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Energy and Telecommunications Interim Committee

63rd Montana Legislature

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October 7, 2013

Energy and Telecommunications Interim Committee members,

Attached is the public comment received-to-date concerning qualifying facility rulemaking initiated by the Public Service Commission and related information. The comments attached have been received following the September meeting in Harlowton.

Additional comments received before the October 21 conference call will be provided to the committee.

If you have questions, let me know.

Sonja Nowakowski

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From: Fitzpatrick, John <John.Fitzpatrick@northwestern.com>
Sent: Friday, October 04, 2013 10:56 AM
To: 'Alan Olson'; 'kregier@centurytel.net'; 'Mike Lang'; Senator Edward Buttrey; 'cliff@larsenusa.com'; 'Robyn Driscoll'; 'Mary McNally'; 'mtsteenbergb@bresnan.net'; Nowakowski, Sonja
Subject: QF's: A New Development

Members of the ETIC Committee:

At the last Committee meeting in Harlowton, the Committee heard a panel of witnesses describing the economic development aspects of renewable energy including the construction of QF projects. That argument was substantially weakened in the past several days. Recently, Northwestern Energy received a request for a 10 mw QF contract from GRAND VIEW SOLAR FIVE, LLC, an Idaho QF that wishes to construct its solar project in Elmore County, Idaho, in the general Mountain Home-Boise area. If this contract is signed all of the construction and operating jobs and income will accrue to Idaho as will all of the taxes and other benefits associated with its development. In contrast, Montana utility ratepayers will receive the opportunity to fund, at very high cost, yet another intermittent and unreliable electricity resource. When you look at the QF-Tariff for non-wind generation, it's quite easy to see why an Idaho QF would want to ship power to Montana.

Current Montana QF-1 Tariff

Current Mid-C Market Price of Power

\$92.73 /MW (On Peak)

\$20.89/MW (On Peak)

\$53.14/MW (Off Peak)

\$19.37/MW (Off Peak)

I went back and looked at the Mid-C Price index starting in January of 2002 and discovered that there has been only one month in the past 141 months when the market price of electricity exceeded \$90.00/MW (December 2005). That is significant because when Northwestern is forced to sign a QF contract, the contract is for 20 years.

John Fitzpatrick