

Energy and Telecommunications Interim Committee

January

2018

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.

**Work
Plan for
2017-18
Interim**



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Introduction

This is the work plan for the Energy and Telecommunications Interim Committee (ETIC) for the 2018-2018 interim. Included you will find:

- A description of work plan topics and plans to address those topics.
- A work plan timeline and calendar.

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, a 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.

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 2017-2018 Work Plan sets priorities and outlines how and where the ETIC will spend its limited time and resources. The work plan sets out a strategy for fulfilling the ETIC's responsibilities throughout the 2017-2018 interim.

The work plan is a blueprint for the interim. Timetables for each major study are included in the work plan calendar. The ETIC Work Plan Decision Matrix, a separate document, is a way to look at topics side by side and review time allocations to each topic.

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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 will review natural gas utilities in Montana that currently do not allow customer choice and provide an overview of perspectives on deregulation. The information provided by utilities will be reviewed for accuracy by the Public Service Commission. Using the information and PSC analysis, the ETIC may develop recommendations.

Work Plan: The committee dedicated .2 FTE to a study of natural gas customer choice. The committee will issue a white paper, or detailed summary, with potential findings and recommendations on the subject. Potential legislation may also accompany the committee’s recommendations. Tasks that will be completed throughout the interim include:

- Engage MDU in analysis and information gathering
- Panel discussions with utilities, customer choice companies, and regulators
- Review estimated costs for choice and methods used to establish estimates
- Staff analysis, largely driven by PSC staff, of estimated costs
- Review customer choice options in other states for natural gas
- Review customer choice regulations and experiences in Montana to date
- Discussion of NorthWestern Energy experiences with choice

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. 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 to implement revenue regulation, options for designing revenue regulation mechanisms, and how revenue regulation has worked in states that have implemented it.

Work Plan: The committee dedicated .4 FTE, the majority of its time, to a study of decoupling. The committee will issue a final interim report with potential findings and

recommendations on the subject. Potential legislation may also accompany the committee's recommendations. Tasks that will be completed throughout the interim include:

- Engage stakeholders in analysis and information gathering
- Panel discussion with utilities, Consumer Counsel, and PSC
- Panel discussion with additional stakeholders
- Review use of decoupling in other Western states
- Analysis of different forms of decoupling and Montana policy choices, including sales fluctuation issues
- Quantify Montana specific merits and drawbacks
- Analysis of potential utility and ratepayer impacts and potential outcome measures

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 was intended to review RECs and determine if there are other opportunities to report on RECs in Montana and to educate the public.

Work Plan: The committee did not dedicate staff time to its study of renewable energy credits. The committee will instead host a panel discussion with stakeholders.

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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 will closely monitor the PSC's work in this area.

Work Plan: The committee dedicated .01 FTE to tracking the work of the PSC in determining minimum information requirements for NorthWestern's cost-benefit study and reviewing the study and outcomes. Tasks that will be completed throughout the interim include:

- Regular updates from the PSC
- Overview of NorthWestern Energy study
- Summaries of PSC actions and potential policy decisions

2. Evaluating the Regulatory Climate for Energy Development

Authority: Suggested by Representative Daniel Zolnikov

Background: This study will review opportunities for developing Montana's energy resources and the regulations surrounding potential developments. It will identify obstacles and opportunities for a variety of developments, as outlined by the ETIC.

Work Plan: The committee dedicated .1 FTE to a review of opportunities for developing Montana's energy resources. The committee will receive information from developers, and staff will develop summaries regarding regulations and incentives. Members may also propose legislation on the subject. Tasks that will be completed throughout the interim include:

- Presentation by energy stakeholders
- Overview of resources and obstacles with points for further review by committee
- Assessment of selected Montana's energy development projects
- Analysis of policy options

3. Programmatic Review

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

Background: Interim committees are tasked with evaluating various programs, and the ETIC agreed to formalize its evaluation 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 only one agency, the committee is focusing specifically on two subjects this interim. The ETIC agreed to focus on:

- regulation of small water/sewer users in Montana; and
- integrated resource planning and procurement planning process in Montana.

Work Plan: The committee dedicated .05 FTE to complete two programmatic reviews. The committee will focus on the PSC's regulation of small water utilities in Montana and utility resource planning and supply procurement requirements. Work products may include recommendations and legislation. Tasks that will be completed throughout the interim include:

- Agency presentations
- Panel discussions
- Summaries of related materials, including audits, fiscal analysis, and court decisions

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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". 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, at its first meeting of the interim, is also required to review the energy policy and determine if potential revisions should be discussed at future interim meetings. The committee in the 2017-2018 interim will discuss energy policy relevancy.

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 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. (10-4-309, MCA)

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. (See also 10-4-314, MCA)

Work Plan: The committee dedicated .163 FTE to its statutory duties. The committee will complete all of its assigned tasks, with the largest amount of its time focused on monitoring PSC activities and some additional review and discussion of Montana's energy policy and the relevancy of that policy. The energy policy discussion also will include a review of a few selected points within the policy. The committee will select the points in early 2018.

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 2016)*

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, 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.

Work Plan: The committee dedicated **.05 FTE** to updating its publications. Minimal updates to *The Citizens Guide to Montana Energy Law* will be completed by staff. Staff will collaborate with the DEQ to provide an extensive update to the *Understanding Electricity in Montana* handbook. The handbook will be published and posted online. The ETIC will review and approve updates.

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Proposed Work Plan Timeline

The following timeline provides an outline of how the ETIC will accomplish the items in its work plan. The timeline may be updated or revised to address scheduling, emerging issues, or to reallocate staff time to other topics.

Date	Activities	Tasks/Policy Decisions
July 31, 2017	<ul style="list-style-type: none"> ➤ Organizational ➤ Agency Monitoring ➤ Assigned Studies ➤ Statutory Duties ➤ Other Issues 	<ul style="list-style-type: none"> ◇ Elect officers ◇ Review, adopt work plan ◇ Review, adopt calendar ◇ Report from PSC ◇ Rulemaking update QF Order/Discussions ◇ Introduction ◇ Engage stakeholders ◇ Energy policy ◇ USB introduction ◇ Agency introductions
Date	Activities	Tasks/Policy Decisions
September 29, 2017	<ul style="list-style-type: none"> ➤ Organizational ➤ Agency Monitoring ➤ Assigned Studies ➤ Statutory Duties 	<ul style="list-style-type: none"> ◇ Adopt final work plan ◇ Review budget ◇ Report from PSC ◇ Rulemaking update HJ 28: Natural Gas ◇ Introduction to topic ◇ Determine vetting of questionnaire ◇ NWE experiences SJ 31: Decoupling ◇ Staff report on other Western states ◇ Staff analysis of different forms of decoupling ◇ QF Follow-up

	<ul style="list-style-type: none"> ➤ Other Issues 	<p>Energy Development</p> <ul style="list-style-type: none"> ◇ Staff summary ◇ Introduction by state agencies ◇ Update on Colstrip ◇ Update on Handbooks ◇ Verizon Coverage Panel
Date	Activity	Tasks/Policy Decisions
January 16, 2018	<ul style="list-style-type: none"> ➤ Agency Monitoring ➤ Assigned Studies ➤ Statutory Duties ➤ Other Issues 	<ul style="list-style-type: none"> ◇ Report from PSC ◇ Rulemaking update SJ 31: Decoupling <ul style="list-style-type: none"> ◇ Stakeholder perspectives ◇ Review of Montana policy choices ◇ Perspectives on pros and cons of decoupling HJ 28: Natural Gas <ul style="list-style-type: none"> ◇ MDU and PSC responses to questionnaire ◇ Staff summary of work in other Western states ◇ Discussion and direction on additional research ◇ Program review: Stakeholders discussion of IRP and procurement processes and staff report on Montana procurement processes ◇ Energy policy survey of policy points and panel on relevancy ◇ Net metering PSC update ◇ Energy Storage in Montana ◇ Update on Handbooks ◇ Update on Call-Before-Your-Dig

Date	Activity	Tasks/Policy Decisions
May 17-18, 2018	<p>➤ Agency Monitoring</p> <p>➤ Assigned Studies</p> <p>➤ Statutory Duties</p> <p>➤ Other Issues</p>	<ul style="list-style-type: none"> ◇ Report from PSC ◇ Rulemaking Update SJ 31: Decoupling <ul style="list-style-type: none"> ◇ Review draft report ◇ Discussion of findings and recommendations HJ 28: Natural Gas <ul style="list-style-type: none"> ◇ Review white paper ◇ Discussion of findings and recommendations SJ 2: RECs <ul style="list-style-type: none"> ◇ Panel Discussion ◇ Update on NWE net metering study completed in April ◇ Wrap up energy policy review/discussion ◇ Program review: Follow-up and committee recommendations on small water/sewer Energy Development <ul style="list-style-type: none"> ◇ Staff summary of information to date ◇ Final presentations ◇ Potential travel ◇ Wind bonding in Montana: Update on HB 216
Date	Activity	Tasks/Policy Decisions
July 19-20, 2018	<p>➤ Agency Monitoring</p> <p>➤ Assigned Studies</p>	<ul style="list-style-type: none"> ◇ Report from PSC ◇ Rulemaking Update SJ 31: Decoupling <ul style="list-style-type: none"> ◇ Findings and recommendations ◇ Proposed draft legislation ◇ Public comment

	<p>➤ Statutory Duties</p> <p>➤ Other Issues</p>	<p>HJ 28: Natural Gas</p> <ul style="list-style-type: none"> ◇ Findings and recommendations ◇ Proposed draft legislation ◇ Public comment <p>◇ USB reports and recommendations</p> <ul style="list-style-type: none"> ◇ 9-1-1 grant distribution ◇ Review PSC draft legislative proposals <p>Energy Development</p> <ul style="list-style-type: none"> ◇ Findings and recommendations <p>◇ Update on Colstrip</p>
Date	Activity	Tasks/Policy Decisions
September 10, 2018	<p>➤ Agency Monitoring</p> <p>➤ Assigned Studies</p> <p>➤ Statutory Duties</p> <p>➤ Other Issues</p>	<ul style="list-style-type: none"> ◇ Report from PSC ◇ Rulemaking Update <p>SJ 31: Decoupling</p> <ul style="list-style-type: none"> ◇ Finalize report ◇ Finalize legislation <p>HJ 28: Natural Gas</p> <ul style="list-style-type: none"> ◇ Finalize legislation <p>SJ 2: RECs</p> <ul style="list-style-type: none"> ◇ Finalize recommendations <p>◇ Review hydroelectric reports</p> <ul style="list-style-type: none"> ◇ Review of geothermal research report <p>◇ Selection of bill sponsors</p> <ul style="list-style-type: none"> ◇ Strategy development

2017-2018 Work Plan Timeline

This 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. Helena
September 29, 2017	ETIC Meeting. Helena
January 16, 2018	ETIC Meeting. Helena
March 16, 2018	ETIC Meeting. Helena
May 17-18, 2018	ETIC Meeting. Potential Travel
July 19-20, 2018	ETIC Meeting. Potential Travel
September 10, 2018	ETIC Meeting. Helena

Committee interim work must be completed by September 15, 2018.