



# The Energy Policy Act of 2005

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# Disclaimer

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- n Opinions expressed are mine and not those of the Commission, Commissioners, or Commission Staff



# Overview

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- n Described as “an energy strategy for the 21<sup>st</sup> century
- n Signed into law on August 8, 2005
- n 1724 pages
- n 17 separate titles



# Overview (continued)

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- n Energy Efficiency
- n Renewable Energy
- n Oil & Gas
- n Coal
- n Indian Energy
- n Nuclear Matters
- n Vehicles & Fuels
- n Hydrogen
- n Research & Development
- n DOE Management
- n Electricity
- n Personnel & Training
- n Energy Policy Tax Incentives
- n Miscellaneous
- n Ethanol & Motor Fuels
- n Climate Change
- n Incentives for Innovative Technologies



# Overview (continued)

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## n General Themes

- n Long-term solutions
- n Provide incentives for market-based response
- n Eliminate statutory barriers to investment
- n Increase federal authority



# Title II

## Renewable Energy

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- n Annual renewable energy report
- n Nonbinding federal purchase goal increasing to 7.5% in 2013
- n Changes to geothermal leasing provisions
- n No renewable portfolio standard
- n Some addition provisions in Title IX – Research & Development



# Title III

## Oil & Gas

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- n Subtitle A – Petroleum Reserve & Home Heating Oil
  - n Fill the Strategic Petroleum Reserve to the 1,000,000,000-barrel capacity
  - n Select sites to enable the fill
- n Subtitle B – Natural Gas
  - n Expand the scope of the NGA
  - n FERC sole authority for siting of LNG terminals
  - n Increased penalties for violating NGA
  - n Prohibit market manipulation
  - n Increase price transparency
- n Subtitle C – Production
  - n Exclude injection for storage from Safe Drinking Water Act
- n Subtitle E – Production Incentives
  - n Up to 11 demonstration projects to inject carbon dioxide to enhance recovery of oil or natural gas (1 in Cook Inlet, remainder in Williston Basin)
- n Subtitle F – Access to Federal Lands
  - n Accelerate the permitting process
  - n Establish corridors across federal lands for pipelines and transmission and distribution facilities in western states by August 8, 2008
  - n Promote development of oil shale, tar sands and unconventional fuels
- n Subtitle H – Refinery Revitalization
  - n Authorizes state/federal refinery permitting cooperative agreements



# Title IV Coal

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- n Subtitle A – Clean Coal Power Initiative
  - n \$200,000,000 annually for fiscal 2006 – 2014
  - n At least 70% for gasification projects
  - n Up to 30% for other projects





# Title IV

## Coal (continued)

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- n Subtitle B – Clean Power Projects

- n IGCC/Renewable

- n Loan guarantees
    - n Upper midwest

- n Western IGCC Demonstration

- n Cost sharing
    - n Western state over 4000'

- n Coal Gasification

- n Loan guarantees
  - n IGCC
  - n 400 MW
  - n Deregulated market

- n Coal to Liquid

- n Evaluate viability
  - n Illinois Basin coal
  - n Cost sharing -- \$85,000,000



# Title IV

## Coal (continued)

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- n Subchapter C – Clean Air Coal Program
  - n Financial assistance to facilitate generation of coal-based power
    - n Includes cost-sharing, grants, loans & cooperative agreements
    - n \$250,000,000 (FY07), \$350,000,000 (FY08), \$400,000,000 (FY09-12), \$300,000,000 (FY13)
  - n Air Quality Enhancement Program



# Title XII – Subtitle B

## Transmission Infrastructure Modernization

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- n Siting of Interstate Electric Transmission Facilities
  - n Designation of national interest electric corridors
  - n Construction permits
- n Support for advanced transmission technology and advanced power system technology



# Title XII – Subtitle C

## Transmission Operation Improvements

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- n Emphasis on open access
- n Federal utility participation in transmission organizations
- n Study benefits of economic dispatch
- n Protection of transmission contracts in Pacific NorthWest



# Title XII – Subtitle E

## Amendments to PURPA

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- n Added Net Metering, Fuel Sources and Fossil Fuel Generation Efficiency as federal standards
  - n PSC and each unregulated utility required to consider and make a determination whether or not to implement such standards
  - n NWE currently subject to net metering requirement; MDU and unregulated co-operatives are not
  - n Fuel Sources and Fossil Fuel Generation Efficiency may be covered by IRP and DSP rules



# Title XII – Subtitle E

## Amendments to PURPA (cont)

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- n Added Smart Metering as Federal Standard
  - n Smart metering means time-based metering and communication
    - n Includes
      - n Time-of-use pricing
      - n Critical peak pricing
      - n Real-time pricing
      - n Peak load reduction credits
  - n PSC and each unregulated utility required to consider and make a determination whether or not to implement such standards



# Title XII – Subtitle E

## Amendments to PURPA (cont)

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- n Added Interconnection as Federal Standard
  - n PSC and each unregulated utility required to consider and make a determination whether or not to implement such standards



# Title XII – Subtitle E

## Amendments to PURPA (cont)

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- n Amended Cogeneration and Small Power Production Purchase and Sale Requirements
  - n Utility was required to purchase at avoided cost rate
  - n No longer required IF FERC finds access to:
    - n Independently administered auction-based market for sale of electric energy and to markets for capacity and long-term sales;
    - n Regional transmission entity and meaningful competitive wholesale markets; or
    - n Comparable wholesale markets comparable
  - n FERC review triggered by utility application





# Title XII – Subtitle E

## Amendments to PURPA(cont)

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- n Amended Cogeneration and Small Power Production Purchase and Sale Requirements (cont)
- n Montana Mini-PURPA -- §§ 69-3-601 – 604 (*repealed on a contingency – contingency has not occurred*)



# Title XII – Subtitle F

## Repeal of PUHCA

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- n PUHCA, 1935 act responding to abuses of Insull cartel, repealed
  - n PUHCA restricted certain investment in public utilities
- n FERC given access to holding company books and records including those of affiliates related to transactions with or costs of utility
- n State commissions given access as necessary
- n FERC granted authority over merger activity (Subtitle G -- § 1289)
  - n Public interest standard
  - n No cross-subsidization unless in public interest



# Title XII – Subtitle F

## Repeal of PUHCA (cont)

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- n Relevant FERC Rulemaking Proceedings
  - n RM05-32 (implementing Subtitle F)
    - n Comments due October 14, 2005
    - n Reply comments due October 21, 2005
  - n RM05-34 (implementing merger reform provisions of Subtitle G)
    - n Comments due November 7



# Questions

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