

Energy and Telecommunications Interim Committee

July 31

2017

To plan its work and establish goals, the ETIC starts the interim by mapping out its priorities. The work plan can provide an outline of what the ETIC will work on throughout the interim and how much effort will be placed on each subject. It should provide guidance to the committee over the next 15 months and serve as a blueprint for the interim.

Draft
Work
Plan for
2017-18
Interim



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Introduction

This is the draft work plan for the Energy and Telecommunications Interim Committee (ETIC) for the 2018-2018 interim. In this packet under Tab 3 of your binder, you will find:

- A description of potential work plan topics and options for addressing those topics.
- Information on programmatic evaluation opportunities and a list of programs for review.
- A work plan decision matrix to examine options for study side-by-side.

Committee Procedures and Public Participation

The ETIC will operate under the Rules, Procedures, and Guidelines for Interim Committees adopted by the Legislative Council. As required by law, 10 day advance public notice will be given for all meetings and the public will be given an opportunity to comment on any matter that is within the jurisdiction of the committee. The Presiding Officer may establish time limits for public comments, if necessary. Interested persons may be added to the mailing list by visiting the ETIC website. By visiting the website, interested persons may sign up for electronic meeting notifications. Agendas, memos, links and other information can be found on the ETIC website: www.leg.mt.gov/etic.

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How the ETIC Plans its Work

During the legislative interim, the ETIC typically focuses on the study topics it has been assigned while maintaining oversight of programs and rulemaking activities of the Public Service Commission. It also may address issues and improve law as it deems to be in the best interest of the state.

The Legislative Council assigned the Committee three studies in the form of joint study resolutions ranked by legislators. The Committee was assigned Senate Joint Resolution No. 31, a study of utility decoupling, Sen. Joint Resolution No. 2, a study of renewable energy credits, and House Joint Resolution No. 28, a study of natural gas utility deregulation. In May and June, staff also visited with ETIC members about potential topics for discussion. Keeping statutory assignments and the assigned studies in mind, it will be up to the committee to chart its work for the coming months.

The ETIC establishes its work plan at the beginning of the interim. The primary constraint limiting the study agenda for the interim is the number of issues that can be effectively addressed within the available time and resources of the committee members and its staff.

This Draft 2017-2018 Work Plan is a decision-making tool to help committee members work together efficiently to set priorities and decide how and where to spend the ETIC's time and resources. The work plan sets out a strategy for fulfilling the ETIC's responsibilities.

Once the ETIC collectively makes a decision on the work plan, it will become a blueprint for the interim. Staff will develop detailed work plans and timetables for each major study. The Draft ETIC Work Plan Decision Matrix, a separate document, is a way to look at topic options side by side and allocated staff time according to member priorities. The matrix includes estimates for total staff time available to the ETIC, but keep in mind that many topics also require meeting time for updates, panel discussions, and ETIC debate.

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Potential Work Plan Topics

Study Resolutions assigned to the ETIC by the Legislature

1. House Joint Resolution No. 28: Study Natural Gas Utility Customer Choice

Legislative Poll Ranking: #12

Background: During the 2017 session, House Bill No. 269 was introduced to deregulate all natural gas utilities in Montana. Questions were raised about the impacts to ratepayers and utilities. Currently, the “Natural Gas Utility Restructuring and Customer Choice Act” in Title 69, chapter 3, part 14 allows natural gas utilities to voluntarily offer customer choice. The study is intended to review natural gas utilities in Montana that currently do not allow customer choice and to provide an overview of perspectives on deregulation. The information provided by utilities would need to be reviewed for accuracy by the Public Service Commission. Using the information and PSC analysis, the ETIC could develop recommendations.

Option A	Option B	Option C	Option D
<p>.6 FTE</p> <ul style="list-style-type: none"> ◦ Option B ◦ Review NorthWestern Energy experiences with choice ◦ Review of other Western state experiences with customer choice ◦ Panel with industry experts <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Interim report ◦ Legislation 	<p>.2 FTE</p> <ul style="list-style-type: none"> ◦ Option C ◦ Request utilities provide estimated costs for choice and methods used to establish estimates ◦ Staff analysis, largely driven by PSC staff, of utility estimates ◦ Panel with PSC and customer choice companies on state regulation <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ White paper ◦ Legislation 	<p>.005 FTE</p> <ul style="list-style-type: none"> ◦ Request the PSC investigate the topic and report to the ETIC ◦ Panel with PSC, customer choice companies, and utilities to solicit suggestions for further changes in law <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Legislation 	<p>No Action</p>

2. Senate Joint Resolution No. 31: Study Utility Decoupling

Legislative Poll Ranking: #14

Background: Decoupling is a policy that separates a regulated utility's profits from its total electric or gas sales, so a utility isn't incentivized to sell more electricity or gas. Because decoupling is a ratemaking practice, it is most often discussed by the commissions that regulate utilities, like Montana's PSC. In October 2016 the Montana PSC held a roundtable discussion on decoupling. The workshop explored how revenue regulation works, how it differs from traditional rate regulation, whether or not to implement revenue regulation, options for designing revenue regulation mechanisms, and how revenue regulation has worked in states that have implemented it. The PSC will need to be engaged in the study to provide the regulatory perspective.

Option A	Option B	Option C	Option D
<p>.4 FTE</p> <ul style="list-style-type: none"> ◦ Option B ◦ Expanded analysis of decoupling options ◦ Review methods used in other states ◦ Quantify Montana specific merits and drawbacks to decoupling ◦ Analysis of utility and ratepayer impacts <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Interim report ◦ Legislation 	<p>.3 FTE</p> <ul style="list-style-type: none"> ◦ Option C ◦ Multiple panel discussions ◦ Limited analysis of different forms of decoupling ◦ Review of options to address sales fluctuations ◦ Analysis of other Western states experiences <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ White paper ◦ Legislation 	<p>.15 FTE</p> <ul style="list-style-type: none"> ◦ Panel discussion with utilities, the PSC, and experts ◦ Engage experts in analysis and information gathering ◦ Summary of decoupling methods based on panel discussion <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Summary of decoupling ◦ Legislation 	<p>No Action</p>

3. Senate Joint Resolution No. 2: Study Renewable Energy Credits

Legislative Poll Ranking: #16

Background: The 2011 Montana Legislature passed and approved legislation that created reporting on renewable energy credits, also known as RECs, in Montana. The law required utilities, rural electric cooperatives, competitive electricity suppliers, or owners of a renewable electrical generation facility to file a report with the ETIC each interim concerning the purchase or sale of renewable energy credits within Montana. While intended to generate useful information, the REC reports were not fully utilized by renewable generators or by utilities in Montana and provided little useful information to the ETIC. During the 2017 Legislature, House Bill 20 was requested by the ETIC to repeal the reporting requirements, and the bill was passed and approved. This study is a companion bill to the repeal. The Montana Renewable Power Production and Rural Economic Development Act, Title 69, chapter 3, part 20, requires certain utilities in Montana to procure a percentage of their resources from renewable resources since 2008, and renewable energy credits are used to meet acquisition targets. The study is intended to review RECs and determine if there are other opportunities to report on RECs in Montana and to educate the public.

Option A	Option B	Option C	Option D
	<p>.03 FTE</p> <ul style="list-style-type: none"> ◦ Option C ◦ Evaluate REC reporting requirements in neighboring Western states ◦ Assess use of MRETS and WREGIS for the purposes of REC verification <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ White paper ◦ Brochure ◦ Legislation 	<p>.01 FTE</p> <ul style="list-style-type: none"> ◦ Review REC requirements and use of RECs in Montana ◦ Analysis of options to further reporting in Montana ◦ Panel with stakeholders to solicit suggestions for further efforts <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Brochure ◦ Legislation 	<p>No Action</p>

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Additional Topics for ETIC Study

1. Public Service Commission Review of Net Metering

Authority: PSC role provided in House Bill No. 219

Background: The 2017 Legislature passed and approved House Bill No. 219 requiring the Public Service Commission to review net metering rate classifications. After the review, the PSC has the authority to require separate metering and rate classifications for net-metered customers. NorthWestern Energy, before April 1, 2018, is required to conduct a study of the costs and benefits of net metering. Changes would be incorporated into a general rate case. The Legislature has been heavily involved in net metering for the last several sessions and may wish to closely monitor the PSC's work in this area, including updates from the PSC and information from stakeholders.

Option A	Option B	Option C	Option D
	<p>.05 FTE</p> <ul style="list-style-type: none"> ◦ Option C ◦ Committee discussion and additional involvement in net metering review ◦ Provide PSC with recommendations and findings <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ White paper ◦ Legislation 	<p>.002 FTE</p> <ul style="list-style-type: none"> ◦ Receive updates at each meeting from PSC and utilities ◦ Summary of findings and recommendations <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Summary ◦ Legislation 	<p>No Action</p>

2. Programmatic Review

Authority: 5-5-230, MCA. ETIC oversight

Background: Interim committees are tasked with evaluating various programs, and the options below allow the ETIC to formalize that process. The ETIC’s statutory duties allow for an in-depth overview of programs, including laws, rules, budget, and on the ground implementation. Because the ETIC oversees one agency, the committee has an opportunity to focus more specifically on a particular subject that the PSC administers. An overview of those subjects is attached, and ETIC members would need to select a subject from the list for the programmatic review and then select a level of review.

Option A	Option B	Option C	Option D
<p>.2 - Available FTE</p> <ul style="list-style-type: none"> ◦ (See attached documents for full menu) ◦ Option B ◦ Multiple staff reports on subject ◦ Multiple agency presentations ◦ In-depth review of subject ◦ Possible subcommittee effort <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ White paper ◦ Legislation 	<p>.06 - .2 FTE</p> <ul style="list-style-type: none"> ◦ Option C ◦ (See attached documents for full menu) ◦ History and overview of applicable statutes ◦ Staff interviews with program personnel ◦ Staff summaries of related audit and fiscal work and any court decisions ◦ Additional staff research ◦ Legal review of specific subjects ◦ Multiple regulated community panels <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Staff report ◦ Legislation 	<p>.02 - .06 FTE</p> <ul style="list-style-type: none"> ◦ (See attached documents for full menu) ◦ Staff summary of program ◦ Agency presentation ◦ Bibliography of related materials including audits or fiscal analysis, including court cases ◦ Regulated community panel <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Summary with potential recommendations ◦ Legislation 	<p>No Action</p>

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ETIC Statutory Duties and Obligations

Statutory Duties and Obligations

The ETIC draws its statutory responsibilities from six sources:

- I. Source/authority:** 5-5-215, MCA. General duties of all interim committees.
 5-5-230, MCA. ETIC oversight

"The Energy and Telecommunications Interim Committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the department of Public Service regulation and the Public Service Commission."

As applied to the ETIC, statutes require the committee to:

1. **Conduct interim studies** as assigned. The committee may recommend to the Legislative Council that a study be assigned to another committee or not be conducted.
2. **Review administrative rules** of the Department of Public Service Regulation (DPSR) and the Public Service Commission (PSC).
3. **Review legislation** proposed by DPSR or the PSC. Bills requested by an individual member of the Legislature are not subject to this requirement.
4. **Complete additional statutory duties** including reviewing and revising the state energy policy, reviewing universal system benefits programs, receiving an update on hydroelectric power development, receiving a report on the use of renewable energy credits in Montana, receiving a report on geothermal activities in Montana, and receiving a report on high-performance buildings.
5. **Monitor the operation of the DPSR and PSC** with specific attention to the following:
 - a. identification of issues likely to require future legislative attention;
 - b. opportunities to improve existing law through the analysis of problems; and
 - c. experiences of Montana's citizens with the operation of the agency that may be amenable to improvement through legislative action.
6. **(Committee driven):** Prepare bills and resolutions that, in the Committee's opinion, the welfare of the state may require for presentation to the next regular session.
7. **(Committee driven):** Compile, analyze, and furnish information bearing upon the Committee's assignment and relevant to existing or prospective legislation that the Committee determines to be pertinent to the adequate completion of its work.

- II. Source/authority:** 90-4-1003, MCA.

Requires the ETIC to "review the state energy policy and, if determined necessary by the committee, discuss at future meetings issues to be included in a revised policy and recommend potential changes". The evolution of the ETIC's involvement in energy policy began in 2005. In 2005 HB 199 transferred the energy policy review function from the Environmental Quality Council to the ETIC.

The statute has seen a number of changes in the last 10 years. In 2009, the Legislature passed and approved SB 290, which required the ETIC to review the state's energy policy in-depth and examine nine specific topics. The ETIC completed its work but did not approve energy policy recommendations for consideration by the 2011 Legislature. The committee, however, did propose legislation that was passed and approved to change the process for

reviewing the energy policy. That legislation, SB 65, requires the ETIC, at its first meeting of the interim, to review the energy policy and determine if potential revisions should be discussed at future interim meetings. The 2011 Legislature also ultimately updated and revised the state energy policy through adoption of SB 305. In May 2017, the Legislative Council met and made study recommendations and assignments. The council suggested the ETIC spend time on the energy policy and potentially further explore the issues surrounding energy export markets. A letter from the Council is included separately.

III. Source/authority: 69-8-402, MCA.

Requires the ETIC to "review the universal systems benefits programs, and, if necessary, submit recommendations regarding these programs."

Public utilities and cooperative utilities are required to submit an annual summary report of universal system benefits programs to the ETIC for review. The electric universal system benefits proposal was poised to sunset in 2009, however the 2009 Legislature approved HB 27 that eliminated the sunset and clarified the ETIC's role in reviewing the program. The 2015 Legislature expanded this authority by adopting SB 312. The changes in statute require the ETIC to review large customer reports and compare that information to utility reports to address potential discrepancies in reporting.

IV. Source/authority: 90-3-1301, MCA.

Requires the Bureau of Mines and Geology, prior to each legislative session, to update the ETIC on geothermal research conducted by the Bureau and funding received by the Bureau for geothermal research.

V. Source/authority: 85-1-501, MCA.

Requires the Department of Natural Resources and Conservation, prior to the end of each interim, to update the ETIC on studies it has done to review the economic and environmental feasibility of constructing and operating small-scale hydroelectric power generating facilities on each of the water projects under its control.

VI. Source/authority: 17-7-214, MCA.

Requires the Department of Administration in conjunction with the university system to update the ETIC on the use of the high-performance building program. The report must include an overview of use of the voluntary program and actual or estimated savings.

V. Source/authority: House Bill No. 61, 2017.

Requires the Department of Administration to report on the award and disbursement of next-generation 9-1-1 grants. The grants are intended to 9-1-1 infrastructure improvements and are to be awarded to local governments working with private telecommunications providers.

Statutory Duties and Obligations

<p>Review State Energy Policy</p>	<p align="center">0.25 FTE</p> <ul style="list-style-type: none"> ◦ In-depth review of energy policy and discussion of changes to policy ◦ Involve public and agencies in reviewing specific aspects of existing energy policy or additional policy areas ◦ Explore energy export markets <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Report discussing specific aspects reviewed by committee ◦ Potential legislation 	<p align="center">0.002 FTE</p> <ul style="list-style-type: none"> ◦ Review existing energy policy as required by statute. Provide for public input on policy <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Summary of public comment received and of ETIC discussion
<p>Review Administrative Rules</p>	<p align="center">0.03 FTE</p> <ul style="list-style-type: none"> ◦ Staff provides ETIC copies of notices for the adoption of rules on all ETIC subjects (Members to inform staff or Chair if they want more information) ◦ Committee requests that it be copied on notification letters that the DPSR and/or PSC is sending to legislators who were primary sponsors of laws that the agency is now promulgating rules for ◦ Committee attorney monitors and provides synopses of rules or subjects 	<p align="center">0.02 FTE</p> <ul style="list-style-type: none"> ◦ Staff provides ETIC copies of notices for the adoption of rules on certain ETIC subjects (Members to inform staff or Chair if they want more information) ◦ Committee requests that it be copied on notification letters that the DPSR and/or PSC is sending to legislators who were primary sponsors of laws that the agency is now promulgating rules for
<p>Review Agency Legislation</p>	<p align="center">0.005 FTE</p> <ul style="list-style-type: none"> ◦ Committee reviews proposals from the DSPR and/or PSC and decides if staff should draft legislation for preintroduction 	
<p>Monitor PSC activities</p>	<p align="center">0.05 FTE</p> <ul style="list-style-type: none"> ◦ Monitor or investigate aspects of PSC programs 	<p align="center">0.03 FTE</p> <ul style="list-style-type: none"> ◦ Monitor or investigate aspects of a program, if and when ETIC chooses

Review Utility USB Reports	<p>. 1 FTE</p> <ul style="list-style-type: none"> ◦ All of Option B ◦ Analysis of USB program ◦ Analysis of large customer reports ◦ Panel discussions <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Potential legislation ◦ Final report with alternatives and recommendations 	<p>0.03 FTE</p> <ul style="list-style-type: none"> ◦ Committee reviews utility reports and decides if any comments on compliance are needed and if staff should assist ◦ Collect public comment <p>Deliverables:</p> <ul style="list-style-type: none"> ◦ Potential legislation
Statutory Duties and Obligations		
Review Geothermal Research	<p style="text-align: center;">0.002 FTE</p> <ul style="list-style-type: none"> ◦ Committee reviews Bureau of Mines and Geology reports and decides if any comments are needed and if staff should assist 	
Review Hydroelectric Projects	<p style="text-align: center;">0.002 FTE</p> <ul style="list-style-type: none"> ◦ Committee reviews DNRC reports related to hydroelectric potential at state-owned facilities 	
Review High-Performance Building Program	<p style="text-align: center;">0.002 FTE</p> <ul style="list-style-type: none"> ◦ Committee reviews DOA reports related to the use of the high-performance building program 	
Use of 9-1-1 money for next-generation grants	<p style="text-align: center;">0.002 FTE</p> <ul style="list-style-type: none"> ◦ Committee receives report from DOA on efforts to distribute grants for next-generation 9-1-1 infrastructure 	

ETIC Educational Publications

Background: The Environmental Quality Council has historically produced objective, nonpartisan, educational publications related to energy issues in Montana. These educational publications are well regarded and are regularly requested by the general public, legislators, state and federal agencies, other states, and industry and conservation groups. While the EQC in the past has developed these educational tools, the ETIC may choose, as it did during the last four interims, to oversee updates to the following documents:

☆ *A Citizen's Guide to Montana Energy Law (produced 2002; updated 2014)*

Explanation: This handbook was originally produced by the EQC during the 2001-03 interim. The EQC felt that given the magnitude of the issues surrounding electricity and especially electricity deregulation in the state, that an educational publication was needed to help Montanans sort out the morass of laws that deal with electricity. With the passage of a new energy policy for Montana and the enactment of changes to permitting requirements related to energy generation and transmission line siting in Montana in 2011, this publication was substantially rewritten and reorganized in 2012. It was updated in 2016.

☆ *Understanding Electricity in Montana: A Guide to Electricity, Natural Gas, Coal, Petroleum, and Renewable Energy Produced and Consumed in Montana (produced 2002; updated 2014)*

Explanation: This guide was produced by the Department of Environmental Quality energy staff for publication by the EQC. It provides statistical and explanatory information on electricity supply, demand, and transmission and information on coal, natural gas, petroleum and renewable energy. In the 2009-10 interim, ETIC staff and the DEQ completed a significant update. In 2014 this publication was redesigned and rewritten. DEQ annually updates energy statistics, as provided by the Energy Information Administration and posts them to the agency's website. With substantial changes in Montana's energy markets, the handbook is due for a thorough update and edit with the help of the DEQ.

Option A	Option B	Option C	Option D
<p>.20 FTE</p> <ul style="list-style-type: none"> ◦ Overhaul and complete update of <i>Understanding Electricity in Montana</i> ◦ Minimal updates to <i>The Citizens Guide</i> ◦ ETIC reviews and approves updates 	<p>.05 FTE</p> <ul style="list-style-type: none"> ◦ Minimal updates to <i>The Citizens Guide</i> ◦ Limited updates to <i>Understanding Electricity in Montana</i> ◦ ETIC reviews and approves updates 	<p>.02 FTE</p> <ul style="list-style-type: none"> ◦ Minimal updates to <i>The Citizens Guide</i> ◦ Link to DEQ's updated statistics to <i>Understanding Electricity in Montana</i> ◦ ETIC reviews and approves updates 	<p>No Action</p>

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Draft 2017-2018 Work Plan Timeline

This draft timeline provides a framework so the ETIC can complete its work on time. It is subject to final approval by the ETIC.

July 31, 2017	ETIC Meeting. Interim work plan prioritization and ETIC organizational meeting. Selection of studies and topics.
September 29, 2017	ETIC Meeting. Adoption of detailed work plans for each selected study or topic.
January 12, 2018	ETIC Meeting.
March 16, 2018	ETIC Meeting. If public comment is desired on an ETIC report, the contents of the <i>draft</i> report should be determined by this date.
May 17-18, 2018	ETIC Meeting. Out-of-town-Meeting. Last date to suggest revisions to a <i>draft</i> document if a 30 day public comment period is desired. Comments received from the public will be compiled by staff and distributed to the EOC 1-2 weeks before the July meeting.
July 19-20, 2018	ETIC Meeting. Decision on recommendations, any proposed legislation, final report contents.
September 10, 2018	ETIC Meeting. Final approval of recommendations, reports, proposed legislation. Select bill sponsors. Develop strategy. Review agency bill draft requests.

Committee interim work must be completed September 15, 2018.