



Energy and Telecommunications Interim Committee

65th Montana Legislature

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TO: ETIC Members

FR: Sonja Nowakowski, ETIC staff

RE: Navigant Net Energy Metering Benefit-Cost Analysis

The 2017 Legislature passed House Bill 219 requiring NorthWestern Energy to study the costs and benefits of net metering. Navigant completed the study for NorthWestern, and the study is attached. NorthWestern submits the study to the Public Service Commission (PSC) as part of a general rate case. NorthWestern is expected to file the rate case before the end of the year.

During the rate case, the PSC will evaluate the study and may make findings regarding whether customers with net-metering systems should be classified separately from other customers for rate design purposes. Based on changes authorized in HB 219, the PSC may establish new service classifications for net-metered customers, establish rates for those customers, or establish a net billing approach where customer energy production is metered separately from energy consumption and the value of energy production offsets the price of energy consumption.

At the ETIC's May 17-18 meeting, NorthWestern will provide an overview of the study. The PSC will provide an overview of the process they will use to review the information.

HB 219 also allowed to the PSC to establish minimum information requirements for the net metering study. The Navigant study addressed the issues required by the PSC. The study examined costs and benefits over a 25-year period. Benefits and costs were reviewed from two perspectives--NorthWestern Energy's perspective and the customers' perspective.

For benefits, the Navigant study examined avoided energy costs, avoided capacity costs, avoided transmission and distribution capacity costs, avoided system losses, and avoided environmental compliance costs. Navigant concluded that avoided costs for compliance with Montana's renewable energy standards, market suppression effects, avoided risk (reduced price volatility), avoided grid support services costs, avoided outage costs, and other non-energy benefits were minimal, zero, or subjective and not quantifiable.

For costs, the Navigant study examined reduced revenue (lost sales) and administrative costs. Navigant concluded that interconnection costs and integration costs were zero and other costs, like ancillary services, were subjective and not quantifiable.

The analysis concluded the value of solar energy sent back to the grid is about \$0.04/kWh. The value of solar for net-metered customers on NorthWestern's system is currently about \$0.12/kWh for energy sent back to the grid.

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