

HOUSE BILL NO. 511

INTRODUCED BY C. POPE

A BILL FOR AN ACT ENTITLED: "AN ACT DEFINING "LONG-TERM" FOR THE PURPOSES OF UTILITY ENERGY PROCUREMENT AND CONTRACT LENGTH; AMENDING SECTIONS 69-3-601, 69-3-602, AND 69-3-2003, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Long-term utility requirements.** For the purposes of the commission's determination of an energy asset procurement requirement or an energy service contract length for a utility regulated in accordance with the provisions of chapter 8 or this chapter, "long-term" means:

- (1) 25 years; or
- (2) the warranted productive economic life of the subject asset or energy production source.

Section 2. Section 69-3-601, MCA, is amended to read:

"69-3-601. (Temporary) Definitions. As used in this part, the following definitions apply:

- (1) "Commission" means the Montana public service commission.
- (2) "Electric cooperative" means a rural electric cooperative organized under the laws of Montana, or a foreign corporation admitted to do business in Montana.

(3) "Long-term" has the meaning provided in [section 1].

~~(3)~~(4) "Qualifying small power production facility" means a facility that:

- (a) produces electricity by the use, as a primary energy source, of biomass, waste, water, wind, or other renewable resource, or any combination of those sources; or
- (b) produces electricity and useful forms of thermal energy, such as heat or steam, used for industrial, commercial, heating, or cooling purposes through the sequential use of energy known as cogeneration; and
- (c) has a power production capacity that together with any other facilities located at the same site is not greater than 80 megawatts; and
- (d) is owned by a person not primarily engaged in the generation or sale of electricity other than electric power from a small power production facility.

1 ~~(4)(5)~~ "Utility" means any public utility supplying electricity and regulated by the commission. (Repealed
2 on occurrence of contingency--secs. 1, 3, Ch. 284, L. 2003--see part compiler's comment.)"

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4 **Section 3.** Section 69-3-602, MCA, is amended to read:

5 **"69-3-602. (Temporary) Generation and sale of electricity by qualifying small power production**

6 **facility.** (1) A qualifying small power production facility may generate electricity from the sources described in
7 ~~69-3-601(3)(a) and (3)(b)~~ 69-3-601(4)(a) and (4)(b) and may contract for the sale of that electricity with a utility.

8 (2) A qualifying small power production facility may generate electricity from the sources described in

9 ~~69-3-601(3)(a) and (3)(b)~~ 69-3-601(4)(a) and (4)(b) and may contract for the sale of that electricity with an electric

10 cooperative under terms and conditions mutually agreed upon between the parties and in compliance with the

11 rates and regulations established by the Public Utility Regulatory Policies Act. (Repealed on occurrence of

12 contingency--secs. 1, 3, Ch. 284, L. 2003--see part compiler's comment.)"

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14 **Section 4.** Section 69-3-2003, MCA, is amended to read:

15 **"69-3-2003. Definitions.** As used in this part, unless the context requires otherwise, the following
16 definitions apply:

17 (1) "Ancillary services" means services or tariff provisions related to generation and delivery of electric
18 power other than simple generation, transmission, or distribution. Ancillary services related to transmission
19 services include energy losses, energy imbalances, scheduling and dispatching, load following, system
20 protection, spinning reserves and nonspinning reserves, and reactive power.

21 (2) "Balancing authority" means a transmission system control operator who balances electricity supply
22 and load at all times to meet transmission system operating criteria and to provide reliable electric service to
23 customers.

24 (3) "Common ownership" means the same or substantially similar persons or entities that maintain a
25 controlling interest in more than one community renewable energy project even if the ownership shares differ
26 between two community renewable energy projects. Two community renewable energy projects may not be
27 considered to be under common ownership simply because the same entity provided debt or equity or both debt
28 and equity to both projects.

29 (4) "Community renewable energy project" means an eligible renewable resource that:

30 (a) is interconnected on the utility side of the meter in which local owners have a controlling interest and

1 that is less than or equal to 25 megawatts in total calculated nameplate capacity; or

2 (b) is owned by a public utility and has less than or equal to 25 megawatts in total nameplate capacity.

3 (5) (a) "Competitive electricity supplier" means any person, corporation, or governmental entity that is
4 selling electricity to small customers at retail rates in the state of Montana and that is not a public utility or
5 cooperative.

6 (b) The term does not include governmental entities selling electricity produced only by facilities
7 generating less than 250 kilowatts that were in operation prior to 1990.

8 (6) "Compliance year" means each calendar year beginning January 1 and ending December 31, starting
9 in 2008, for which compliance with this part must be demonstrated.

10 (7) "Cooperative utility" means:

11 (a) a utility qualifying as an electric cooperative pursuant to Title 35, chapter 18; or

12 (b) an existing municipal electric utility as of May 2, 1997.

13 (8) "Dispatch ability" means the ability of either a balancing authority or the owner of an electric
14 generating resource to rapidly start, stop, increase, or decrease electricity production from that generating
15 resource in order to respond to the balancing authority's need to match supply resources to loads on the
16 transmission system.

17 (9) "Electric generating resource" means any plant or equipment used to generate electricity by any
18 means.

19 (10) "Eligible renewable resource" means a facility either located within Montana or delivering electricity
20 from another state into Montana that commences commercial operation after January 1, 2005, or a hydroelectric
21 project expansion referred to in subsection (10)(d)(iii), any of which produces electricity from one or more of the
22 following sources:

23 (a) wind;

24 (b) solar;

25 (c) geothermal;

26 (d) water power, in the case of a hydroelectric project that:

27 (i) does not require a new appropriation, diversion, or impoundment of water and that has a nameplate
28 rating of 10 megawatts or less;

29 (ii) is installed at an existing reservoir or on an existing irrigation system that does not have hydroelectric
30 generation as of April 16, 2009, and has a nameplate capacity of 15 megawatts or less; or

1 (iii) is an expansion of an existing hydroelectric project that commences construction and increases
2 existing generation capacity on or after October 1, 2013. Engineering estimates of the average incremental
3 generation from the increase in existing generation capacity must be submitted to the commission for review. The
4 commission shall determine an average annual incremental generation that will constitute the eligible renewable
5 resource from the capacity expansion, subject to further revision by the commission in the event of significant
6 changes in stream flow or dam operation.

7 (e) landfill or farm-based methane gas;

8 (f) gas produced during the treatment of wastewater;

9 (g) low-emission, nontoxic biomass based on dedicated energy crops, animal wastes, or solid organic
10 fuels from wood, forest, or field residues, including wood pieces that have been treated with chemical
11 preservatives, such as creosote, pentachlorophenol, or copper-chrome arsenic, and that are used at a facility that
12 has a nameplate capacity of 5 megawatts or less;

13 (h) hydrogen derived from any of the sources in this subsection (10) for use in fuel cells; and

14 (i) the renewable energy fraction from:

15 (i) the sources identified in this subsection (10) of electricity production from a multiple-fuel process with
16 fossil fuels;

17 (ii) flywheel storage as defined in 15-6-157(4)(d);

18 (iii) hydroelectric pumped storage as defined in 15-6-157(4)(e);

19 (iv) batteries; and

20 (v) compressed air derived from any of the sources in this subsection (10) that is forced into an
21 underground storage reservoir and later released, heated, and passed through a turbine generator.

22 (11) "Local owners" means:

23 (a) Montana residents;

24 (b) general partnerships of which all partners are Montana residents;

25 (c) business entities organized under the laws of Montana that:

26 (i) have less than \$50 million of gross revenue;

27 (ii) have less than \$100 million of assets; and

28 (iii) have at least 50% of the equity interests, income interests, and voting interests owned by Montana
29 residents;

30 (d) Montana nonprofit organizations;

- 1 (e) Montana-based tribal councils;
- 2 (f) Montana political subdivisions or local governments;
- 3 (g) Montana-based cooperatives other than cooperative utilities; or
- 4 (h) any combination of the individuals or entities listed in subsections (11)(a) through (11)(g).
- 5 (12) "Long-term" has the meaning provided in [section 1].
- 6 ~~(12)~~(13) "Nonspinning reserve" means offline generation that can be ramped up to capacity and
- 7 synchronized to the grid within 10 minutes and that is needed to maintain system frequency stability during
- 8 emergency conditions, unforeseen load swings, and generation disruptions.
- 9 ~~(13)~~(14) "Public utility" means any electric utility regulated by the commission pursuant to Title 69, chapter
- 10 3, on January 1, 2005, including the public utility's successors or assignees.
- 11 ~~(14)~~(15) "Renewable energy credit" means a tradable certificate of proof of 1 megawatt hour of electricity
- 12 generated by an eligible renewable resource that is tracked and verified by the commission and includes all of
- 13 the environmental attributes associated with that 1 megawatt-hour unit of electricity production.
- 14 ~~(15)~~(16) "Renewable energy fraction" means the proportion of electricity output directly attributable to
- 15 electricity and associated renewable energy credits produced by one of the sources identified in subsection (10).
- 16 ~~(16)~~(17) "Seasonality" means the degree to which an electric generating resource is capable of producing
- 17 electricity in each of the seasons of the year.
- 18 ~~(17)~~(18) "Small customer" means a retail customer that has an individual load with an average monthly
- 19 demand of less than 5,000 kilowatts.
- 20 ~~(18)~~(19) "Spinning reserve" means the online reserve capacity that is synchronized to the grid system
- 21 and immediately responsive to frequency control and that is needed to maintain system frequency stability during
- 22 emergency conditions, unforeseen load swings, and generation disruptions.
- 23 ~~(19)~~(20) "Total calculated nameplate capacity" means the calculation of total nameplate capacity of the
- 24 community renewable energy project and other eligible renewable resources that are:
- 25 (a) located within 5 miles of the project;
- 26 (b) constructed within the same 12-month period; and
- 27 (c) under common ownership."
- 28
- 29 **NEW SECTION. Section 5. Codification instruction.** [Section 1] is intended to be codified as an
- 30 integral part of Title 69, chapter 3, part 1, and the provisions of Title 69, chapter 3, part 1, apply to [section 1].

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2 NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

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