

MEIC



MONTANA ENVIRONMENTAL INFORMATION CENTER

"Working to Protect and Restore Montana's Natural Environment Since 1973"

EXHIBIT 12
DATE 4-11-05
SB SB415

April 11, 2005

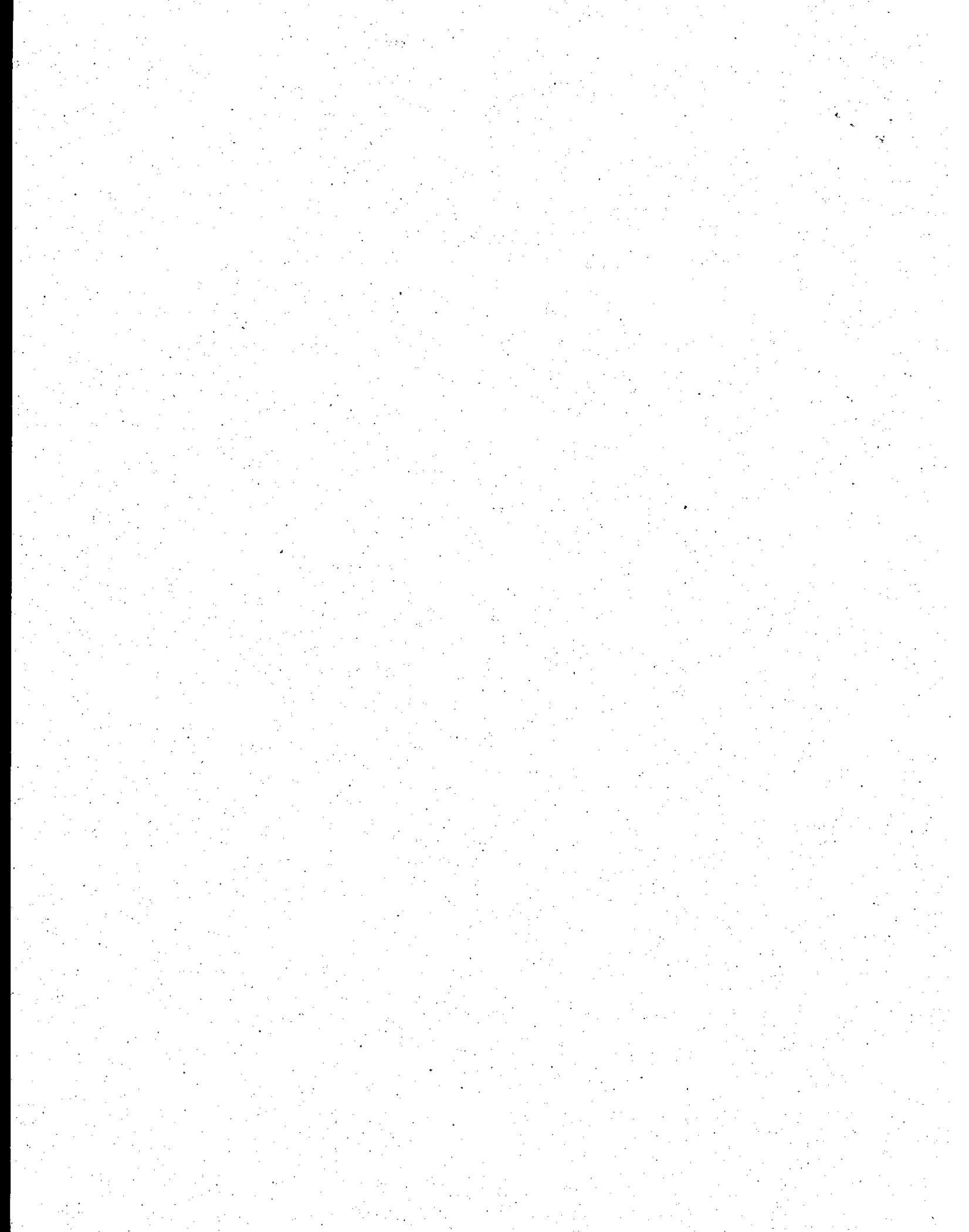
Chairman Olson, and Members of the House Federal Relations, Energy, and Telecommunications Committee,

My name is Patrick Judge, and I am the Energy Program Director for the Montana Environmental Information Center (MEIC). MEIC stands in strong support of SB 415 as an effective and sensible policy mechanism for stimulating clean, sustainable, rural economic development in Montana. Montana has a unique opportunity to develop its abundant renewable energy resources, for the benefit of both consumers and the environment. The production of electricity using renewable energy, such as the energy of the wind, releases no pollutants to the air, water, or land. With no fuel or water requirements, there is no depletion of natural resources.

These same characteristics also make wind power extremely attractive to consumers. With no fuel costs, the price of power from modern wind farms is not only affordable, it is also stable. The avoidance of "regulatory risk" associated with future environmental regulation also contributes to price stability. Finally, renewable energy can help lower overall portfolio costs by adding diversity, and providing a hedge against changing circumstances (e.g. reduced hydro capacity due to ongoing drought).

I would like to make a couple of brief points to follow up on the committee's wind energy work session that took place last Friday, April 8. During that discussion, NorthWestern Energy expressed concerns about integrating additional wind into its system, due to the difficulty of arranging sufficient "regulating" or "load-following" resources. It should be noted, however, that NorthWestern will soon be receiving load-following services from the 55 MW Basin Creek power plant to be located in Butte. NorthWestern Energy is also working on incorporating additional dispatchable resources into its mix of contracts.

Regarding reliability concerns, SB 415 has an explicit "off-ramp" if a utility demonstrates that additional renewable energy would jeopardize the reliability of its system. A similar "off-ramp" also exists to address price concerns. Under the bill, the Public Service Commission is directed to develop cost-caps. If bids come in above that amount, the utilities would be released from the requirement, until such time as the economics change. Proponents of SB 415 are



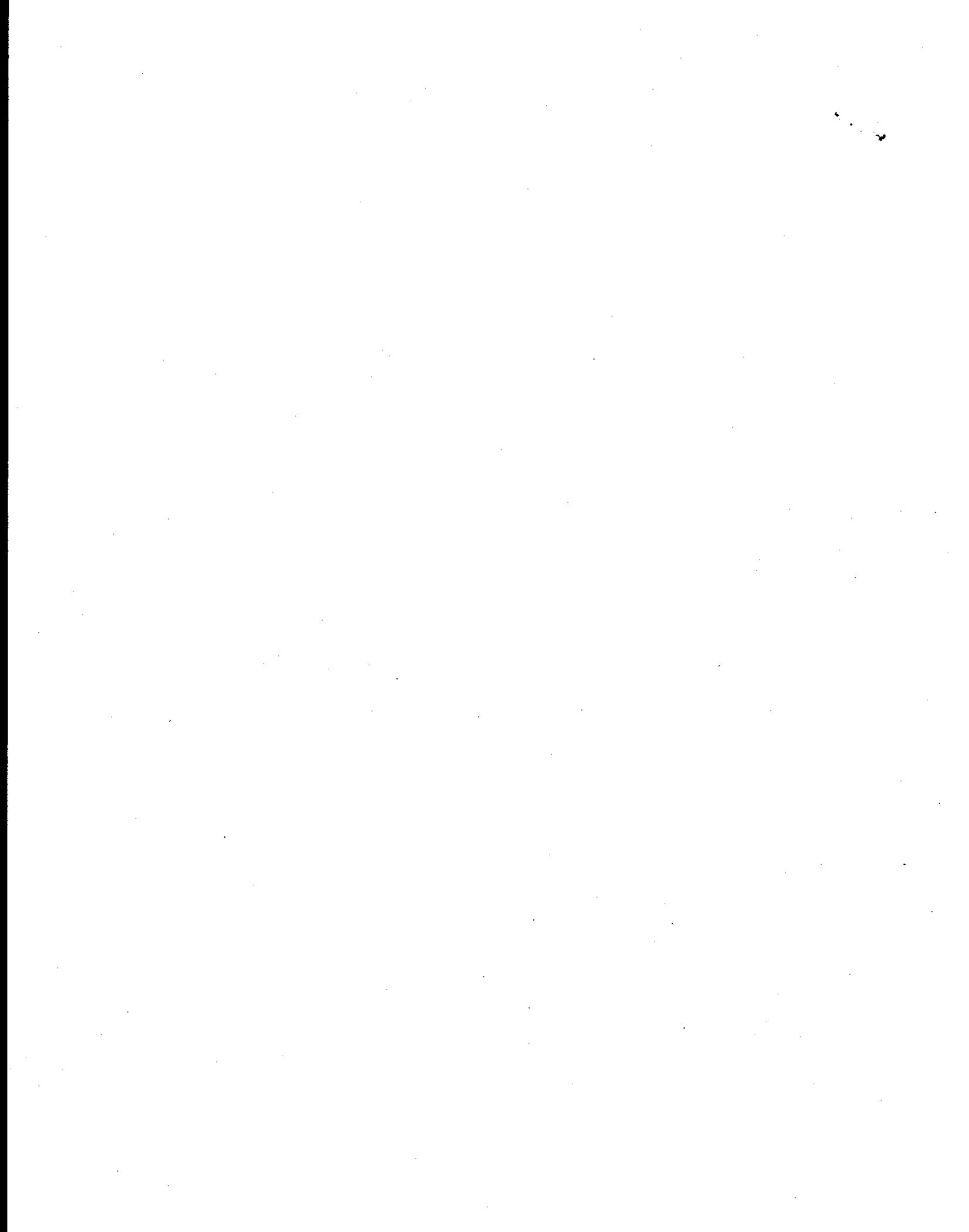
confident that projects will continue to be bid into the system that are both cost-effective and compatible with other resources. Nonetheless, these safeguards provide an important additional layer of consumer protection. Renewable energy advocates have no interest in an overly rigid requirement that forces projects that don't make sense, and which end up giving renewables a black eye.

Instead, what we're seeing around the country are projects that are cost-effective and that are being successfully integrated. And it appears that will soon be the case here as well. NorthWestern Energy just contracted for 150 MW of wind power capacity that will provide significant benefits for its customers. The price of power from this project -- including integration -- is less than what we're paying today. The 150 megawatts from Judith gap represents about 8% of the energy of NWE's 700 aMW default supply load. This bill would essentially have NorthWestern double that commitment by the year 2015 -- which gives the utilities a decade to work out the kinks. In comparison with standards already in place in 18 other states (representing approximately 40% of U.S. electricity load), 15% is a moderate amount (and note that all but three of the renewable portfolio standards are based upon energy, not capacity). And with Montana's world-class wind resource, it is relatively easier to meet such a standard here than elsewhere. (Additionally, our smaller loads imply fewer installed megawatts to meet a comparable standard in a more populated state.) It's time for Montana to start answering the challenges of how to we're going to move forward, rather than looking for reasons as to why we shouldn't try.

Thank you for this opportunity to comment.

Sincerely,

Patrick Judge



SB 415 -- THE MONTANA RENEWABLE POWER PRODUCTION
AND RURAL ECONOMIC DEVELOPMENT ACT
by Patrick Judge, MEIC 406/443-2520

BACKGROUND / PROBLEM

Montana is blessed with a vast, untapped renewable energy resource. In fact, we are home to the fifth-best wind resource in the nation, with enough potential to meet our own needs 70 times over.¹ Unfortunately, this resource has thus far been largely ignored. We have yet to develop a single utility-scale wind project in the state, and trail twenty-three other states in terms of installed capacity.² Taken together, wind, solar, biomass, and geothermal account for less than 1% of Montana's statewide energy production.³

Many of Montana's neighbors in the great plains states, the Rocky Mountain West, and the Pacific Northwest have already begun to realize the substantial economic and environmental benefits of wind development. At a time when the state is looking for new sources of clean and affordable energy, and new strategies for economic development for our rural communities, Montana can no longer afford to let this important opportunity languish.

SOLUTION

One of the principal barriers facing wind development in Montana has been the absence of established markets. To remedy this problem, eighteen other states have adopted "renewable energy standards" requiring utilities to incorporate a certain percentage of renewable power into the mix by a certain date. SB 415 proposes that Montana utilities obtain 15% of their energy from wind, solar, biomass, or geothermal sources by the year 2015. The bill also includes two benchmarks leading up to that date -- 5% by 2008, and 10% by 2010. And it stimulates geographically diverse rural economic development by also requiring a mix of small, locally-owned projects. Importantly, the bill also includes a preference for Montana workers. Cooperative utilities are exempt from the standards in this bill, but those co-ops with more than 5,000 members are directed to develop their own renewable energy standards.

WIND POTENTIAL -- TOP 5 STATES¹

1. North Dakota	138,000 aMW
2. Texas	136,000 aMW
3. Kansas	122,000 aMW
4. South Dakota	118,000 aMW
5. Montana	116,000 aMW

DEVELOPED WIND (End of 2004)²

1. California	2,096 MW	Renewable Energy Standard
2. Texas	1,293 MW	Renewable Energy Standard
3. Iowa	632 MW	Renewable Energy Standard
4. Minnesota	615 MW	Renewable Energy Standard
5. Wyoming	285 MW	
6. New Mexico	267 MW	Renewable Energy Standard
7. Oregon	263 MW	
8. Washington	240 MW	
9. Colorado	229 MW	Renewable Energy Standard
24. Montana	2 MW	

FOOTNOTES

1 According to the American Wind Energy Association, Montana could develop 116,000 aMW (1020 billion kwh/yr). Montana's current total electrical demand is 1,600 aMW.

<http://www.awea.org/pubs/factsheets/WindEnergyAnUntappedResource.pdf>

http://leg.state.mt.us/css/publications/lepo/2005_deq_energy_report/2005deqenergytoc.asp

2 http://www.eere.energy.gov/windandhydro/windpoweringamerica/images/windmaps/installed_capacity_2004.jpg

3 http://leg.state.mt.us/css/publications/lepo/2005_deq_energy_report/2005deqenergytoc.asp

RENEWABLE ENERGY STANDARDS -- 18 STATES + DC

Collectively, these standards cover approximately 40% of U.S. electricity load:

Arizona	1.1% by 2007
California	20% by 2010
Colorado	10% by 2015
Connecticut	10% by 2010
Hawaii	20% by 2020
Iowa	105 aMW
Maine	30% by 2000
Maryland	7.5% by 2019
Massachusetts	4% new by 2009
Minnesota	(Xcel) 825 MW wind by 2007 + 10% by 2015
Nevada	15% by 2013
New Jersey	6.5% by 2008
New Mexico	10% by 2011
New York	24% by 2013
Pennsylvania	8% by 2020
Rhode Island	16% by 2019
Texas	2880 MW by 2009
Wisconsin	2.2% by 2011
DC	11% by 2022

Information from Ryan H. Wiser, Lawrence Berkeley National Laboratory, rhwiser@lbl.gov, 510/486-5474.

UNDER THIS BILL, HOW MUCH WIND POWER WOULD BE INSTALLED IN MT?

Assuming a statewide electricity load of 1010 aMW (IOUs & Power Marketers only)*, 8% line losses and a capacity factor of 33%, the standards in this bill would lead to the following quantities of installed wind capacity:

5% by 2008	=	165 MW
10% by 2010	=	330 MW (including 50 MW of community wind, from 10+ projects)
15% by 2015	=	495 MW (including 75 MW of community wind, from 15+ projects)

* *Information from Understanding Energy in Montana, Table E8,*

http://leg.state.mt.us/css/publications/lepo/2005_deq_energy_report/2005deqenergytoc.asp

WHAT ABOUT COST?

Wind is not only the fastest growing energy source in the world, but rapidly becoming one of the cheapest. In recent bid requests by NorthWestern Energy, the price of power from wind projects has been lower than the average cost of the default supply portfolio -- even after including integration and firming costs.

In other states, the effect of renewable energy standards on rates has been extremely modest -- less than \$5 per year for the average residential customer. And in states with good wind resources, that effect has been positive -- producing savings rather than costs.

Information from Larry Flowers, National Renewable Energy Laboratory, larry_flowers@nrel.gov, 303/384-6910.

HOW CAN WE BE SURE?

Under this bill, the Montana Public Service Commission retains all of its traditional authority to review power purchase contracts to ensure that they are in the public interest. It also directs the commission to develop cost-caps above which the standards would not be enforced.

WHAT ABOUT RELIABILITY?

A similar "off ramp" also exists for reliability concerns. A utility can petition the commission for a waiver from the requirements of the Act, if it can demonstrate that additional renewable resources would threaten the reliability of the electrical system.