



MONTANA RENEWABLE ENERGY ASSOCIATION
P.O. Box 673
Missoula, MT 59806
(406) 214-9405
www.montanarenewables.org

October 21, 2015

June Pusich-Lester
NorthWestern Energy
40 East Broadway Street
Butte, MT 59701

Re: USB Renewable Energy Program

Dear Ms. Pusich-Lester:

This letter contains recommendations from the Montana Renewable Energy Association (MREA) Board of Directors regarding administration of Universal System Benefits Renewable Energy Program funds in the context of Senate Bill 150. We value our long working relationship with NorthWestern Energy, and we appreciate your consideration of these recommendations.

The USB Renewable Energy Program is of great benefit to the state of Montana. It helps families, businesses, and nonprofit organizations overcome the upfront costs of installing on-site renewable energy systems, resulting in long-term reductions in their monthly power bills. And the benefits of the program extend beyond the individual recipients to other utility customers and the state as a whole. Recent modeling by MREA showed that the benefits of net-metered renewable energy systems, including energy savings, economic activity, ratepayer benefits, and avoided costs from greenhouse gas emissions, outweigh the costs of state tax credits, USB incentives, integration costs and lost utility revenue by a ratio of 4 to 1. It is crucial that the USB Renewable Energy Program be maintained.

It is also important for the program to adapt to changing circumstances. Montana's renewable energy industry has grown and evolved in the years since the USB program was adopted; most significantly, the cost of solar photovoltaic systems has dropped and the number of solar installation companies in the state has risen. MREA made recommendations to NorthWestern Energy in 2012 and again in 2014 regarding changes in the administration of the USB Renewable Energy Program to reflect the evolution of the industry. We appreciate NorthWestern Energy's consideration and ultimate adoption of those recommendations.

Our current recommendations are prompted by NorthWestern Energy's filing to the Montana Public Service Commission titled "Revised Electric USB Allocations Post Senate Bill 150," dated July 17, 2015. In that filing, NorthWestern Energy proposed a reduction in USB funding in the Renewable Energy and R&D categories of 44% (from \$1,612,718 to \$899,097) for 2015 in order to meet the requirements of Senate Bill 150, which called for at least 50% of USB funds to be used for low-income energy assistance purposes.

The following recommendations assume that the USB funding allocation approved by the Public Service Commission will include these significant reductions in Renewable Energy and R&D funding.

Recommendation 1: Eliminate residential incentives

We continue to believe in the importance of incentives to help residential customers overcome the upfront cost of installing a renewable energy system. However, the residential incentive program ceases to be beneficial if incentives are available to only a small subset of interested NorthWestern Energy customers. That scenario leads to ill-will among customers and in some cases delays renewable energy projects while customers wait for incentives to become available. Residential incentive funds are already insufficient to meet demand, and we believe that a further reduction in funding would make the residential incentive program unworkable. We therefore recommend that the residential incentives be eliminated and those funds be used for public and commercial renewable energy incentives, subject to the recommendations below.

Recommendation 2: Reduce commercial project incentives from \$0.50 per watt to \$0.25 per watt

We understand that the demand for USB funding for commercial renewable energy projects already exceeds the available funds, and that this situation will only be exacerbated with the SB 150 funding reduction. We believe that an incentive of \$0.25 per watt is sufficient to allow many commercial renewable energy projects to proceed, and we therefore recommend spreading funds among a greater number of projects by reducing the per-watt incentive amount from \$0.50 to \$0.25 per watt.

Recommendation 3: Set a cap on public and nonprofit project incentives

We understand that the demand for USB funding for public and nonprofit renewable energy projects already exceeds the available funds, and that this situation will only be exacerbated with the SB 150 funding reduction. We therefore recommend a per-project incentive cap for public and nonprofit projects of no more than \$50,000. The purpose of this recommendation is to allow more public and nonprofit renewable energy projects to proceed by spreading USB funds among a greater number of worthy projects.

We also reiterate our support for requiring that recipients of USB incentives for public and nonprofit renewable energy projects provide a match of at least 10 percent of the total project cost. We made this recommendation in 2014 and we understand that it has been adopted.

Recommendation 4: Continue to balance renewable energy project funding with education/research funding

Historically, the USB renewable energy program has struck a good balance between funding for renewable energy projects and funding for installer training, public renewable energy education, and related programs. We urge NorthWestern Energy to continue to balance these two objectives (by maintaining the approximate proportion of funds allocated to each) despite the reduction in overall funding.

Recommendation 5: Continue to administer and enforce Qualified Installer requirements

MREA was involved in the development of the NorthWestern Energy Qualified Installer program a number of years ago, and we strongly support the program and its role in helping to ensure safe, high quality renewable energy installations throughout the state. We urge NorthWestern Energy to continue the Qualified Installer program despite the SB 150 funding reduction. We further recommend additional enforcement of Qualified Installer requirements to help maintain the integrity of the program.

Recommendation 6: Make geographic distribution criteria explicit, or replace them with targeted marketed development activities

We are aware that NorthWestern Energy is prioritizing certain geographic areas over others in its distribution of USB renewable energy project incentives, and we look forward to helping illustrate the historical geographic distribution of USB funds through our mapping project. However, we recommend that, at a minimum, the geographic distribution criteria (including the calculation methodology by which the criteria were developed) be made explicit and publicized on the NorthWestern Energy website. This would decrease confusion among customers in areas where little funding is available. As an alternative to the current geographic distribution criteria, we recommend that NorthWestern Energy consider focusing a portion of its USB renewable energy education/research funds on explicit market development activities in regions with low per-capita solar PV adoption, with the goal of increasing the number of solar projects (and USB applications) in those regions.

Thank you for considering these recommendations. We look forward to continuing to work with you to support the development of renewable energy in Montana.

Sincerely,

Conor Darby, President
Montana Renewable Energy Association Board of Directors