



Energy and Telecommunications Interim Committee

64rd Montana Legislature

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To: Energy and Telecommunications Interim Committee
From: Sonja Nowakowski, ETIC
Re: Net Metering Introduction

Net metering involves an electric customer installing a renewable generator at their home or business. Surplus energy generated by the customer generator goes back on the utility electric system and the customer receives credit at retail rates for the electricity put back on the system. The customer's meter measures the electricity the customer uses from the utility system less the electricity the customer's system puts back. The terms net metered generation and distributed generation are often used interchangeably.

Forty-four states have authorized net metering, and utilities in three additional states-Idaho, South Carolina and Texas-have implemented net metering programs. Net-metering regulations differ from state to state, and many vary dramatically. In Montana net metering also differs from utility to utility, which is not uncommon.

Net-metering is available on both the NorthWestern Energy and the Montana-Dakota Utilities systems. Montana's rural electric cooperatives also offer net metering. Montana's net metering statutes codified in Title 69, chapter 8, part 6 only apply to NorthWestern Energy. Rural electric cooperatives are explicitly exempt from those requirements. MDU is exempt, in large part, as result of the deregulation and partial reregulation of Montana's energy laws in 1997 and 2007. In state law, 69-8-201(4), MCA furthers this distinction, carving MDU out of Title 69, chapter 8 entirely, with a few exceptions.

Montana's net metering law was enacted in 1999. Renewable installations of less than 50 kW capacity are eligible for net metering on NWE's system. NorthWestern has about 1,300 net metered systems. Montana-Dakota's net metering program is governed by a Public Service Commission approved net metering tariff that took effect in June 2008. The provisions of the tariff are similar to the provisions of Title 69, Chapter 8, part 6, in that capacity is limited to 50 kW and credits are allowed to carry over for a one year period. MDU currently has four net metering customers connected on its Montana system.

Rural electric cooperatives, governed by each cooperative's own board of trustees, establish parameters for net metering systems. In general cooperatives in Montana agree to allow net metering for customers with generators up to 10 kilowatts in size.

There are many different approaches to state and utility policies with regard to net metering terminology, capacity limits, eligible technology, and net metering credit retention. These different approaches are issues that likely will be discussed more this interim. Capacity limits regulate the system size of net metered installations. Capacity limits can be determined by a kilowatt-based limit or a percentage limit. As noted, Montana law limits capacity for NorthWestern Energy at 50 kilowatts.

State policies also have addressed how long customers can maintain or "roll over" bill credits for net metered electricity. Most states, including Montana, credit excess generation to the next monthly billing period or allow distributed generation customers to select this option. In Montana and in accordance with current law, at the end of an annual billing cycle the utility eliminates any kilowatt-hour credit balance from the customer-generator's account without compensation.

In recent years, a number of states also have differentiated how net metering policies apply to different customer types. Montana law contemplates the use of conventional net metering, or individual net metering, which connects a generating source to single meter, like a house or building. In other states, expanded net metering policies allow generating sources to be connected to multiple meters or multiple properties. These policies are often referred to as aggregate net metering.

A major factor in the conversation revolves around costs - or the costs of net metering. The net metering law, which applies to NorthWestern, allows the PSC to analyze whether the company will incur direct costs to interconnect net metering systems and to determine whether net costs should be imposed on customer-generators. To date the PSC has not formally completed such an analysis.

As the committee delves into net metering, the committee will hear from stakeholders about whether net metering costs a utility more or less than other supplies and what it costs the rest of the ratepayers, if anything, who don't use net metering. Net metering also can reduce both utility revenues and utility costs. Often these costs and savings can be a factor of the equation used by the stakeholder to make the determination.

The discussion of costs and accounting for costs also will be different for MDU and different for each of the rural electric cooperatives. For example, for rural electric cooperatives the cost of the poles and wires, or delivery, are a greater percentage of each electric bill than for a larger utility.

There are many factors to consider when quantifying the financial impacts of net metering, if any, on utility shareholders and ratepayers. The committee may wish to reach out to the cooperatives and utilities and request information as a baseline for its work beginning in the fall. The committee also may wish to reach out to the renewable energy industry for similar baseline information.

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