

# Energy Policy Development

Using public comments collected during the month of October and additional comments provided during the Energy and Telecommunications Interim Committee's November 9-10 meeting, staff attempted to summarize the suggested policy statements and policy changes in state law that were provided by the public, stakeholders, and the appropriate state agencies. Members should provide additional suggestions for policy statements (ETIC findings) and actual policies (ETIC recommendations). During the ETIC's January meeting, the committee will review the information included and decide which issues deserve further consideration.

## **Increasing the supply of low-cost electricity with coal-fired generation**

### **Policy Statements:**

- Montana is committed to supplementing energy needs with renewable energy sources and reducing its reliance on coal-fired generation. Clean coal technology must be proven and well-established before additional coal-fired generation is pursued in Montana.
- Coal-fired energy generation provides low-cost electricity, and Montana supports the continued and increased use of such generation. Recognizing that Montana has the largest coal reserves in the nation, it is an important part of Montana's economy.
- Carbon sequestration holds promise but at this time has not been demonstrated to be cost-effective or environmentally safe on a commercial scale.
- Montana does not support energy generation that causes global warming, harms public health, undermines private property rights, pollutes the environment, or harms wildlife and its habitat.
- While coal-fired generation has historically supplied low-cost electricity, the true cost of coal is paid for in ways other than electric rates. The true costs of coal should include impacts to the environment and to people's health.
- Montana is committed to the advancement of clean-coal technologies and supports responsible development of the state's coal resources.
- Montana is committed to the "decarbonization" of its energy supply and does not support additional development of coal resources.
- Coal-to-liquid fuels program come with potential risks and unanswered environmental and technical questions and should only be pursued when connected to carbon sequestration programs.
- Montana recognizes that coal-fired power generation is a major source of carbon dioxide and contributes to global warming.
- Recognizing there are limited dollars available for energy research, money should be focused on the advancement of clean-coal technologies.
- Montana recognizes that potential federal regulations for carbon dioxide, coal waste, and other emissions have the potential to increase the cost of coal-fired generation.
- Montana should pursue additional coal-by-rail opportunities and strive to build energy conversion facilities at Montana coal mines.
- Montana has shown its support for clean coal technologies and established a statutory framework for carbon sequestration. The Board of Oil and Gas should continue to

- oversee that program.
- Recognizing the current construction costs, uncertainty surrounding federal carbon regulation, and potential federal regulation of coal combustion waste, it is not possible, at this time, to increase the supply of electricity generated by coal at a low cost.
- Natural gas prices are highly variable and volatile, Powder River Basin coal has a consistent and reliable price pattern. Delivered coal prices are more predictable and manageable.
- Coal should remain an active part of the portfolio for Montana's energy supply.
- Montana recognizes federal efforts to regulate global warming pollutants are moving forward, the state is committed to advancing its own policies that are in line with federal regulations but allow for local oversight and control.
- Montana should diversify its energy resource portfolio and reduce its reliance on coal-based power.
- Montana encourages facility improvements at existing coal-fired plants to increase efficiency, reliability, and to decrease emissions.

**Policies (Potential bill drafts):**

- Place a moratorium on development of new coal-fired energy generation in Montana until carbon sequestration is technologically and economically viable.
- Require coal-fired power plants to sequester emissions or face penalties.
- Develop incentives for existing coal-fired power plants to pursue retrofits that reduce and capture emissions.
- Develop a regulatory program for the permitting of underground coal gasification projects in Montana.
- Reduce taxes on new Montana coal mines and energy conversion facilities to levels equivalent to Wyoming and North Dakota.
- Make more funding available for coal research and development by increasing funding for Montana's Research and Commercialization Technologies program and/or increasing the percentage dedicated to coal technologies.
- Provide matching funds and bonding authority to support development of Montana coal.
- Establish a program ensuring that the local impacts of coal development are addressed using coal severance tax revenues.
- Provide the Energy Promotion and Development Division within the Department of Commerce with a larger budget and additional tools, including bonding authority, to facilitate transmission line development.
- Establish a goal to reduce carbon consumption in Montana and develop a system for rating the carbon consumption blueprint of energy products.
- Add a carbon cost to annual air emission fees.
- Require large sources and suppliers of greenhouse gases to begin reporting emissions in Montana.

## **Promoting Alternative Energy Systems**

### **Policy Statements:**

- Compressed air energy storage and other new technologies are critical to advancing the application of alternative energy systems.
- Alternative energy systems increase ratepayers' rates and should not be given preference over other forms of energy generation, including coal, natural gas, and hydroelectric.
- Montana embraces the vision of 25x25 and will strive to promote 25 percent renewable energy by 2025.
- The promotion of both large-scale and small-scale alternative energy systems is imperative in Montana, recognizing that renewable resources provide economic benefits and are environmentally friendly.
- Rather than dedicating resources to clean-coal technologies, money should be focused on the development of renewable energy resources.
- Alternative energy offers the promise of large sums of sustainable energy.
- The cost of alternative energy is decreasing, making it a viable alternative to nonrenewable energy production.
- Alternative energy does not suffer from the same price volatility as nonrenewable energy resources, such as natural gas.
- Combined heat and power and distributed energy generation systems are clean, safe, reliable and efficient, and such systems should be promoted across the state.
- Recognizing that the Montana Board of Regents coordinates and manages Montana's university system, the Legislature encourages the board to increase its focus on educational programs that prepare the workforce for creating and obtaining jobs in an emerging renewable energy economy.
- Montana encourages the federal government to work through the current backlog of interconnection feasibility studies in order to allow for the timely development of alternative energy projects.
- Montana encourages the Public Service Commission to recognize that the value of renewable energy resources is greater than the value of fossil fuel resources in determining avoided-cost measures.

### **Policies (Potential bill drafts):**

- Establish a feed-in tariff.
- Increase existing tax incentives and loan programs that promote alternative energy.
- Require cooperatives to meet Montana's renewable portfolio standard.
- Increase Montana's renewable portfolio standard from 15% to 20% by 2015 and to 25% by 2025.
- Fund a survey of Montana's alternative energy sources and cost-effectiveness similar to California's Black and Veatch Project.
- Increase the current net-metering limit.
- Require the Public Service Commission to develop standardized interconnection agreements for qualifying facilities in Montana.
- Encourage wind farm siting that minimizes impacts to wildlife.
- Establish apprenticeship and licensing programs for alternative energy installers.

- Allow for the creation of "energy improvement districts" or net-metered community energy projects.

## **Reducing regulations that increase ratepayers' energy costs**

### **Policy Statements:**

- Montana recognizes that public health and environmental regulations protect Montana's residents and environment. Those regulations should not be weakened in an effort to promote energy development.
- Strong regulations lead to sound energy projects and positive economic and environmental outcomes.
- Montana recognizes that its decision to decrease utility regulation, or deregulate in 1997, was a failed experiment. The state has taken steps to restore the regulatory framework that previously existed and will continue to extract Montana customers from the misfortune of deregulation.
- Some regulations, such as the Universal System Benefits program, ultimately decrease energy consumption and in the long-term energy bills.
- Montana recognizes that historically the developers of energy project have faced greater regulatory (permitting) risks in Montana than in neighboring states. Montana is committed to reducing that risk and issuing permits in a timely fashion.
- The Montana Environmental Policy Act (MEPA) has been inappropriately used to challenge energy development permits.
- Without adequate regulation of energy production, the public bears the cost and burden of such projects in the form of diminished property values, reduced agricultural productivity, and increased health care costs.
- Montana electric cooperatives are focused on local control and flexibility. The imposition of renewable portfolio standards, uniform net metering requirements, or energy efficiency mandates strike at the heart of Montana cooperatives' ability to control customers' rates.
- Proper regulations that protect public health and the environment do not increase costs but instead reallocate costs that are already borne.
- Entities established in Montana law, including the Montana Public Service Commission and the Montana Consumer Counsel, protect Montana consumers and strive to ensure that public utilities provide adequate service at adequate rates.
- Montana must closely track all federal greenhouse gas reduction efforts and ensure that the trade component of any such efforts do not adversely impact Montana utility customers.

### **Policies (Potential bill drafts):**

- Pursue legislation similar to House Bill No. 483 (as originally introduced in 2009) to eliminate abuses in the permitting appeals process.
- Clarify that MEPA is procedural and not substantive and that MEPA appeals cannot be used to overturn or stay energy development permits.
- Specify that requirements more stringent than federal standards can only be implemented by an act of the Legislature.

- Prohibit Montana from implementing any substantive portions of the Western Climate Initiative without legislative authorization.
- Strengthen enforcement of regulations that require the inspection of energy generation facilities.

CI0425 9355slxc.