

SENATE BILL NO. 182

INTRODUCED BY M. PHILLIPS

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A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A MONTANA NEIGHBORHOOD NET METERING ACT; ALLOWING NEIGHBORHOOD ENERGY FACILITIES TO CONNECT TO A UTILITY'S DISTRIBUTION SYSTEM; ESTABLISHING NEIGHBORHOOD ENERGY FACILITY AND UTILITY REQUIREMENTS; ESTABLISHING FEES; GRANTING THE PUBLIC SERVICE COMMISSION RULEMAKING AUTHORITY; AMENDING SECTION 69-8-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [Sections 1 through 6] may be cited as the "Montana Neighborhood Net Metering Act".

NEW SECTION. **Section 2. Definitions.** As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

(1) "Neighborhood energy facility" means a facility located in Montana that produces electrical energy and:

(a) uses as its fuel:

(i) solar;

(ii) wind;

(iii) geothermal;

(iv) fuel cells;

(v) hydropower;

(vi) landfill gas;

(vii) dedicated energy crops available on a renewable basis; or

(viii) low-emission, nontoxic biomass;

(b) is connected to a public utility's distribution system behind a production meter that is capable of recording the cumulative kilowatt hours produced by a neighborhood energy facility;

(c) has a generating capacity of not more than 1 megawatt; and

1 (d) produces electricity that two or more subscribing customers within the same county receive an on-bill  
2 credit for using.

3 (2) "Neighborhood energy facility owner" means any utility, for-profit business, nonprofit organization,  
4 public-private partnership, or governmental unit that operates a neighborhood energy facility.

5 (3) "On-bill credit" means a credit of kilowatt hours applied to a subscribing customer's account or  
6 accounts to offset the consumption of electrical energy.

7 (4) (a) "Public utility" means any electric utility regulated by the commission pursuant to Title 69, chapter  
8 3, on [the effective date of this act], including the public utility's successors or assignees.

9 (b) The term does not include a:

10 (i) neighborhood energy facility;

11 (ii) subscribing customer; or

12 (iii) public utility that served 50 or fewer retail customers in Montana on December 31, 2012.

13 (5) "Subscribing customer" means a retail electricity consumer receiving an on-bill credit for electricity  
14 generated by a neighborhood energy facility.

15

16 **NEW SECTION. Section 3. Neighborhood energy facility requirements -- public utility**  
17 **requirements.** (1) A public utility shall allow a neighborhood energy facility that meets the requirements of  
18 [section 6] to be interconnected to its distribution system.

19 (2) Except as provided in subsection (5), a public utility shall grant an on-bill credit in accordance with  
20 [section 4], this section, and rules adopted by the commission pursuant to [section 6] to the account or accounts  
21 of subscribing customers.

22 (3) A neighborhood energy facility owner generating electricity for subscribing customers shall provide  
23 a public utility with:

24 (a) a single point of contact;

25 (b) a list, to be updated no more than once a month, of all subscribing customers and the associated  
26 accounts that are to receive an on-bill credit for electricity generated by the neighborhood energy facility; and

27 (c) the proportion or block of generated electricity assignable to each subscribing customer and  
28 associated account or accounts.

29 (4) A public utility may charge a subscribing customer a monthly fee, established by the commission in  
30 accordance with [section 6], that covers reasonable administrative expenses for administering neighborhood

1 energy facility on-bill credits.

2 (5) (a) A subscribing customer must have an account with the public utility providing the on-bill credit.  
3 Accounts must be for meters at locations within the county where the neighborhood energy facility is located.

4 (b) If a subscribing customer ceases to hold the account where the on-bill credit is received but has  
5 another account in the service territory of the public utility and in the county where a neighborhood energy facility  
6 is located, the on-bill credit must, at the request of the subscribing customer, be transferred to the new account  
7 and be adjusted to reflect the proportion or block of generated electricity assignable to the account in accordance  
8 with subsection (3)(c).

9 (c) If a subscribing customer ceases to hold the account where an on-bill credit is received, the public  
10 utility, at the request of the subscribing customer, shall transfer the on-bill credit to another subscribing customer  
11 in the county where a neighborhood energy facility is located.

12

13 **NEW SECTION. Section 4. Net energy calculations for neighborhood energy facilities --**

14 **renewable energy credits.** (1) (a) A public utility shall grant an on-bill credit to a subscribing customer's account  
15 or accounts for the proportion of generation from a neighborhood energy facility for each billing period. The on-bill  
16 credit must represent at least 1 kilowatt of the neighborhood energy facility's generating capacity.

17 (b) The public utility shall determine an on-bill credit by multiplying the subscribing customer's proportion  
18 of the electricity produced by the neighborhood energy facility by the retail rate per kilowatt hour of the public  
19 utility.

20 (c) The on-bill credit for each separately metered account may not be more than the subscribing  
21 customer's average annual consumption of electricity for that metered account.

22 (2) (a) If the electricity supplied by a public utility for the account or accounts of the subscribing customer  
23 exceeds the subscribing customer's on-bill credit, the subscribing customer must be billed for the electricity  
24 supplied by the public utility, excluding the subscribing customer's on-bill credit.

25 (b) If the subscribing customer's on-bill credit during the billing period exceeds the electricity supplied by  
26 a public utility for the account or accounts, the subscribing customer must be:

27 (i) billed for the appropriate customer charges for that billing period, in accordance with [section 3(4)];  
28 and

29 (ii) credited for the excess kilowatt hours generated during the billing period, with this kilowatt-hour credit  
30 appearing on the bill for the following billing period.

1 (3) On January 1, April 1, July 1, or October 1 of every second year, as designated by the subscribing  
 2 customer as the beginning date of a 24-month billing period, any remaining unused kilowatt-hour credit  
 3 accumulated during the previous 24 months must be granted to the public utility, without any compensation to  
 4 the subscribing customer.

5 (4) A neighborhood energy facility owner owns the renewable energy credits associated with the  
 6 neighborhood energy facility.

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 8 **NEW SECTION. Section 5. Neighborhood energy facility -- reliability and safety.** A neighborhood  
 9 energy facility must include, at the neighborhood energy facility owner's own expense, all equipment necessary  
 10 to meet applicable safety, power quality, and interconnection requirements established by the national electrical  
 11 code, national electrical safety code, institute of electrical and electronics engineers, and underwriters  
 12 laboratories.

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 14 **NEW SECTION. Section 6. Commission authority -- rulemaking.** (1) The commission has the  
 15 authority to generally implement and enforce the provisions of [sections 1 through 5].

16 (2) The commission shall adopt rules establishing:

17 (a) the maximum fee a public utility may charge a neighborhood energy facility owner to cover  
 18 reasonable administrative expenses for providing on-bill credits;

19 (b) requirements that on-bill credits be provided by a public utility in accordance with [section 4(1)];

20 (c) additional safety and power quality requirements for a neighborhood energy facility owner that the  
 21 commission determines are necessary in accordance with [section 5];

22 (d) accounting practices for neighborhood energy facility owners and subscribing customers for the  
 23 purposes of administering an on-bill credit; and

24 (e) implementation and enforcement of the provisions of [sections 1 through 5].

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 26 **Section 7.** Section 69-8-201, MCA, is amended to read:

27 **"69-8-201. Public utility -- customer electricity supply service options and requirements --**  
 28 **exemption.** (1) (a) Except as provided in subsections (1)(b) and (1)(c), a retail customer that has an individual  
 29 load with an average monthly demand of greater than or equal to 5,000 kilowatts and that is not purchasing  
 30 electricity supply service from a public utility on October 1, 2007, may not purchase electricity supply service from

1 a public utility.

2 (b) A retail customer referred to in subsection (1)(a) may request electricity supply service from the public  
3 utility, and the public utility shall provide electricity supply service if the retail customer demonstrates that the  
4 provision of electricity supply service to the retail customer will not adversely impact the public utility's other  
5 customers over the long term as determined by the commission.

6 (c) If a public utility provides electricity supply service to a retail customer as provided in subsection  
7 (1)(b), that service is regulated by the commission and the customer may not, at a later date, purchase electricity  
8 supply service from another provider of electricity supply service.

9 (2) (a) A retail customer that has an individual load with an average monthly demand of less than 5,000  
10 kilowatts that is not purchasing electricity from a public utility on October 1, 2007, may continue to purchase  
11 electricity from an electricity supplier. The retail customer may subsequently purchase electricity from a public  
12 utility subject to commission rule or order, but the customer may not, at a later date, choose to purchase electricity  
13 from another source.

14 (b) A retail customer that has an individual load with an average monthly demand of less than 5,000  
15 kilowatts and that is currently purchasing electricity from a public utility may not choose to purchase electricity  
16 from another source after October 1, 2007.

17 (3) Nothing in this section affects a retail customer's rights and obligations with respect to net metering,  
18 use of a neighborhood energy facility, cogeneration, self-generation, or ancillary sales of electricity related to  
19 deviations from scheduled energy deliveries from nonutility suppliers, as may be provided for in law, commission  
20 rule or order, or a tariff approved by the public service commission or the federal energy regulatory commission.

21 (4) (a) Except as provided in 69-5-101, 69-5-102, 69-5-104(2), 69-5-105 through 69-5-112, 69-8-402,  
22 and subsection (4)(b) of this section, a public utility currently doing business in Montana as part of a single  
23 integrated multistate operation, no portion of which lies within the basin of the Columbia River, is exempt from  
24 the requirements of this chapter.

25 (b) To the extent that a public utility described in subsection (4)(a) becomes the successor in interest  
26 of another public utility that has restructured in accordance with this chapter before October 1, 2007, it is subject  
27 to the requirements of this chapter with respect to the service area of the acquired public utility."  
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29 **NEW SECTION. Section 8. Notification to tribal governments.** The secretary of state shall send a  
30 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell

1 Chippewa tribe.

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3 NEW SECTION. Section 9. Codification instruction. [Sections 1 through 6] are intended to be codified  
4 as an integral part of Title 69, chapter 3, and the provisions of Title 69, chapter 3, apply to [sections 1 through 6].

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6 NEW SECTION. Section 10. Saving clause. [This act] does not affect rights and duties that matured,  
7 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

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9 NEW SECTION. Section 11. Severability. If a part of [this act] is invalid, all valid parts that are  
10 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,  
11 the part remains in effect in all valid applications that are severable from the invalid applications.

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13 NEW SECTION. Section 12. Effective date. [This act] is effective on passage and approval.

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