

Energy Policy Development

Using public comments collected during the month of August and additional comments provided during the Energy and Telecommunications Interim Committee's September 24 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 provided additional suggestions for policy statements (ETIC findings) and actual policies (ETIC recommendations). During the ETIC's November meeting, the committee will review the information included and decide which issues deserve further consideration.

Rebuilding and extending transmission lines

Policy Statements:

- Developers should make use of existing rights-of-way when building or rebuilding transmission facilities.
- Transmission facilities should be built on public lands regardless of cost and in order to protect private land holdings.
- Montana encourages the developers of new transmission lines (that are of a significant size) to build double circuited lines when practicable. The use of high voltage direct current (HVDC) lines is more efficient and provides greater capacity in a narrower right-of-way.
- Agencies including the Department of Commerce Energy Promotion Division, Department of Environmental Quality, Fish Wildlife and Parks, and Department of Natural Resources and Conservation should be provided with adequate resources and coordinate their efforts in the advancement of energy development.
- The need for new transmission lines can be mitigated by focusing on energy efficiency, renewable resources that are located close to load (distributed energy), demand response and smart grid technology, and additional distributed generation. By focusing on these issues, Montana can maximize the potential of existing systems and reduce the need for new lines.
- Transmission lines should continue to be permitted through the Montana Major Facility Siting Act. A responsible siting program, such as MFSA, should consider impacts to wildlife, landscapes, agriculture, and property values.
- While the development of transmission lines is important, the interests of property owners come first and must be protected.
- Montana urges developers and utilities to increase the capacity of existing lines in existing corridors and maximize the potential of existing lines.
- New transmission lines should only be built to promote renewable energy development.
- Recognizing that transmission rates and terms are primarily subject to federal jurisdiction, the Montana Public Service Commission should continue to intervene in federal dockets when necessary to safeguard the interests of Montana ratepayers.
- The permitting and siting of transmission lines should remain at the state level, Montana vigorously supports efforts to retain state jurisdiction in this arena.
- Utilities should not build transmission lines that allow for the out-of-state export of

- Montana-generated electricity, if it means that electricity must be replaced with more expensive generation sources, resulting in increased rates for Montana customers.
- If utilities build transmission lines that allow for the export of Montana-generated electricity, the costs of that line should be borne entirely by the transmission customers who will benefit from the line not by Montana customers who will not benefit.
 - Transmission must be developed in a way that fairly apportions the costs of development to those who cause the need for the development.
 - Montana should continue to participate in regional transmission organizations at the present level.
 - Interconnection agreements must be implemented in a manner that complies with state and federal laws and does not make small-scale projects financially unfeasible.
 - Developers should work closely with affected local governments in the preliminary stages of development.
 - Transmission lines have relatively few adverse impacts and do not devalue property.
 - It is not cost effective to bury high voltage transmission lines.
 - Montana encourages the creation and funding of an independent transmission operator for the Northwest that can better ensure availability and reliability.
 - Montana should work to advance smart grid technologies.

Policies (Potential bill drafts):

- Require the owners of facilities constructed or reconstructed more than 40 years ago with a voltage equal to or greater than 69 kV to replace or allow the replacement of facilities upon the request of another developer, if the developer is integrating and transmitting a renewable resource. A cost sharing agreement would be developed. (Takings issues and FERC issues. Could be a policy statement, rather than law.)
- Require regulated utilities to investigate and advance Smart Grid technologies.
- Create a Montana transmission authority.
- Form a state-level working group to explore how to improve transmission development and streamline regulation.
- Revise the customer fiscal impact analysis required by 69-2-217, MCA so that public utilities' proposed transmission projects are subject to such an analysis.
- Engage in two state-level planning processes. First identify areas in Montana where there is significant renewable energy potential. Second, complete a high-level analysis identifying acceptable corridors for new transmission lines.
- Require developers to take additional steps in terms of disclosure and/or compensation when private lands are impacted.
- Develop state programs to assist with the financing of transmission facilities.
- Develop a tax deferral program for transmission developers during the first three years of operation.
- Revisit the Montana Major Facility Siting Act and clarify the evaluation and use of public lands as discussed in 75-20-301, MCA.
- Tighten the appeals process for transmission lines under the Montana Major Facility Siting Act.
- Incentivize "socialization" or fair treatment of compensation through alterations in the

- tax structure.
- Examine noxious weed regulations and responsibilities in relation to transmission line construction.

Wind integration

Policy Statements:

- The State of Montana encourages the testing and application of new and innovative technologies, such as compressed air energy storage, batteries, flywheels, hydrogen production, smart grid, smart garage, and intra-hour balancing services, to address wind integration. Montana's universities are a valuable resource that should be fully utilized in furthering the development of these new technologies.
- Geographic diversity in the siting of future wind development can mitigate firming needs and ensure that the economic benefits from wind are shared across the state.
- As additional wind generation comes online, wind forecasting and scheduling improves, and new technologies advance, the variability of wind on the system will decline.
- Wind is an increasingly important generation source, and Montana recognizes there are costs and challenges unique to integrating wind resources.
- The Public Service commission should continue to reasonably, fairly, and thoroughly address wind integration issues using existing law.
- Montana recognizes that there are areas of the state where large-scale commercial-industrial wind development is inappropriate. Landscapes, wildlife and "undeveloped" value of land (in terms of tourism, recreation, and agriculture) must be considered before advancing development.
- The market reflects consumer values and should determine the development of specific electric energy generation.
- Montana recognizes that contracts between small-scale qualifying facilities and utilities require the qualifying facility to pay the cost of integrating its power. Montana is committed to providing the lowest-cost firming resources available to encourage renewable development.
- Montana does not support actions, such as those being discussed by the California Legislature, that would reduce the viability of Montana wind.
- The need for geographically dispersed wind farms has been well established. Montana should remain committed to regional planning.

Policies (Potential bill drafts):

- Revise tax laws so facilities constructed exclusively for the purpose of producing regulating reserves and related ancillary services to integrate wind generation are taxed at 3%.
- Require Montana Electric Cooperatives to adopt net metering regulations.
- Develop a surface weather information system with wind forecasting models for potential wind development.
- Redefine a "small wind" system in Montana. (It is currently 10 kW or less). Consider increasing small wind to 50kW or even 100kW.
- Provide for a systematic and ongoing study of integration costs in Montana.

Maximizing state land use for energy generation

Policy Statements:

- Energy development should not be given priority over other beneficial uses of state land.
- As energy projects on state land are reviewed, projects that promote the use of renewable energy resources should be prioritized. State land should only be used for these projects if it can be demonstrated that there is no significant adverse impact to the land or that effects can be mitigated.
- Before state land is used for energy generation, the state must evaluate environmental, cultural, and social impacts related to energy development and prioritize options.
- Resources should be devoted to better understanding where energy generation should occur on state land in Montana.
- Energy development should have priority over other beneficial uses of state land.
- State land should only be used for oil and gas development if it can be demonstrated that there is no significant adverse impact to land or that impacts can be mitigated.
- The state is doing all it can to properly develop state lands at this time, and changes to existing laws are not needed.
- The state must promote infrastructure development in order to maximize energy generation on state lands.
- In pursuing energy development on state lands, the state must continue to weigh its overall management responsibilities (fiduciary and multiple-use), as mandated by the Montana Constitution and state law.

Policies (Potential bill drafts):

- Categorically exclude wind generation projects proposed on state land that comply with specific standards (with air, water, road construction, weed control) from MEPA rules.
- Require DNRC to develop a set of Best Management Practices (BMPs) for wind projects on state lands.
- Require the Land Board to develop mitigation and reclamation standards for wind projects on state lands.
- If a wind developer offers the same terms and compensation to the state as it has offered to the surrounding landowner and the compensation exceeds a specified minimum lease amount established by the state, those parcels, if only accessible through private lands, should be excluded from the process.
- Approve disincentives to prevent private landowners with property surrounding isolated parcels from charging an access fee to developers trying to incorporate the parcels into larger wind projects.
- Identify large contiguous blocks of state land that could be the core for a wind development and proactively seek bids.