

OFFICE OF THE GOVERNOR  
STATE OF MONTANA

STEVE BULLOCK  
GOVERNOR



ANGELA McLEAN  
LT. GOVERNOR

March 27, 2015

The Honorable Debby Barrett  
President of the Senate  
State Capitol  
Helena, MT 59620

The Honorable Austin Knudsen  
Speaker of the House  
State Capitol  
Helena, MT 59620

Dear President Barrett and Speaker Knudsen:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I do hereby veto Senate Bill 114 (SB 114), "AN ACT REVISING THE MONTANA RENEWABLE POWER PRODUCTION AND RURAL ECONOMIC DEVELOPMENT ACT; REVISING THE DEFINITION OF 'ELIGIBLE RENEWABLE RESOURCE' TO INCLUDE EXISTING HYDROELECTRIC RESOURCES; REQUIRING A PUBLIC UTILITY TO REFUND CUSTOMERS FOR THE VALUE OF CERTAIN RENEWABLE ENERGY CREDITS; AMENDING SECTIONS 69-3-2003, 69-3-2004, 69-3-2006, 90-3-1003, AND 90-4-1005, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

SB 114 amends Montana's Renewable Power Production and Rural Economic Development Act, to allow hydropower of any size and vintage to be eligible for the Renewable Portfolio Standard (RPS), which will subvert the RPS and discourage the creation of new clean energy jobs.

Montana's economy is booming, with some of the nation's lowest unemployment. But this is no time to let up, and the RPS has been a strong driver of economic development, especially in rural areas. This is well documented by a recent report from the Legislature's own Energy and Telecommunications Interim Committee, which conducted a thorough review of Montana's RPS (*Renewables: Rewards and Risks*, September 2014) (RPS Study).

SB 114 would completely defeat the purpose of the RPS by expanding the definition of resources eligible to meet renewable energy standards to include existing hydropower. Hydroelectric facilities have been an enduring and important part of Montana's energy system and hydroelectricity is clean and renewable. But adding hundreds of megawatts of existing hydropower to the RPS will not

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create new jobs, and will undercut all incentives for future renewable projects that *would* create new jobs or tax revenues.

During the 2013 legislative session, I worked with the Legislature to strike an appropriate balance between our existing hydroelectric dams and the job-creating provisions of the RPS. We amended the RPS to include capacity expansions at those existing dams, recognizing that those projects would create new jobs and tax revenues. I see no reason to alter this balance.

SB 114 provides that if a utility uses its existing hydropower to meet Montana's RPS and then chooses to sell its other certified renewable credits on the market for compliance with renewable energy standards in other states, the utility is "required" to credit the proceeds from those sales against electric rates.

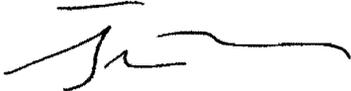
This gimmick, while appealing on its face, fails for two reasons: first, nothing in SB 114 requires the utility to sell its certified credits, so any positive outcome for ratepayers is far from certain; second, existing hydropower is generally not eligible for renewable credit in other states, so those states would see this as a sleight of hand designed to subsidize Montana at their expense – with the end result that Montana's legitimate renewable credits are devalued.

Losing the tangible generous economic benefits of the RPS for a scheme that depends on the ignorance of other states to succeed is a poor trade off.

The Legislature's own recent RPS Study not only found that Montana's RPS resulted in positive economic benefits and had a "negligible impact on ratepayers," it also concluded that the 15 percent standard should not be reduced or increased. Yet the effect of SB 114 is to reduce, and even do away with, the 15 percent standard.

For these reasons, I veto SB 114.

Sincerely,



STEVE BULLOCK  
Governor

cc: Legislative Services Division  
Secretary of State