

Guest Opinion

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Environmental and Customer Concerns Both Must be Addressed in Climate Change Legislation

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The United States House has passed and the Senate is now considering an extensive piece of legislation intended to address significant concerns about climate change. Our representatives in Congress are working conscientiously on an important and challenging subject, attempting to achieve the right balance of outcomes for the climate, for energy customers, and for our region.

On June 26, the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009 (ACES), which is intended to reduce greenhouse gas emissions. On August 4th, Senator Baucus chaired an important Finance Committee hearing on a key aspect of the bill, challenging witnesses to help identify a “just” (quoting Aristotle) way to allocate the “allowances” that are generally considered an important part of any system to “cap” carbon emissions and create a market mechanism to help achieve carbon reductions. As the fall progresses, the Senate will consider the 1,400-page House-passed bill as well as other energy bills. Meanwhile, we at NorthWestern Energy are working to determine how ACES might affect our communities and our customers. We are offering proposals that will reduce the effect on electricity and natural gas customers in our region, within the legislation’s general framework.

At NorthWestern Energy, we take our responsibilities to the environment and to our customers very seriously.

- We currently obtain over 8 percent of our electricity in Montana from renewables and are actively pursuing new opportunities to bring renewables onto our system.
- We are expanding our energy efficiency programs in Montana, and are working with others to put in place policies to encourage further development of energy efficiency.
- Our transmission plans are designed to allow wind development that will help reduce the entire region’s dependence on fossil fuels.
- We participate in regional efforts to promote efficiency, and to pilot “smart grid” projects.

In any climate change legislation, we suggest several provisions that we believe will help protect our customers from significant increases in their cost of electricity and natural gas beyond what would otherwise be appropriate while encouraging environmentally appropriate energy production and development. These suggestions include:

- The benefit of “allowances” under the “cap and trade” provisions of ACES should go to customers. For utilities, this should generally be under the supervision of the state Public Service Commission.
- The local utility or distribution company should not receive fewer “allowances” than its emissions of greenhouse gases. Under the bill as it is today, NorthWestern Energy would receive approximately 40 percent fewer allowances than greenhouse gas emissions for its utility customers. Having fewer allowances means NorthWestern would have to purchase allowances in a market that will have many participants, similar to a

commodity market, and those traders will set the price. Electricity and natural gas customers will pay the cost of these allowances.

- NorthWestern also believes the legislation should phase out the allowances over a period of time that does not cause sharply increased costs to customers. As it now stands, allowances would phase out by 2030, but the cap for emissions would continue to ratchet down until 2050. NorthWestern would like to see the cap and allowances phased out over a similar timeline.
- To the extent there is uncommitted capacity for development of a new transmission line built in support of renewable energy development, we support allowing a governmental entity like the Western Area Power Administration (WAPA) to purchase such capacity, hold it for a number of years and then sell it when the renewable resources are built and need transmission rights to move their energy to load.
- NorthWestern Energy believes legislation should support the development of all environmentally appropriate technologies, such as renewable biomass as an energy resource. The ACES bill, as it passed out of the House, discourages renewable biomass development by restricting the harvesting of beetle-killed trees from federal lands. The company supports the harvesting of beetle-killed trees from federal lands for use as a renewable biomass resource and to reduce the fuel for potentially devastating forest fires, which could have immediate environmental consequences.

We encourage you to do your own research so you can make informed and balanced assessments concerning utility service, customer impacts, and environmental consequences. We have published additional information reflecting the multiple perspectives on this complicated and important subject on our Web site, www.northwesternenergy.com.

Reliable utility service, reasonably priced energy, and a clean environment need not be in conflict. By working together constructively, and based on good analysis, we can address all three. It is this same spirit of teamwork that will also allow us to continue providing the high degree of reliable energy services and customer care that is NorthWestern Energy.

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