



Energy and Telecommunications Interim Committee

64th Montana Legislature

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June 17, 2016

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 fourth year the reports have been collected. In early 2014, because of a lack of consistency in reporting, and confusion concerning the 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 (PSC) in 2014 to improve the reporting forms. The new forms were used in 2015, but unfortunately the information collected wasn't any more useful than past years.

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 69-3-209 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 for the 2015 compliance period, in part because questions continue to remain about what entities are subject to reporting. This may raise some questions, considering MDU didn't file a report until June, and the report that was filed was blank.

While intended to generate useful information, the REC reports largely have not been fully utilized by renewable generators or by utilities in Montana. To-date they have provided little useful information to the ETIC. The ETIC may wish to discuss whether in accordance with 5-5-215, MCA, the committee wishes to continue receiving the credit reports in future interims or would like to consider legislation to eliminate interim review of the required reports.

The information provided below, offers a review of the information included in the 2015REC reports.

2015 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	900,886	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	NorthWestern filed as a utility. 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 \$31.04 per MWh to \$69.21 per MWh. About the same as last year. NorthWestern filed no report as the owner of any renewable generation in Montana.

Montana-Dakota Utilities	120,687	1. Diamond Willow I 2. Diamond Willow II 2. Cedar Hills	MDU filed a blank report noting no purchases or sales as a utility or as the owner of any renewable generation in Montana. It is unclear how the utility met RPS requirements.
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Competitive Electricity Suppliers (a competitive electricity supplier as defined in 69-3-2003)

	REC's Needed	Facility	REC report
Talen Treasure State	33,275	Klondike III	Talen Treasure State indicated it purchased 25,000 unbundled RECs. The price of the RECs was not publicly disclosed. Talen Treasure State indicated that they would not disclose the price of the RECs because the price was not disclosed in MRETS and WREGIS markets.

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 under the PPA the facility has with NWE.
Diamond Willow I - II	RPS for MDU	Wind - CREP	No report.
Flint Creek	RPS for NWE	Hydro - CREP	Flint Creek sold 8975 bundled RECs totaling 63540.
Musselshell I and II	RPS for NWE	Wind - QFs	No report. Presumed filed in NWE's report under the PPA the facility has with NWE.
Lower South Fork	RPS for NWE	Hydro - CREP	Lower South Fork sold 970 bundled RECs totaling 63540. Because both the Flint Creek and Lower South Fork "value" is the same, it is unclear what the "value" provided means.
Fairfield	RPS for NWE	Wind - QF	No report. Presumed filed in NWE's report under the PPA the facility has with NWE.
Gordon Butte	RPS for NWE	Wind - CREP/QF	No report. Presumed filed 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 under the PPA the facility has with NWE.
Two Dot Wind Farm	RPS for NWE	QF	No reports. Presumed filed in NWE's report under the PPA the facility has with NWE.
United Materials	QF	Wind	No report filed.
Tiber Hydro LLC		Hydro	No report. Presumed filed in NWE's report under the PPA the facility has with NWE.
Turnbull Hydro LLC	RPS for NWE	Hydro - CREP	No report. Presumed filed in NWE's report under the PPA the facility has with NWE.
Glacier Wind I		Wind	Glacier wind I sold 263,255 RECs (MWh) bundled at an undisclosed price.
Glacier Wind II		Wind	Glacier Wind II sold 260,628 RECs (MWh) bundled at an undisclosed price.
Rimrock Wind		Wind	Rimrock sold 609,632 RECs (MWh) bundled at an undisclosed price.

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