

2016

Montana Public Service  
Commission: Chairman's Report



2017 Legislative Update  
Inside

## Message from the Chairman:

As the sun peeks over the horizon, the boiler at Kalispell Middle school fires up in preparation for the arrival of students and teachers. Meanwhile, on the opposite side of the state, the wife of a Glendive trucker flips on the Keurig before her husband leaves for work. On his way to class, a University of Montana student drags the blue garbage bin for his apartment to the edge of the curb for pickup, while a bank manager in Billings calls to request a taxi because his car is in the shop. Later that same day, a wheat farmer from Cut Bank drives a portion of his harvest to the port in Shelby for shipment by rail to Washington State. As the farmer is unloading his shipment, a custom furniture manufacturer in Bozeman switches on a table saw. That same evening a busy mother races home to put dinner on the stove, while her daughter completes her homework beneath an LED light bulb. The child brushes her teeth at the bathroom sink before crawling into bed and setting her alarm clock for the next school day.

Although the work that we do rarely receives much attention from members of the public, the work of the PSC directly impacts the safety, well-being, and economic livelihood of Montanans from every region of the state and all walks of life.

In the last year, the Commission has tackled dockets to: protect ratepayers from unwarranted costs, implement federal renewable energy mandates, and aide utilities in planning for an uncertain future. We've also worked diligently to represent the public interest before the Montana Legislature and to aid law makers as they craft the energy policy of tomorrow.

That future is more uncertain than ever. Although I fully expect to see a devolution of regulatory authority back to the states under the new administration, market forces will continue to radically alter the utility landscape. Throughout this period of rapid transformation, regulators must strive to achieve an equitable balance between ratepayers and the utilities that we regulate.

This report is by no mean a comprehensive compilation of the Commission's work over the past year; however, it does highlight many of the "high profile" issues and dockets that the Commission addressed in 2016. The next year promises to be one of the most challenging periods for utility regulators in recent history, but I'm confident that this Commission will continue to display the virtues and talents that are necessary to achieve equitable results for all Montanans.

Sincerely,



BRAD JOHNSON, Chairman

*DISCLAIMER: This document is distributed as a communication from PSC Chairman Brad Johnson, and does not necessarily reflect the views of other commissioners. PSC staff contributed objective information and research to this report, and any normative statements are a communication from the Chairman.*

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## Report Highlights

- \$30 million in direct savings to the ratepayer
- Passage of ratepayer protection legislation
- 100 MW of new wind energy approved
- Added transparency in customer billing
- National resolutions supporting grid-modernization

## Modernizing the PSC

(The following is a continuation of the “modernization” update provided in the “Chairman’s 2016 Mid-Year Report”)

At the beginning of calendar year 2015, the PSC initiated an agency-wide “modernization” effort to improve the efficiency and effectiveness of the Commission’s workflow. This included improving Information Technology functions, as well as staff re-organization efforts.

Continued Information Technology Upgrades:

The ultimate goal of IT at the PSC is to facilitate the agencies objective to provide the best possible services and support to commissioners, staff, and the citizens of Montana in a timely, efficient and cost effective manner, as well as to continually review new technologies and ideas to ensure that we are meeting the needs of everyone that we serve.

IT is integrated into nearly every function of the agency; from the creation and storage of digital content, to receiving and delivering services and data. IT provides user administration support, system and application development, and is responsible for planning, development, implementation and maintenance of comprehensive internal and state-wide IT solutions to better provide services to the PSC staff and to the public.

Governance for PSC IT functions stem from commissioner decisions in a business meeting setting with guidance from the Centralized Services Division Administrator, Communications Director and Computer Systems Analyst.

In accordance with recommendations from the Joint Subcommittee on Information Technology, the PSC has transferred all management of our IT environment to the State Information Technology Services Division (SITSD). This transition affords commission staff, regulated firms,

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and ratepayers a host of benefits, including improved system reliability and reduced outages, real-time continuous security and protection against cyber-attacks, and increased staff availability to focus on the following priorities:

- *The need to rewrite our PSC intranet and public facing web applications systems;*
- *The need to improve electronic record keeping and documentation procedures;*
- *The need to provide ready access to materials during hearings and business meetings;*  
*and*
- *The need to enhance the use of video to promote participation from remote areas;*

The Commission's top IT priority is to rewrite its antiquated public facing website and internal case management system. The PSC's website is reminiscent of the dot com era and no longer serves the needs of our customers, who increasingly expect to interact with government agencies in a digital format. The agency's case management system is also badly in need of replacement. The current system is ill equipped to handle the Commission's current case load and it lacks basic functionality such as the ability to interface with Outlook, as well as the ability to track litigation and rule proceedings.

In August of last year, the PSC issued a request for proposal (RFP) to contract for website re-design and a new database management system. The Commission received 3 separate bids from outside vendors, as well as a proposal from SITSD to build a system tailored to the agency's specific needs. Both the funding to hire an outside contractor, and the billable hours for SITSD to design a custom solution were included in the PSC's budget proposal to the Legislature, however the billable hours proposal was the only request to gain funding. The Commission voted unanimously to move forward with the project in May of 2017.

### Staff re-organization

In April of last year, the Public Service Commission initiated a comprehensive assessment to evaluate organizational structure and objectives, staffing, and human resources practices to ensure that we effectively support our mission and our goals.

In order to preserve the integrity of the feedback, and to encourage candid participation from staff, the Commission contracted with Helena firm, Communication Management Services (CMS). Representatives from CMS administered an agency wide survey, held focus groups with staff, and conducted one-on-one interviews with the five commissioners and three senior administrators.

In January of 2017, CMS presented a draft report of their findings to senior administrators and Chairman Johnson. Overall the report indicates a high level of job satisfaction among commission staff; however, the report also identifies several notable areas for improvement, including management structure and reporting relationships, interdepartmental communication, and knowledge transfer and succession planning.

In total, the report contains over 40 recommendations for commissioners and staff to consider including:

- *Prioritize cross training and cross-functional interaction as a means of improving intra-division understanding.*

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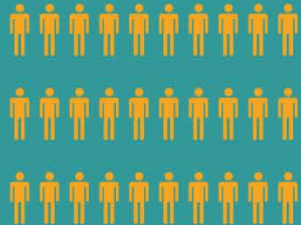
- *Engage in proactive succession planning and provide more formalized on the job training.*
- *Streamline the management structure by consolidating work units and repurposing vacant supervisory positions to higher priority needs.*
- *Adopt assignment protocols to reduce confusion between the commission and staff.*
- *Dedicate additional staff for public outreach to explain PSC mission and core function.*

Going forward, this assessment will serve as the basis for establishing an Organizational Development Plan to support the PSC in realizing its preferred state. This plan will define specific priorities, objectives, and actions necessary to implement CMS' recommendations, as well as establish metrics to monitor the on-going effectiveness of the plan.

The Commission expects to be completed with the second phase of this process within the balance of this calendar year.

# PSC By The Numbers 2016

Total FTE Count: 30



**\$** \$4.1 Million

**Folder icon** 93 Dockets Opened

**Gavel icon** 9 Oral Arguments

**Box icon** 45 Dockets Closed

## Consumer Assistance Division



The Consumer Assistance Program mediates and resolves disputes between regulated companies and their customers.

**People icon** 3 FTE

**Phone icon** 3,843 Contacts

■ Telephone (34.85%) ■ Energy (45.40%) ■ Misc (14.46%)  
■ Water/Sewer (0.41%) ■ Transportation (4.86%)

## Consumer Assistance Calls By Category

## Pipe Line Safety Program

The PSC participates in the Federal Pipeline Safety Program with 3 inspectors who are responsible for inspecting and enforcing federal and state pipeline safety regulations



**Clipboard icon** 197 Days in the Field

## Rail Safety Program



State agencies have limited authority to enforce rail safety in the United States, as rail safety is primarily under federal jurisdiction. State involvement is limited to voluntary participation, with state inspectors enforcing Federal Railroad Administration (FRA) policy.

**Hard hat icon** 174 Inspections

**Red X icon** 9 Violations

**Track icon** 22,627 Miles Driven

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# 2016 Rates for Montana's Largest Investor Owned Utilities

### 2016 Residential Rate Summary

(As of the 1<sup>st</sup> day of each month)

	<b>NWE Gas (therm)</b>	<b>MDU Gas (dkt)</b>	<b>EWM Gas (ccf)</b>	<b>Big Sky Gas (therm)</b>	<b>NWE Electric (kwh)</b>	<b>MDU Electric (kwh)</b>
<b>January</b>						
Total Rate	\$ .662192	\$5.2525	\$ .49179	\$ .646234	\$ .107423	\$ .074996
Supply Rate	\$ .279958	\$3.873	\$ .21856	\$ .264	\$ .066250	\$ .02527
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>February</b>						
Total Rate	\$ .658602	\$5.0405	\$ .49084	\$ .646234	\$ .112465	\$ .074366
Supply Rate	\$ .276368	\$3.661	\$ .21826	\$ .264	\$ .068390	\$ .02464
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>March</b>						
Total Rate	\$ .613422	\$5.0405	\$ .47757	\$ .646234	\$ .112621	\$ .074356
Supply Rate	\$ .231188	\$3.661	\$ .20469	\$ .264	\$ .068546	\$ .02463
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>April</b>						
Total Rate	\$ .568032	\$4.6455	\$ .39276	\$ .781234	\$ .11278	\$ .075956
Supply Rate	\$ .185798	\$3.266	\$ .12141	\$ .399	\$ .068705	\$ .02372
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>May</b>						
Total Rate	\$ .563132	\$4.3805	\$ .39073	\$ .781234	\$ .112235	\$ .074136
Supply Rate	\$ .180898	\$3.001	\$ .12066	\$ .399	\$ .06816	\$ .0219
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>June</b>						
Total Rate	\$ .5680506	\$4.5075	\$ .39534	\$ .7071526	\$ .111923	\$ .093816
Supply Rate	\$ .180898	\$3.12	\$ .12647	\$ .32	\$ .067848	\$ .02058
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>July</b>						
Total Rate	\$ .6362775	\$4.5075	\$ .4449	\$ .7342375	\$ .111532	\$ .092676
Supply Rate	\$ .24904	\$3.12	\$ .17701	\$ .347	\$ .067523	\$ .01944
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>August</b>						
Total Rate	\$ .6459075	\$5.2575	\$ .47028	\$ .68724	\$ .111246	\$ .093426
Supply Rate	\$ .25867	\$3.87	\$ .20321	\$ .30	\$ .067237	\$ .02019
Service Chg	\$7.35/month	\$ .26/day	\$7.25/month	*NWE	\$5.30/month	\$ .18/day
<b>September</b>						



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Total Rate	\$.6416475	\$5.0865	\$.4735	\$.68724	\$.111089	\$.095116
Supply Rate	\$.25441	\$3.699	\$.2071	\$.30	\$.067080	\$.02188
Service Chg	\$7.35/month	\$.26/day	\$7.25/month	*NWE	\$5.30/month	\$.18/day
<b>October</b>						
Total Rate	\$.6450675	\$5.2265	\$.48144	\$.68724	\$.11106	\$.075286
Supply Rate	\$.25783	\$3.839	\$.21613	\$.30	\$.067184	\$.02305
Service Chg	\$7.35/month	\$.26/day	\$7.25/month	*NWE	\$5.30/month	\$.18/day
<b>November</b>						
Total Rate	\$.6523	\$5.2265	\$.48803	\$.74724	\$.11096	\$.07557
Supply Rate	\$.26506	\$3.839	\$.22372	\$.36	\$.067081	\$.02333
Service Chg	\$7.35/month	\$.26/day	\$7.25/month	*NWE	\$5.30/month	\$.18/day
<b>December</b>						
Total Rate	\$.6363475	\$5.4045	\$.46363	\$.83424	\$.111241	\$.076856
Supply Rate	\$.24911	\$4.017	\$.20411	\$.447	\$.067365	\$.02462
Service Chg	\$7.35/month	\$.26/day	\$7.25/month	*NWE	\$5.30/month	\$.18/day

### NOTES AND DISCLAIMERS:

*THIS DOCUMENT SHOWS THE TARIFF-VERIFIED RATES FOR EACH UTILITY AS OF THE FIRST DAY OF THE MONTH. MID-MONTH CHANGES ARE NOT REFLECTED HERE.*

*MDU'S ELECTRIC POWER SUPPLY COSTS CONSIST OF FUEL USED IN ITS GENERATING STATIONS, ENERGY PURCHASES FROM MISO AND A SEASONAL CAPACITY CONTRACT.*

*MDU ELECTRIC BILLS ARE ASSESSED A .3476% SURCHARGE ON THE BASIC SERVICE CHARGE, ENERGY, AND DEMAND COMPONENTS OF THE TOTAL BILL TO RECOVER AN UNDER COLLECTION IN THE PSC AND MCC FEES (FOR A 3-YEAR PERIOD FROM APRIL 2016).*

*NWE'S ELECTRIC SUPPLY RATE INCLUDES THE CAP-EX RATE BASE VALUE OF ITS OWNED GENERATION.*

*NWE'S ELECTRIC SUPPLY RATE INCLUDES FEDERAL PRODUCTION TAX CREDITS FOR WIND RESOURCES.*

*NWE'S GAS COST INCLUDES THE BATTLE CREEK, BEAR PAW, AND DEVON REVENUE REQUIREMENTS (UPDATE 11/2013).*

*GAS SUPPLY RATES FOR EACH COMPANY MAY INCLUDE TRANSPORTATION AND STORAGE COSTS FROM OTHER PARTIES.*

*THE SUPPLY RATES AS SHOWN ON THIS DOCUMENT DO NOT INCLUDE ANY DEFERRED SUPPLY RATES.*

# Top Issues in 2016

## *Energy*

### **Grappling With PURPA**

In response to the 1973 energy crisis, Congress passed the Public Utility Regulatory Policies Act (PURPA) in November of 1978. The law, which was championed by renewable energy advocate President Jimmy Carter, was intended to promote energy conservation, as well as to increase domestic energy production from renewable sources. PURPA requires utilities to buy power from Qualifying Facilities (QF) less than 80 MW in size, if the cost of that energy is equal to or less than the utilities own avoided cost. Avoided cost is the cost the utility would have incurred had it supplied the same amount of power itself, or obtained it from another source.

The Federal Energy Regulatory Commission (FERC) is responsible for implementing PURPA; however, state commissions are responsible for setting a utility's "avoided cost", establishing contract terms, and determining when a Legally Enforceable Obligation (LEO) exists between the QF and the utility.

In recent years, PURPA has risen to prominence due to the declining cost of wind and solar, and a corresponding increase in the number of projects that are under development. Montana was no exception to this trend, and the PSC saw a record number of PURPA-related dockets in 2016. In each one of these dockets, the Commission endeavored to apply both the letter and the intent of the law, which often seem contradictory to one another. The Commission grappled with a number of issues that spanned multiple dockets, including:

- *the capacity value to assign to intermittent resources*
- *the correct length for Power Purchase Agreements (PPAs),*
- *the most appropriate method to value surplus electricity produced by the QF*
- *the cost, if any, of potential environmental regulations*
- *the standards for establishing a LEO*

Each one of the above topics were addressed this year through a handful of PURPA related decisions by the Commission.

#### GreyCliff Wind Farm

The Commission voted 4-1 on July 19 to establish contract terms and conditions between Greycliff Wind Prime LLC. and NorthWestern Energy, for a 25-megawatt wind farm in south-central Montana.

The Commission approved a contract length of up to 25 years at \$45.49 per megawatt hour for the full length of the contract. In making this decision, the Commission opted to include the cost

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of potential environmental regulations related to carbon in the avoided cost calculation for NorthWestern.

To view the full docket, visit: <http://bit.ly/2a5Lwxn>

### Crazy Mountain Wind Farm

The Commission voted 3-2 on December 22 to approve contract terms and conditions between Crazy Mountain Wind and NorthWestern Energy, for a 78-megawatt wind farm located near Springdale, MT.

In deviating from past practice, the Commission broke payments to Crazy Mountain into two separate rates in order to reflect the additional capacity that the facility provides. The Commission established a rate of \$42.38 during on-peak, demand hours and a rate of \$36.36 during off-peak hours.

The Commission also adopted an adjustment that reduces compensation to the QF during times in which NorthWestern is long on energy, and the price of QF power exceeds both the market price for electricity, as well as the cost to operate the utility's own marginal resources.

In keeping with its decision in the Greycliff docket, the Commission opted to include the cost of carbon in the rates paid to the QF; however, citing uncertainty about the future of environmental regulations under the new administration, it delayed the implementation of this adjustment until the year 2025.

To view the full docket, visit: <http://bit.ly/2aa4dyc>

### Setting a New Standard Rate for Small-Scale Solar

The Commission voted 3-2 on June 16 to temporarily suspend the QF standard rate available to new small solar projects, requiring NorthWestern Energy instead to negotiate contracts with any proposed solar facilities of 100 kilowatts to 3 megawatts in size.

On May 17, NorthWestern Energy submitted an "emergency request" to the Commission, asking for the suspension of the current QF-1 standard rate available to solar projects of 100 kilowatts to 3 megawatts in size, citing a deluge of proposed projects that could generate significant additional costs for their customers.

The Montana Consumer Counsel agreed with NorthWestern's concerns about consumer impact, stating in comments submitted to the Commission, "The long-term risk of harm to customers justifies granting the relief requested by NorthWestern."

NorthWestern Energy submitted testimony to the Commission estimating that anticipated small solar projects could create over \$215 million in additional costs to their customers over the next 25 years if the PSC didn't suspended the current rate of \$66 per megawatt hour.

All solar projects that have signed both contracts and interconnection agreements with NorthWestern Energy prior to the Commission's action will be allowed in at the current rate of \$66 per MWh. All other projects will have the ability to negotiate a contract price with NorthWestern Energy. The Commission stands ready to resolve matters on which QFs and NorthWestern are unable to mutually agree.

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On January 19, 2017, the Commission heard oral arguments by NorthWestern, MEIC/ Vote Solar, and the Montana Consumer Counsel to establish a new standard rate. The Commission is expected to make a decision in this docket by the end of June.

To view NorthWestern's 2016 QF-1 rate application, visit: <http://1.usa.gov/1tsVf4Q>

### **PSC Blocks Unwarranted Electricity Costs for Ratepayers**

The Montana Public Service Commission this biennium delivered over \$13 million dollars in savings to ratepayers by preventing NorthWestern from shifting unwarranted costs and excessive business risk to electric customers.

NorthWestern Energy is authorized by law, pending Commission approval, to use a regulatory mechanism known as an "electricity tracker" to recover through rates, prudently incurred expenses associated with serving their customers.

The Commission has identified, in the last three electricity tracker filings by NorthWestern, expenses which do not meet the requirements under state law for cost recovery. These expenses consist primarily of replacement power costs for two separate outages at NorthWestern owned power plants, as well as adjustments to the utility's Lost Revenue Adjustment Mechanism (LRAM).

#### Montana Supreme Court Affirms PSC's Decision to Deny Outage Costs

On September 28, 2011, following nearly three years of litigation, a five-justice panel of the Montana Supreme Court unanimously affirmed a 2012 order issued by the Montana Public Service Commission rejecting a request by NorthWestern Energy to increase electricity rates related to an unforeseen power plant outage.

In January 2012, just thirteen months after the Dave Gates Generation Station ("DGGS") was acquired by NorthWestern Energy, a three-month plant outage required NorthWestern to purchase electricity from third parties. Even while the plant was not in service, NorthWestern was allowed to collect almost \$8.3 million for DGGS' costs. After accounting for all of these regular DGGS costs, NorthWestern asked for an additional \$1.4 million in order to be made fully whole for its purchases of replacement power during the outage, which the Commission denied.

The Commission also made changes to NorthWestern's LRAM, which was a program designed to compensate a utility for the revenue lost due to the utility's energy efficiency efforts. The LRAM was ended by the Commission through a separate proceeding in October 2015.

Montana District Court Judge Brad Newman of Butte upheld the Commission's 2012 order in August 2015.

In affirming the PSC's order in his decision for the majority, Supreme Court Justice Jim Rice wrote that, "The Commission had substantial evidence to rely upon and it appropriately used its expertise to evaluate that evidence."

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To view the Montana Supreme Court's full decision, visit: <http://bit.ly/2cVZ4rL>

### Montana Public Service Commission Upholds \$8.2 million Rate Reduction

On August 16, 2016 the Montana Public Service Commission voted 3-2 to uphold a multi-million dollar rate reduction approved March 29, rejecting NorthWestern Energy's request for reconsideration on the Commission's decision to disallow costs related to a 2013 outage of Colstrip Unit 4 to be passed on to ratepayers.

At issue is \$8.2 million in electricity market purchases made by NorthWestern to serve their Montana customers following the 2013 outage of Colstrip Unit 4, the result of a core malfunction. NorthWestern purchased the electricity to replace power that would otherwise have been generated at the Colstrip facility.

On March 29, the Commission found that the market purchases in question did not meet the requirements under state law for NorthWestern to pass the costs on to ratepayers.

Intervening parties to the proceeding, the Montana Consumer Counsel and the Montana Environmental Information Center/ Sierra Club, argued that NorthWestern should have explored outage insurance to protect ratepayers in such an event, as well as investigate the possibility of requiring that the manufacturer, Siemens, pay for the electricity market purchases. The core malfunctioned immediately following a routine maintenance on the unit.

The incremental cost of the replacement power market purchases had been included into rates on an interim basis, and so the disallowance of the cost recovery resulted in a refund to NorthWestern's customers.

During the March 29 work session, the Commission also raised concerns with NorthWestern's disclosure of information in the proceeding. NorthWestern proposed to recover these costs from customers within its application filed May 29, 2014. The application acknowledged but did not quantify the incremental replacement power costs attributable to the outage. NorthWestern also failed in their original application to provide a Root Cause Analysis explaining the determined cause of the core malfunction.

Commissioners Brad Johnson (R-East Helena), Roger Koopman (R-Bozeman), and Travis Kavulla (R-Great Falls), voted to reject NorthWestern's request for reconsideration; Commissioners Bob Lake (R-Hamilton), and Commissioner Kirk Bushman (R-Billings), dissented.

The Commission's order is currently under legal challenge by NorthWestern Energy. The case is before Montana District Court Judge Rod Souza of Yellowstone County.

To view the full docket, visit: <http://1.usa.gov/1RHO5yk>

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### PSC Blocks Administrative Costs from NorthWestern Bills

On March 29, 2016 the Montana Public Service Commission voted 5-0 to disallow certain administrative expenses from recovery through rates for NorthWestern electricity customers.

At a February hearing, the Commission raised concerns regarding approximately \$450,000 in administrative, planning, and modeling costs that NorthWestern had requested to include in rates through its 2014-2015 Electricity Supply Tracker Application.

NorthWestern is permitted to recover prudently incurred expenses related to electricity purchases to serve customers on an annual basis through a regulatory mechanism known as an "electricity supply tracker". However, these expenses are limited to actual costs incurred in providing electricity supply services to customers through power purchase agreements, demand side reduction, and energy efficiency measures. The costs of acquiring, owning, operating, and maintaining electric generation plants are generally not subject to recovery.

The Commission determined that the expenses in question were beyond the statutory definition of "electricity supply costs" and were not directly related to the public interest.

Because the modeling and planning costs were included in rates on an interim basis, the Commission's order resulted in a refund to NorthWestern customers of \$450,988, along with the corresponding amount of interest.

NorthWestern is currently challenging the Commission's order in district court. The matter is under appeal before District Court Judge Mike Meehan of Lewis and Clark County.

To view the full docket, visit: <http://bit.ly/2muRNnt>

### Creating Tax Transparency in Customers' Bills

Voicing concerns of the effect that a state law regarding utility taxes has on consumers, the Montana Public Service Commission voted 4-1 on January 25, 2016 to require NorthWestern Energy to create a proposal for increasing the transparency of taxes in customers' monthly bills.

Throughout discussion during a work session on the issue, the Commission criticized a Montana law that allows taxes for Northwestern Energy to automatically pass through to their customers with very little PSC input, and also criticized the Montana Department of Revenue's method of calculating NorthWestern Energy's tax bill.

NorthWestern Energy's 2015 tax bill increased by over \$22 million from last year, due in large part to the 2014 purchase of 11 hydroelectric dams from PPL. Montana law allows NorthWestern energy to automatically recover their tax bill from their customers without any approval from the PSC, less a deduction for its income-tax impacts.

In both 2015 and 2017, the PSC supported legislation to end the automatic pass through of NorthWestern's taxes to their customers, but the bills failed to pass.

In an effort to better inform customers of the portion of their bill attributed to taxes, the PSC's order requires NorthWestern Energy to create a proposal to calculate the specific dollar amount

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that each customer pays in taxes on their bill every month, as well as create a proposal to remove recovery of taxes out of fixed rates and include all taxes in a single volumetric rate.

The PSC's decision followed a roundtable discussion held in December 2015 with Northwestern Energy and Department of Revenue officials. At the roundtable, the Commission probed DOR on their valuation methods, as well as NorthWestern Energy on their efforts to reduce their tax bill and their methods of disclosure to customers.

To view the Commission's order, visit: <http://1.usa.gov/1Qoj98h>

### Clean Power Plan: Pushing Back Against Poor Public Policy

(The following is a continuation on the "Clean Power Plan" update provided in the "2015 Chairman's Report")

In response to the August 3, 2015 release of the EPA's finalized version of the Clean Power Plan, a rule to regulate carbon emissions from power plants, the PSC raised several concerns as to the plan's practicality and effectiveness, as well the negative impact it will have on the state's economy

The Commission stood in opposition to the EPA's Clean Power Plan from its inception. However, it expressed particular concern with several elements of the proposed rule:

- The final rule is much more stringent than the proposed rule. The EPA reports that, in 2012, the average emissions rates for Montana's power plants was 2,481 pounds of CO<sub>2</sub> per megawatt-hour. The proposed rule set a state emissions mandate of 1,771. That number in the final rule is 1,305, or an emissions rate reduction of 47%.
- The rule plays favorites with states. The State of Washington, for instance, is allowed to increase its carbon emissions by 46%, even while Montana is required to cut its emissions.
- Before the adoption of the final rule, the PSC submitted a lengthy set of comments to the EPA, identifying technical problems with the way the state goals had been calculated. Yet the EPA did almost nothing to address these concerns in the final version of the rule.

On October 23, 2015, Montana joined 23 other states in a lawsuit asking the U.S. Court of Appeals for the District of Columbia Circuit to halt implementation and ultimately overturn the rule known as the U.S. Environmental Protection Agency's Clean Power Plan.

In February 2016, The U.S Supreme Court granted the states' appeal to freeze the Clean Power Plan, pending the result of the D.C. Circuit litigation.

Despite the Supreme Court's stay, officials at the EPA continued to move forward with rulemaking to guide state implementation of the plan by encouraging the development of energy efficiency measures and renewable energy projects. In response to this illegal action by the EPA, the Commission joined 26 other states, as well as a number of other regulatory commissions, in a letter to request that the EPA immediately extend comment on the *Clean Energy Incentive Program (CEIP) Details* for at least 60 days following the termination of the

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stay. These officials argued that if the Clean Power Plan did not survive judicial review, then the CEIP rules should simply be withdrawn.

- *The litigators relied on several reasons to support their extension request:*
- *The Supreme Court's stay means the EPA and its agents possess no authority to require states take action regarding the Power Plan.*
- *Because the CEIP derives solely and directly from the Power Plan the EPA will be in violation of the stay, unless it extends the comment period.*
- *An extension would ensure that work is not wasted on the CEIP, which would have to be withdrawn immediately should the Power Plan be vacated as unlawful.*

The Clean Power Plan is on hold indefinitely pending a full review by the administration.

To view the Clean Power Plan, visit: <http://bit.ly/1LxK3Mt>

To view a copy of the letter sent to EPA Administrator Regina A. McCarthy, visit: <http://bit.ly/2nBQYcy>

### PSC Reviews NorthWestern Resource Plan

On February 2, 2017 the Montana PSC issued comments addressing concerns with a plan by NorthWestern Energy to acquire over 500 MW of additional natural gas generating capacity in the next 18 years.

NorthWestern is required to submit a comprehensive portfolio management and resource procurement plan to the commission for review every two years. The current plan, submitted in March 2016, calls for the addition of 16 natural gas fired units, including three 18 MW internal combustion engines by the year 2019 and a 348 MW combined cycle combustion turbine in 2025.

The Commission acknowledged NorthWestern's need for additional capacity, but determined that the plan fails to justify many of the assumptions behind the proposed acquisitions. The comments express skepticism regarding how NorthWestern arrived at its capacity planning targets, as well as the pace at which the utility intends to phase in the new resources.

The Commission found that NorthWestern failed to thoroughly evaluate a full range of alternatives to gas-fired generation such as pumped-storage hydro, upgrades to Colstrip, large-scale wind and solar, demand response from customers who can reduce their consumption at peak times, and a handful of other technologies.

Meanwhile, the Commission, welcomed NorthWestern's effort to investigate creating a more efficient electricity market across a wider geographic footprint.

An additional area of concern was the lack of meaningful stakeholder input throughout the planning process. The Commission's resource planning rules encourage NorthWestern to consult with an independent advisory committee of respected technical and public policy experts, yet information from the 2015 plan indicates that it met just five times with its committee over the two-year planning period. On balance, stake holders expressed zero confidence in the



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idea that NorthWestern's resource management and acquisition strategy will minimize long-term costs and risks and produced just and reasonable rates for customers.

The comments conclude with a word of caution regarding the solicitation process that NorthWestern intends to use for its new resources. In the comments, the Commission stresses the need for an open and transparent bidding process. This need for transparency is further compounded by the fact that NorthWestern intends to submit offers to build some of the resources contained in its 2015 plan.

NorthWestern projects an average annual growth rate of 0.75 percent in winter peak demand and 1.1 percent in summer peak demand. At these growth rates, NorthWestern estimates that its winter and summer peak demands will increase from 1,272 MW and 1,115 MW in 2014 to 1,365 MW and 1,363 MW, in 2035, respectively

NorthWestern will have an opportunity to address the Commission's concerns in their subsequent 2017 Resource Procurement Plan, which is due to the Commission December 15, 2018.

For a complete copy of the Commission's comments, visit: <http://bit.ly/2kYdb4m>

To view the full Resource Plan docket, visit: <http://bit.ly/25ILtwT>

### **NorthWestern Energy requests \$10.9 million Natural Gas Rate Increase**

NorthWestern Energy filed with the PSC on Sept. 30, 2016, a request for an approximately \$10.9 million rate increase for its natural gas customers. The filing is the company's first natural gas rate case since 2012.

NorthWestern Energy estimates that the bill impact for the average natural gas customer using 100 therms per month would be an approximately \$4.81 increase, or 6.77 percent.

The company's primary requests within the filing include:

\$10.89 million rate increase for its natural gas customers.

Inclusion of two gas production assets into the company's rate-base.

An increase to the company's return on equity (ROE) for its natural gas consolidated utility from the current 9.8 percent, to 10.35 percent.

The Montana Consumer Counsel, the state's legislative sponsored consumer advocate, objected to NorthWestern's request. In testimony submitted to the Commission on Feb. 2017 the MCC argues that an increase to rates for NorthWestern customers should not exceed \$3.7 million.

Central to the discrepancy between NorthWestern and the MCC is a difference of opinion regarding the firms allowable Return on Equity (ROE). NorthWestern has proposed an ROE of 10.35 percent, while the MCC maintains that an ROE in the range of 8-9 percent is appropriate.

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The Large Customer Group also took issues with NorthWestern's request, recommending a ROE of 9.35 percent. The dispute between NorthWestern and the consumer advocates will require mediation by the PSC.

NorthWestern filed its rebuttal testimony on April 14, 2017 and a hearing is tentatively scheduled for May 9, 2017 at the PSC's business office, 1701 Prospect Avenue, Helena, Montana 59601.

A copy of the filing is available for inspection at the PSC's business offices and the Montana Consumer Counsel (MCC), 111 North Last Chance Gulch Suite 1B, P.O. Box 201703, Helena, Montana 59620-1703, telephone (406) 444-2771. The MCC is available to represent the interests of the consuming public in this matter.

Any interested person that does not wish to formally intervene in this Docket may submit written public comments on the matter to the Commission at the above address, or through its web-based comment form at <http://psc.mt.gov> ("Comment on Proceedings").

To view the full rate filing, visit: <http://bit.ly/2dyjBGp>

### *Transportation*

#### **PSC Expands Customer Access to Garbage Hauling Services in Bozeman Area**

The Montana Public Service Commission voted 3-2 on March 1, 2016 to expand garbage carrier services in Gallatin and parts of Madison counties.

On June 10, 2015, L&L Site Services filed with the Commission an application for a Montana Intrastate Certificate of Public Convenience and Necessity (certificate), authorizing the firm to provide garbage hauling services throughout Gallatin and Madison Counties.

The Commission received protests from Republic Services of Montana (Republic) in Bozeman and McGree Corporation in Butte. A hearing was scheduled for Nov. 18, 2015 in Bozeman at the C'mon Inn.

At the hearing the Commission heard accounts from residents within L&L's proposed service area, alleging to a lack of service availability and customer support from their existing garbage carrier, Republic. The Commission also learned, through the testimony of a company representative, that the Republic was earning profits in excess of 22 percent, nearly double the standard in rate regulated jurisdictions.

- *An applicant who wishes to obtain a Certificate of Public Convenience and Necessity must demonstrate the following:*
- *The existence of a public need*
- *The inability or unwillingness of existing carriers to meet that need*
- *That existing providers will not be harmed contrary to the public interest*

Based on testimony from the hearing the Commission determined that both a clear public need for expanded garbage services existed, and that the incumbent firm, Republic was incapable of serving that need absent competitive pressures.

The Commission also found that given Republic's exceedingly high profit margins, the approval of L&L's application would not impact Republic's operations to the detriment of consumers.

Montana law does not allow the PSC to engage in rate and service quality regulation for garbage carriers. The Commission must rely on barrier of entry regulation and competition to ensure customers receive adequate trash hauling services.

The order authorizes L&L Services to operate in Gallatin County and parts of Madison County, including the Big Sky, Moonlight Basin, and Yellowstone club areas.

To view the full docket, visit: <http://bit.ly/2nsLiG4>

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### Improving Rail Safety in Montana

On April 19, 2016, Commission voted 5-0, directing staff to move forward with plans to examine the state's rail safety program housed within the agency.

Staff completed a comprehensive risk assessment and action plan in October 2016. The study analyzes the legal background of railroad safety programs, the scope of commission authority, the volume of freight that is transported by rail across Montana, and accident data provided by the Federal Railroad Administration (FRA).

State agencies have limited authority to enforce rail safety in the United States, as rail safety is primarily under federal jurisdiction. State involvement is limited to voluntary participation, with state inspectors enforcing FRA policy.

Given this degree of federal pre-emption, staff determined that the primary motivator for the Commission's involvement in the "State Rail Safety Participation Program" is to obtain insight and maintain a clear channel of communication for input into federal inspection, surveillance, and enforcement activities. State participation ensures that local concerns can influence the evolution of federal regulations and standards.

With this aim in mind, the report recommends that the Commission consider the following steps to better integrate program management with FRA activities and improve operational efficiency:

- *Return inspection capabilities to the prior baseline of two certified inspectors by completing on-the-job training and certification for our newly hired inspector.*
- *Consider transferring program management responsibilities to a certified inspector who has the contextual knowledge needed to effectively incorporate feedback from the field into future inspection plans.*
- *Further integrate program management with the FRA's risk assessment and inspection planning and prioritization process. Engage in regular communication between state inspectors and FRA management, including participation in regional conference calls.*
- *Continue participation in National Association of State Rail Safety Program Managers with a goal of attending at least one meeting annually.*
- *Continue Commission staff participation in State Emergency Response Committee and Rail Safety Competition Council meetings.*

Staff also evaluated a proposal to increase the number of FTE dedicated to rail inspection activities, however it concluded that the Commission's near-term action plan should focus on making operational improvements to the existing program while gaining greater insight into the FRA's risk assessment and associated inspection strategies.

The Commission plans to consider the recommendations from the assessment at a future work session within the next 3-6 months.

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To view the Commission's investigative docket on railroad safety, visit:

<http://1.usa.gov/22L2Iaa>

# 2017 Legislative Summary

*"The PSC stands ready to implement public policies that the Legislature deems appropriate, but the agency must be provided adequate authority and adequate funding to perform our duties. The Commission is opposed to any proposal that would put any undue financial burden directly on Montana ratepayers." – Chairman Brad Johnson*

The PSC is by nature not a policy making body; however, there are times where an overwhelming public interest compels the Commission to adopt a position on a specific piece of legislation. This advocacy is limited to instances in which a particular proposal has an overwhelming impact on either the Commission's authority, public utilities, or ratepayers. A much larger role for the Commission during the legislative session is that of a policy expert. The Commission provides technical and public policy advice to the legislature on a wide range of issues from renewable energy programs and distributed generation to bills related to the closure of Colstrip and rural broadband deployment.

The bills for which the Commission provided expert testimony are too numerous to list here. What follows is a brief summary of legislation that was either supported or opposed by the Commission during the 2017 session of the Montana Legislature. We clarify the status of the bill, describe the intent of each bill, and attempt to identify significant impacts the bill, if enacted, would have on public utilities, ratepayers, and Commission responsibilities.

The Commission's positions on legislation stem from decisions the Commission makes in a business meeting setting with guidance from expert staff.

***Important: the "regulatory impact" element of each summary requires speculation, and we may have not identified all possibilities; please give your own thoughts as to what impacts a bill may have on utility regulation.***

The heading of each proposed draft bill is linked to the bill text.

## PSC Budget

In response to substantial pressures on the state budget, the legislature enacted a \$700,000 reduction to the PSC's biennial budget. These cuts took the form of a \$250,000 reduction to operating funds, as well as a 3.44 FTE reduction to staffing levels. The PSC is more than the willing to do its part by tightening its belt when necessary; however, these cuts are particularly concerning in light of their negligible impact on the state checkbook. The PSC is funded through a "fee for service" model in which funds are derived directly through a small assessment on ratepayer monthly bills. **As a result, reductions to the agency's budget or allocated staffing levels have no measurable impact on the state checkbook.**

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While the PSC will do its best to pull together to maintain a high standard of customer service, the current cuts are simply not sustainable over the long term. The PSC is in the midst of a dramatic demographic shift with the retirement of long tenured staff. The agency expects this trend to continue with 4 more experienced employees set to retire within the next two years. Reductions to staffing levels undermine the PSC's ability to engage in meaningful succession planning, while cuts to operating funds limit access to subject matter training for new hires. If not addressed, these deficiencies could undermine the PSC's ability to provide effective, credible regulation of the utility industry resulting in millions of dollars in excess costs for ratepayers.

### Bills Supported by the Commission

#### [HB 189](#)

**Affected code:** Amending Sections [69-3-302](#) and [69-3-303](#), MCA; Repealing Section [69-3-308](#), MCA

HB 189, introduced by Rep. Daniel Zolnikov (R-Billings), would have repealed Montana's unique tax tracker law, which allows public utilities to pass-through up to 60 percent of their property tax bill directly to ratepayers. It also would have required utilities to separately disclose in a customer's bill the amount of state and local taxes and fees assessed against the public utility that the customer is paying.

**Regulatory impact:** Utility rate adjustments and tracking for taxes and fees would no longer be automatic. Changes in rates due to state and local taxes and fees would be subject to Commission approval.

Status: Tabled by the House Energy, Technology, and Federal Relations Comm.

#### [HB 193](#)

**Affected code:** Section [69-8-210](#), MCA

HB 193, introduced by Rep. Tom Woods (D-Bozeman), repeals a statutory carve out for NorthWestern energy that allows the utility to pass-through 100 percent of their "electricity supply costs" directly to customers. It will allow the Commission to establish a cost sharing arrangement between the utility and its customers for these expenses. The bill also places narrow sideboards on the types of electricity supply costs that regulated utilities are allowed to pass on to ratepayers.

**Regulatory impact:** This bill eliminates the cost recovery tracking mechanism provided for under Title 69, chapter 8 for reintegrated public utilities. All cost-tracking adjustments for public utilities would be subject to the regulations under Title 69, chapter 3.

Status: Signed by the Governor

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### [HB 475](#)

**Affected code:** [Title 69, chapter 3, MCA](#)

HB 475, introduced by Rep. Tom Woods, clarified a legal grey area regarding the Commission's ability to require a public utility to file a rate case.

**Regulatory Impact:** This bill would have codified the Commission's authority to require a utility file a rate case if the Commission deemed it in the public interest and appropriate

Status: Tabled by the Senate Energy and Telecommunications Committee

### [HB 56](#)

**Affected code:** Amending and repealing sections of [Title 69, chapter 12, MCA](#)

HB 56, introduced by Rep. Daniel Zolnikov (R-Billings), was a follow up to SB 396 from the 2015 legislative session. The bill would have further deregulated the motor carrier industry by permitting all passenger motor carriers such as taxis, limos, and TNC's like Uber to set their own rates independently from the PSC. It also included a measure of consumer protection by providing consumers with the option of obtaining a fare estimate and receipt for each trip.

**Regulatory impact:** The Commission would have been required to adopt rules requiring passenger motor carriers to disclose estimates of costs prior to commencement of a ride and document charges following the completion of a ride. Class A and Class B passenger motor carriers would not have been required to obtain a certificate of public convenience and necessity from the Commission or file annual reports with the Commission. The Commission would have no longer been required to regulate the rates of Class A and Class B passenger motor carriers. The civil penalties for violations of motor carrier rules would have increased.

Status: Tabled in House Energy, Technology, and Federal Relations Committee

### [HR 2](#)

**Summary:** HR 2 was a house resolution urging Bonneville Power Administration (BPA) to eliminate the Montana Intertie rate that applies to transmission on the Eastern Intertie between Townsend and Garrison.

**Regulatory impact:** The Eastern Intertie rate is currently paid by the Colstrip transmission system partners. 184 MW of transmission capacity on the Eastern Intertie, owned by BPA, has remained unsubscribed since the agreement was signed in 1981. Eliminating the intertie rate could potentially lead to greater utilization of the Eastern Intertie, which in turn would reduce the cost for customers of the Colstrip transmission system partners.

Status: Adopted by House of Representatives

### [SB 32](#)

**Affected code:** Amending sections [69-3-2003, 69-3-2004, 69-3-2005, 69-3-2006, 69-3-2009, and 90-4-1202, MCA](#)

SB 32, introduced by Sen. Keith Regier (R-Kalispell), repealed the Community Renewable Energy Project (CREP) program. This program, which was originally intended to promote small-

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scale renewable energy development, is unworkable due to the definition of local ownership and the 25 MW cap that is placed on the projects. Repealing the CREP statute would have freed up the Commission's time to work on higher priority dockets without having an adverse effect on renewable energy development in Montana.

**Regulatory impact:** A public utility would no longer need to petition the Commission for a waiver from the CREP requirement if it did not obtain the required amount for a particular year. Generators or utilities would no longer need to petition the Commission for certification of eligible CREPS.

Status: Vetoed by the Governor

### [HB 365](#)

**Affected code:** Amending sections [17-7-502, Title 69 chapter 4,](#) and repealing sections [69-4-505, 69-4-513, and 69-4-514, MCA](#)

HB 365, introduced by Rep. Ray Shaw (R-Sheridan), brings Montana in alignment with federal pipeline safety standards promulgated by the federal Pipeline and Hazardous Materials Safety Administration by updating the state's 811 "call before you dig" program. It ensures state supremacy over federal pipeline regulations by strengthening penalties for violations, and establishing an advisory council to oversee enforcement activities. This bill was the product of 8 years of collaboration by a diverse range of stakeholders from pipeline operators to contractors.

**Regulatory impact:** HB 365 updates underground facility locate rules to meet federal requirements. Passage of this bill allows the PSC to continue to receive full federal funding for its pipeline safety program.

Status: Signed by the Governor

### [SJ 18](#)

SJ 18, introduced by Mark Blasdel (R-Somers), is a resolution supporting the deployment of advanced transmission technology. The resolution directs policy makers to investigate and consider new advanced transmission technologies that offer revolutionary performance benefits when replacing aged infrastructure or constructing new lines. It is a complement to a pair of national resolutions, one from the National Association of Regulatory Utility Commissioners (NARUC) and one from the Council of State Governments (CSG).

**Regulatory impact:** Regulated utilities that own transmission lines might include cost-effective transmission technologies in a general rate case.

Status: Adopted by the Montana Legislature



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### Bills Opposed by the Commission

#### [HB 395](#)

**Affected code:** Amending Sections [37-68-102](#), [60-4-401](#), [69-5-102](#), [76-3-103](#), [76-3-622](#), [Title 50 chapter 5](#), and [Title 69 chapter 3](#), MCA.

HB 395, introduced by Rep. Tom Woods, would have required the PSC to engage in rate regulation for hospitals. The bill would have called upon the PSC to create a separate division within the agency to regulate hospitals, including the addition of 28 FTE with an annual budget of \$3.5 million for the first year and 2.5 million thereafter. The PSC strongly opposed the bill based on the belief that it would distract the Commission from its core mission of regulating electricity, natural gas, telecommunications, and water/ sewer utilities, and could impair commissioner's ability to make informed and thoughtful decisions, potentially resulting in millions of dollars in excess costs for ratepayers.

**Regulatory impact:** Adding hospitals to the definition of public utility would have greatly expanded the Commission's current authority. The Commission would have been responsible for regulating rates for medical procedures, services, supplies, or episodes of care that exceeded 138% of the allowable Medicare program reimbursement rate if the hospital is nonprofit and 150% of the reimbursement rate if the hospital is for-profit.

Status: Tabled by the House Human Services Committee

#### [SB 363](#)

**Affected code:** Amending sections [17-1-106](#), [23-2-502](#), [23-2-511](#), [23-2-523](#), [80-7-1006](#), and [80-7-1010](#), MCA

SB 363, introduced by Senator Chas Vincent, was part of a package of bills to address the spread of invasive species in Montana, specifically the Zebra and Quagga Mussel. The bill aimed to raise \$12 million over the biennium through a patchwork funding mechanism, including \$9 million from a new tax on hydro-electric facilities in Montana.

The Commission vigorously opposed the bill from the beginning, raising concerns about the disproportionate and highly discriminatory manner in which the bill sought to tax hydro facilities, as well as the manner in which these taxes would be passed-through to ratepayers.

The bill passed, but not before it was heavily amended in both chambers. The Commission prevailed in attaching an amendment to prevent utilities from automatically passing-through the new tax directly to ratepayers. The bill subjects these taxes to ordinary ratemaking procedure and protects ratepayers from excessive business risk.

**Regulatory impact:** HB 363 imposes a tax on hydroelectric facility owners to combat invasive aquatic species.

Status: Signed by the Governor

## Participating in the National Dialogue

The framework for utility regulation in Montana can be best described as a complex web of both federal and state laws, as well as rules promulgated by the Federal Energy Regulatory Commission and the Montana Public Service Commission. Due to a high degree of overlap between state and federal authority it is imperative that commissioners are actively engaged in the national conversation surrounding energy, communications, and water issues.

One way in which commissioners participate in this dialogue is through their involvement in a variety of regional and national organizations, including the National Association of Regulatory Commissioners (NARUC) and the Council of State Governments (CSG). This year the Commission saw a heightened level of involvement in these two organizations due to the election of Commissioner Kavulla to serve as NARUC President, as well as the successful sponsorship of a pair of national resolutions by Chairman Brad Johnson.

### Montana PSC Commissioner Kavulla Elected President of NARUC

In November 2015 NARUC elected Montana PSC Commissioner Travis Kavulla as the association's new President, marking the beginning of his year long term as the head of the organization.

Commissioner Kavulla's tenure began as Montana faced a number of high profile issues impacting ratepayers across the west such as regulations stemming from the Obama Administration's "Clean Power Plan" and the need to develop a better understanding of how wholesale electricity markets can benefit consumers. In addition to addressing these issues, he also pursued several other key initiatives and partnerships, including the chartering of a task force designed to provide NARUC members with better recommendations related to the regulation of TNC's like Uber and Lyft, as well as efforts to expand NARUC's international outreach through its Energy Regulatory Partnership Program.

However, his crowning achievement as president was the development of a handbook for regulators, facing increasing regulatory challenges related to the growth of distributed generation and net metering. The [manual](#), which is a product of NARUC's Staff Subcommittee on Rate Design, is intended to assist jurisdictions in identifying issues related to Distributed Energy Resources (DER), and assist regulators in answering questions in a way most appropriate for their state.

Commissioner Kavulla is succeeded by Commissioner Robert Powelson of the Pennsylvania Public Utility Commission who was installed at NARUC's annual meeting this last November. Kavulla plans to continue his involvement in the association as an active member of NARUC's Board of Directors.

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### Modernizing The Nation's Transmission Grid

Chairman Johnson this last year sponsored and co-sponsored a pair of national resolutions CSG and NARUC, respectively, to support the deployment of advanced transmission technologies in the states.

The resolutions are part of a broader outreach effort by the Chairman to raise awareness among utility commissioners, state-level policy makers, and member of industry about the need to invest in our nation's energy infrastructure.

The nation's transmission grid is aging in all regions, notably most of the over 200,000 miles of 115-345kV circuits are at least 50-75 years old and need to be replaced. The addition of new generation sources, including power from renewables compounds the need to invest in new and existing infrastructure. At the same time, the public is growing increasingly concerned about view shed impacts associated with existing corridors and the development of new right of ways.

As policy makers look to address these challenges, it is critical that they consider the potential contributions of commercially available technology with revolutionary performance benefits that exceed those of traditional technology. Cost-effective technology exists today with the capability to expand capacity of existing circuits by as much as 75 percent. In addition, more advanced compact line design with tower heights about two-thirds the height of conventional towers can dramatically reduce view-shed impacts. This technology not only increases grid efficiency, in many cases it can reduce the short-term need for new generation units.

However, project developers are reluctant to incorporate extraordinarily high performing technologies into projects if they believe that only traditional technologies will be considered by state-level decision makers.

Chairman Johnson's resolutions seek to address this concern by encouraging members of each respective organization to adopt enabling legislation in their states that allows for a true side-by-side cost benefit and cost effectiveness comparison between advanced transmission techno, and conventional solutions.

*The resolutions directs state legislators and public service commissions to:*

- *investigate and consider new advanced transmission technologies that offer revolutionary performance benefits when replacing aged transmission infrastructure;*
- *evaluate new advanced transmission technologies to determine whether they are best able to cost effectively ensure the continued reliable delivery of electricity while providing revolutionary greater capacity and revolutionary enhanced efficiency on schedules required to meet the state's public policy objectives;*
- *consider the ability of these technologies to greatly reduce environmental and visual impacts to communities;*
- *and consider the ability of these and other technologies to greatly reduce the overall cost of energy delivery*

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So far, both Arkansas and Montana have enacted complimentary policies. In addition, the New York Public Service Commission has provided complementary guidance to the New York Independent System Operator organization evaluating transmission solutions in that state.

Chairman Johnson intends to follow-up on the resolutions through a regional dialogue series developed in partnership with the United States Energy Association. The aim of this series, which will feature members of both the public and private sector, is to identify the policy prescriptions and financial incentives that inspire and accelerate the adoption of new technologies. The first meeting is tentatively scheduled for May 2017 in Washington D.C.

*The respective sponsors of the resolutions are NCUC Chairman Finley ([finley@ncuc.net](mailto:finley@ncuc.net)), MTPSC Chair Johnson ([bjohnson@mt.gov](mailto:bjohnson@mt.gov)), KS Representative Sloan ([tom.sloan@house.ks.gov](mailto:tom.sloan@house.ks.gov)), AR Representative Rick Beck ([rick.beck@arkansashouse.org](mailto:rick.beck@arkansashouse.org)), OH Senator Chuck Hite ([hite.ohiosenate.gov](mailto:hite.ohiosenate.gov)), ID Senator Chuck Winder ([cwinder@senate.idaho.gov](mailto:cwinder@senate.idaho.gov)), WA Representative Jeff Morris ([Jeff.Morris@leg.wa.gov](mailto:Jeff.Morris@leg.wa.gov)), and AR Senator Eddie Joe Williams ([EddieJoe.Williams@senate.ar.gov](mailto:EddieJoe.Williams@senate.ar.gov)).*

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