 Discussion of Findings and Recommendations ETIC May 8-9, 2014**

This worksheet is intended as a tool for ETIC members as they review the draft report "Renewable Rewards and Risks: A look at the impacts of Montana's Renewable Portfolio Standard". The worksheet may be useful as members discuss draft findings, recommendations, and potential legislation related to RPS. The study tasks are based on the assignments outlined in Senate Joint Resolution No. 6. The ETIC response and summaries were developed using the background reports provided throughout the interim and the presentations ETIC members heard over the last eight months. At the May meeting, members will be asked to develop draft findings and recommendations, and to begin discussing potential legislation. The draft report, any findings and recommendations, and any potential draft legislation would then be subject to a 30-day public comment period. In July ETIC members will review public comment, make necessary revisions, and determine whether to proceed with a final report and potential legislation. Using the information below, ETIC member may want to consider discussing the outcomes of the RPS study and whether those outcomes illustrate the need for legislative change.

**Study task:** Review the economic impacts of the renewable portfolio standard by analyzing the renewable portfolio standard's contribution to new electrical generation in Montana, the short-term and long-term jobs created by the standard, industries working in Montana due in part to the standard, and the use of renewable energy credits in Montana.

**ETIC response:** The ETIC kicked off the interim by traveling to Harlowton to tour the Judith Gap Wind Energy Center and hosting its September 2014 meeting there to learn about the economic impact the standard has had in Montana. Members heard from speakers including: Wheatland County commissioners, Wheatland County business owners, renewable energy developers and operators, and utilities. An overview of the economic impacts was prepared by staff and is included on pages 8-17 of the draft report. The report includes information developed by the Department of Commerce Business Resources Division. The ETIC has tracked the use of energy credits by reviewing the reporting requirements developed by the 2013 Legislature and providing feedback to the Department of Revenue to maximize the usefulness of those reports.

**Summary:** Montana's RPS has created jobs, more notably during construction, and contributed to an increase in the tax-base of some Montana counties. Investments made by the eligible renewable resources and Community Renewable Energy Projects (CREPs) certified by the Public Service Commission and used to meet the Montana standard total about \$423 million. Those investments have generated about 27 full-time jobs, and over the last 10 years about 480 construction jobs. RPS certified projects also contribute to the tax-base of rural Montana counties. As an example of taxes paid, the Judith Gap Wind Energy Center pays about \$1.5 million to Wheatland County in yearly property taxes and more than \$400,000 in annual lease payments to landowners. Judith Gap provides average annual revenue to the Common Schools trust in the amount of \$55,000. Of the 10 generators that responded to the ETIC survey, half indicated that the RPS was a reason for construction. The three hydroelectric facilities, which are all CREPs, needed by NorthWestern to meet the standard, all indicated that the RPS contributed to their construction.

**Findings, Recommendations, Legislation:**

---

---

---

**Study task:** Review the environmental benefits of the renewable portfolio standard by analyzing the standard's contribution to diversified generation in Montana and to reduced dependence on fossil fuels, the types of renewable energy generation used in meeting the standard, and potential contributions to air quality improvements attributable to the standard. The ETIC expanded the scope of this portion of the study to include: general information about the health impacts of different types of electric generation, climate change issues relevant to the RPS, and environmental drawbacks related to renewable energy generation.

**ETIC response:** The ETIC at the November 2013 meeting, focused on a discussion of the environmental benefits of the RPS. The committee heard presentations on the environmental impacts of a state-level RPS from the Department of Environmental Quality and the Department of Energy's National Renewable Energy Laboratory. Utilities were invited to share their perspectives on the environmental impacts. Committee members requested and received additional information related to health impacts related to energy generation, climate change studies conducted by the Legislature, and the environmental disadvantages attributable to an RPS or an increase in renewable resource usage. An overview of the environmental impacts was prepared by staff and is included on pages 18-35 of the draft report.

**Summary:** The RPS has increased renewable generation in Montana. There are currently 542 megawatts of renewable electricity certified by the PSC as renewable energy used to meet Montana's RPS. Of that total, about 234 megawatts are located in Montana. In the portfolios of Montana's two, largest regulated utilities, both NorthWestern and MDU demonstrate a commitment to more renewable energy generation, but they do not demonstrate a correlating commitment to decreasing fossil-fuel generation. Capturing air quality improvements specific to Montana brings up questions concerning the use of renewable generation to displace fossil-fuel based generation. In theory, using a one-to-one ratio, the 542 megawatts of renewable energy certified for use in meeting Montana's RPS, offset 542 megawatts of nonrenewable energy. For the two largest utilities in Montana, this is likely an offset of market purchases, which raises the question of what percentage of the utility's market purchases come from fossil-fuel based resources. The health benefits of a renewable portfolio standard are mainly associated with the benefits of avoiding the use of fossil fuel generation which emit regulated air pollutants. Activities in Montana account for about 37 million metric tons of carbon dioxide equivalent emissions or 0.6 percent of all greenhouse gas emissions in the United States. Electricity use, transportation, and agriculture are the principal emissions sources. All energy generation has some impact on the environment, and environmental concerns, related to wind energy, include bird and bat mortality. Another concern regarding large-scale deployment of wind energy is its potentially significant land use.

**Findings, Recommendations, Legislation:**

---

---

---

**Study task:** Review the impacts the renewable portfolio standard has had on Montana consumers by analyzing whether the standard has mitigated or contributed to higher energy costs for consumers, how the standard has been used to hedge against volatility in fossil fuel prices, and whether the standard complements or hinders other efforts to help consumers. An overview of the consumer impacts was prepared by staff and is included on pages 40-48 of the draft report.

**ETIC response:** The ETIC at its March 2014 meeting invited staff from the Public Service Commission to discuss its role in weighing a utility's request to acquire new generation or to increase rates. Utilities also shared their thoughts on how the RPS has contributed to the rates they charge customers. In an effort to

take a closer look at customer impacts, the ETIC requested the Montana Consumer Counsel conduct an analysis of RPS, including the CREP, impacts to Montana ratepayers.

**Summary:** Anecdotal evidence suggests limited rate impacts for most Montana customers. A detailed determination of the overall customer cost of Montana's RPS varies depending on the parameters used to arrive at a specific cost. Those parameters are highly flexible and can include federal production tax credits, fossil fuel and wholesale market price uncertainty, the value of reducing carbon dioxide emissions, resource eligibility, treatment of renewable power and credits imported from other states, load growth, integration needs, and portfolio risks. The ETIC requested the Montana Consumer Counsel analyze the potential impacts and report back to the ETIC at the May meeting.

**Findings, Recommendations, Legislation:**

---

---

---

---