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Contact: Chris Puyear
christopher.puyear@mt.gov
(C): 406-431-2499

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PSC Vice-Chairman Kavulla promotes reform to federal power-purchase mandate at Congressional hearing

Helena, Mont. – Federal policies that encourage the development of renewables through mandatory purchase obligations at administratively determined prices are outdated and should be reformed. That’s the message that PSC Vice-Chairman Travis Kavulla, R- Great Falls, will bring on Friday to the U.S. House of Representatives Subcommittee on Energy. The hearing will cover the PURPA Modernization Act, H.R 4476, authored by Rep. Tim Walberg, R-MI.

The Public Utility Regulatory Policies Act, or PURPA, became law 39 years ago, in 1978. Kavulla’s testimony is focused on the need to reform PURPA in light of the growth of renewable technologies and the increasing competition among power generators in the electric sector. “PURPA is nearly four decades old, and it reflects the reality of another era,” his pre-filed testimony states.

Kavulla contends that PURPA requires a flawed approach to pricing renewables. He argues “a competitive process, where generators with a profit motive vie against one another for the business of the nation’s customers, is a best practice when compared with prices set by a State commission through a trial-like proceeding where the cost-reducing aspect of competition is absent.”

He also provides evidence that PURPA is being used to build additional power plants even while consumer demand is flat or declining.

The PURPA Modernization Act would relieve a utility of PURPA’s mandatory purchase obligation if the appropriate state regulatory agency determines that the utility has no customer demand or employs competitive solicitations as a substitute for administrative pricing. Kavulla says that would address his concerns and those of many other state regulators and consumer advocates.

Kavulla’s testimony is part of an ongoing effort by state regulators to align PURPA’s goal of promoting competition and resource diversity with major shifts in the electric sector over the last 30 years. Last month the National Association of Utility Commissioners (NARUC) sent a letter to the Federal Energy Regulatory Commission calling on FERC to implement a parallel set of reforms.

Passed in the 1970s at the height of the energy crises, PURPA became law when “renewables were scarce, demand was booming, and the country looked for ways to diversify its energy portfolio and shield itself from overreliance on foreign sources of supply. Today, the world has dramatically changed,” Kavulla’s testimony notes, including data that shows nearly half of utility-scale generation in 2017 came from renewable resources, mainly procured through competitive solicitations.

A copy of the testimony is available on the Committee on Energy & Commerce’s [website](#). The hearing is set to commence at 9:15 a.m. Eastern Standard Time, and Kavulla will testify on the day’s second panel. To view the webcast of the hearing, visit: <http://bit.ly/2B8G3Oh>.

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