



Energy and Telecommunications Interim Committee

64th Montana Legislature

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August 21, 2015

TO: Energy and Telecommunications Interim Committee (ETIC) members

FR: ETIC staff

RE: Renewable Energy Credit (REC) reports in compliance with 69-3-2009, MCA

The 2011 Montana Legislature passed and approved Senate Bill No. 7 which created a new form of reporting on renewable energy credits, also known as RECs, in Montana. The law requires public utilities, rural electric cooperatives, competitive electricity suppliers, or owners of a renewable electrical generation facility to file a report with the Energy and Telecommunications Interim Committee (ETIC) each interim concerning the purchase or sale of renewable energy credits within Montana. The ETIC reviews the reports and, if necessary, submits recommendations regarding the use of renewable energy credits in Montana. The 2013 Legislature approved SB 52, which clarified the entities required to report credits.

Utilities and competitive suppliers meet Montana's RPS by entering into long-term purchase contracts for electricity bundled with RECs, by purchasing the RECs separately, or by a combination of both. For utilities operating in Montana within the geographic boundaries of the Western Electricity Coordinating Council, all RECs used to comply with the standard are tracked and verified through the Western Renewable Energy Generation Information System (WREGIS). For public utilities operating in Montana within the geographic boundaries of Midwest Reliability Organization, all RECs used to comply with the standard must be tracked and verified through the Midwest Renewable Energy Tracking System (MRETS). Montana also allows for a two-years of carry-over for the amount a utility or supplier exceeds the standard. In some cases the RECs reported as purchased outnumber the RECs required to meet the Montana standard. Some of the RECs may be being carried forward and others might be being used to meet other renewable mandates.

It is the third year the reports have been collected. In early 2014, because of the lack of consistency in reporting, and confusion concerning the report form, the ETIC requested the Department of Revenue revisit the reporting form itself and offer the department some guidance on the use of the forms. The Department of Revenue met with ETIC staff and a representative of the Public Service Commission in April 2014 to improve the reporting forms. The Department of Revenue revised the forms, providing much more clarity to entities that will be required to fill out the form again. The new forms, unfortunately, were not used for the collections in 2015, so much of the information, similar to the last reports, is limited in its usefulness. Staff is optimistic that the Department of Revenue will provide the new forms for the next reporting period, and the ETIC will have better information to complete its review of the reports.

Renewable energy credit reporting in Montana was intended to provide some transparency. The Legislature also recognized that REC transactions are often privately negotiated and potentially proprietary transactions. Montana law notes that, "if a utility, a competitive electricity supplier, or an owner of an electrical generation facility operating in Montana required to file the report pursuant to 69-3-2009 buys or sells a renewable energy credit in a market where the price of a renewable energy credit is not publicly disclosed, the utility, competitive electricity supplier, or owner of an electrical generation facility operating in Montana is not required to disclose the price." Because in most markets, the price is not disclosed, there is limited opportunity for Montana to gather price information -- specific to a REC that is bought or sold in the state.

By law, an entity that fails to file a REC report is subject to an administrative penalty, assessed by the Department of Revenue, of \$1,500. A utility cannot recover the penalty through an increase in electricity rates and money generated from these penalties is deposited in the universal low-income energy assistance fund. The Department of Revenue indicated that they did not levy any fines in 2015, in part because of questions about what entities were subject to reporting.

The information provided below, offers a review of the information included in the REC reports.

2014 Renewable Energy Credit Reporting			
Public Utilities (a utility as defined in 69-5-102 operating in Montana)			
	REC's Needed	Facilities	REC Report
NorthWestern Energy	597,700	1.Judith Gap 2.Spion Kop 3. Lower South Fork 4. Gordon Butte 5. Turnbull 6. Flint Creek 7. Musselshell Wind I and II 8. Fairfield 9. Two Dot	Credits were purchased as both bundled and unbundled products. The bundled price for energy and RECS (with no value assigned specifically to the REC) varied from \$30.30 per MWh to \$69.21 per MWh. About a \$1 increase over last year .
Montana-Dakota Utilities	77,660	1.Diamond Willow I 2. Diamond Willow II 2. Cedar Hills	MDU indicated it sold \$162,831 in electric energy credits in unbundled transactions. Additional information about those sales is not provided.

Competitive Electricity Suppliers (a competitive electricity supplier as defined in 69-3-2003)			
	REC's Needed	Facility	REC report
PPL Treasure State	28,958	Diamond Willow and Klondike III	PPL Treasure State indicated it purchased 10,820 unbundled RECs. The price of the RECs was not publicly disclosed. PPL Treasure State indicated that they would not disclose the price of the RECs because the price was not disclosed in MRETS and WREGIS markets.
Electric City Power	2,461	Klondike Wind III	Electric City Power indicated it purchased 2,461 bundled RECs for \$1.50 each for a total of \$3,691. Electric City Power has dissolved and will no longer report.
Renewable Generators (any owner of an electrical generation facility operating in Montana that buys or sells renewable energy credits)			
	Status	Type	REC report
Spion Kop*	RPS for NWE	Wind	No report. Presumed filed in NWE's report?
Diamond Willow I - II*	RPS for MDU	Wind - CREP	No report. Presumed filed in MDU's report?
Flint Creek	RPS for NWE	Hydro - CREP	Flint Creek sold bundled RECs totaling \$78,971.
Musselshell I and II*	RPS for NWE	Wind - QFs	No report. Presumed filed in NWE's report?
Lower South Fork	RPS for NWE	Hydro - CREP	Lower South Fork sold bundled RECs totaling \$5,348.
Fairfield*	RPS for NWE	Wind - QF	No report. Presumed filed in NWE's report?
Gordon Butte	RPS for NWE	Wind - CREP/QF	Report indicated information was included in NWE's report under the PPA the facility has with NWE.
Judith Gap*	RPS for NWE	Wind	No report. Presumed filed in NWE's report?

Two Dot Wind Farm	RPS for NWE	QF	No reports. Presumed filed in NWE's report?
United Materials	QF	Wind	United Materials sold \$11,304 in RECs.
Tiber Hydro LLC*		Hydro	No report. Presumed filed in NWE's report?
Turnbull Hydro LLC*	RPS for NWE	Hydro - CREP	No report. Presumed filed in NWE's report?
Glacier Wind I		Wind	Glacier wind I sold 275,654 REC (MWh) bundled at an undisclosed price.
Glacier Wind II		Wind	Glacier Wind II sold 261,819 REC (MWh) bundled at an undisclosed price.
Rimrock Wind		Wind	Rimrock sold 567,996 REC (MWh) bundled at an undisclosed price.

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