

**Considerations for discussion of 15 Climate Change Advisory Committee
Recommendations
Environmental Quality Council
Draft April 2008**

The information below is a summary of key points from the Montana Climate Change Action Plan and the associated appendices. The legislative and administrative options prepared by staff and participating agencies do not include an economic analysis.

RCII-8

Support for Renewable Energy Applications

(62% of participating EQC members voting 4 or 5 and 58% of the public voting 4 or 5)

Same as ES-4, Incentives and Barrier Removal (including Interconnection Rules and Net Metering Arrangements) for Combined Heat and Power and Clean Distributed Energy. (54% EQC and 52% public).

✓ Provide 470 MW of Combined Heat and Power, 4.5 MW of solar PV, and 30 MW of small wind by 2020

Conservation Considerations:

- Displaces fossil fuel use and avoids electricity transmission and distribution losses
- Pages G-20 through G-26 Appendices

What's Being Done:

- **Financial incentives in place**
 - Alternative Energy Investment Corporate Tax Credit (15-32-401 MCA)—Commercial and net metering alternative energy investments of \$5,000 or more are eligible for a tax credit of up to 35% against individual or corporate tax on income generated by the investment.
 - Residential Alternative Energy System Tax Credit (15-32-201 MCA)—Residential taxpayers who install an energy system using a recognized non-fossil form of energy on their home after December 31, 2001, are eligible for a tax credit equal to the amount of the cost of the system and installation of the system, not to exceed \$500. The tax credit may be carried over for the next 4 taxable years.
 - Residential Geothermal Systems Credit (15-32-115 MCA)—Resident Montana taxpayers who install a geothermal heating or cooling system in their principal dwelling can claim a tax credit based on installation costs, not to exceed \$1,500.
 - Bonneville Environmental Foundation–Renewable Energy Grant—Using revenues generated from the sales of Green Tags, BEF, a not-for-profit organization, accepts proposals for funding renewable energy projects located in the Pacific Northwest (Oregon, Washington, Idaho, and Montana). Any private person, organization, or local or tribal government located in the Pacific Northwest may participate. Projects that generate electricity are preferred. Acceptable projects include solar PV, solar thermal electric, wind, hydro, biomass and animal waste-to-energy.
 - BEF–Solar 4R Schools—This program began in 2002 to install small-scale solar

energy systems at schools interested in increasing the visibility of renewable energy. BEF will generally completely fund or supply 1.1 kW system installations, fund up to 33% of other larger renewable energy projects, and provide curriculum modules developed for schools. The school agrees to own and maintain the solar energy system, provide access to the system, and implement an educational outreach strategy.

- Renewable Energy Systems Exemption (15-6-224 and 15-32-102 MCA)—Montana’s property tax exemption for recognized non-fossil forms of energy generation or low emission wood or biomass combustion devices may be claimed for 10 years after installation of the property. The exemption is allowed for single-family residential dwellings up to \$20,000 in value and for multifamily residential dwellings or a nonresidential structure up to \$100,000 in value.
- Alternative Energy Revolving Loan Program (75-25-101 MCA)—Provides loans to individuals, small businesses, local government agencies, units of the university system, and nonprofit organizations to install alternative energy systems that generate energy for their own use. The program is funded by air quality penalties collected by the DEQ. In 2005, Senate Bill No. 50 amended the loan program, increasing maximum loan amount to \$40,000 (subject to available funds) and extending the repayment period to 10 years. Interest rates are set annually and are fixed for the term of the loan.
- Universal System Benefits Programs (69-8-402 MCA)—All distribution utilities and cooperatives must collect a Universal System Benefits charge (USB), which is used for renewable energy programs, as well as low-income assistance and weatherization, energy efficiency, and R&D programs. Beginning January 1, 1999, 2.4% of each utility’s annual retail sales revenue in Montana for the calendar year ending December 31, 1995, was established as the initial funding level for universal system benefits programs. The USB programs will remain in effect until December 31, 2009. Utilities, cooperatives, and large customers can self-direct their funds to approved internal programs.
- Energy performance contracts: Allows local government such as county, city, school districts, and community colleges to enter into energy performance contracts that conserve energy for buildings and vehicles that those local government units operate, 90-4-1101, MCA.
- **Montana Rules, Regulations, and Policies**
 - Net metering (69-8-601 et seq. MCA)—Net metering is an arrangement that allows surplus energy generated by the customer’s renewable energy system to go back to the utility electric system. The customer receives “credit” at retail rates for the electricity put back up to the amount of power the customer actually consumes at his/her location. Only NWE is required by legislation to offer net metering. Montana–Dakota Utilities and the electric cooperatives are voluntarily offering net metering. Terms of the offers vary by utility and can differ from these legislative requirements.
 - Interconnection standards (69-8-604 MCA)—Montana’s net metering legislation, enacted in 1999, requires interconnected facilities to comply with all national safety, equipment and power-quality standards. NWE has published a standard interconnection agreement for net metered facilities; the agreement includes

language on the technical requirements for interconnecting. Technical language mirrors the state law requirements with respect to national standards but also requires a manual, lockable, external disconnect switch. NWE does not require system owners to purchase additional liability insurance, but encourages system owners to confirm with their insurance provider the limits of coverage applicable to interconnected systems.

- Electric Cooperatives–Net metering—The Montana Electric Cooperatives’ Association (MECA) developed and adopted a model Interconnection of Small Customer Generation Facilities policy in 2001. The model policy includes guidelines for net metering, which have been adopted in whole or part by most of the 26 electric cooperatives in Montana. Cooperatives are currently working on streamlining the process for interconnection.

Potential Actions:

* Legislative or EQC options (not complete, intended to be starting point for discussion):

- Maintain Universal Systems Benefits program for small scale and community renewables. (Under consideration by Energy & Telecommunications Interim Committee).
- Provide specific incentives for combined heat and power.
- Consider offering different interconnection and net metering rules for smaller systems.
- Increase, review, or change incentives or regulations in existing law.
- Expand Alternative Energy Revolving Loan Program to defray some of initial costs of systems. Loan program outlined in 75-25-101, MCA.
- Develop a set of state-issued licenses for renewable energy system technicians and installers. Licenses would be tailored to renewable energy industry.
- Consider combined heat and power as a net-metering eligible resource.

* Resolution or recommendation stating intent

* No Action

* Administrative options: