Nowakowski, Sonja

From: wwranch@3rivers.net
Sent: Monday, July 28, 2014 4:07 PM
To: Nowakowski, Sonja
Subject: CCE wants to insure strong language in ETIC that recognizes human contributions to climate pollution

Sonja, on behalf of Citizens for Clean Energy, we urge strong and un-ambiguous language in the ETIC report that clearly recognizes climate pollution stems from the human contributions, particularly since the industrial revolution and fossil fuel development and utilization.

CCE also takes issues with the assessment that ratepayers have been harmed, and we contend if our state government acts wisely, we can EXPAND renewables and spread out the costs.

Sincerely,

Lt. Col (R) Richard Liebert
Chair, Citizens for Clean Energy

http://www.leg.mt.gov/css/Committees/Interim/2013-2014/Energy-and-Telecommunications/Public-Comment/public-comment.asp

WINData, LLC
WIND ENERGY ENGINEERING SINCE 1991
1943 US Highway 408, Fairfield, MT 59436, (406) 590-5700

August 31, 2014

Senator Cliff Larsen
Chair, Energy & Telecommunications Interim Committee
State Capitol
PO Box 201704
Helena, MT 59620-1704

Dear Chairman Larsen:

At the Energy & Telecommunications Committee (ETIC) meeting on July 18, 2014 your committee requested that the Public Service Commission (PSC) consider ways to improve the Community Renewable Energy Project (CREP) requirements of Montana's Renewable Portfolio Standard (RPS). The PSC met in a public work session on August 19, 2014 to consider various proposals to improve the CREP requirement but was unable to agree upon any of the ideas put forward by various Commissioners. Unfortunately, none of the Commissioners mentioned what I believe to be the most commonsense reform to the CREP requirement as administered by the PSC, which is why I am writing you today.

I have been developing wind projects in Montana since 1993 and since 2010, my company WINData has been involved in the development of several CREP wind projects. In 2013, both our Greenfield Wind and Crazy Mountain Wind projects were shortlisted in the CREP RFP, following which and the Crazy Mountain wind project, was selected by NorthWestern Energy (NorthWestern) as a 25MW CREP eligible wind farm. As a condition of the power purchase agreement (PPA) signed between Crazy Mountain Wind, LLC and NorthWestern, Crazy Mountain needed to obtain a declaratory ruling within 30 days from the PSC that Crazy Mountain wind was CREP eligible.

Like most utility scale wind projects Crazy Mountain, proposed to take advantage of the federally available production tax credit (PTC) for wind energy, which in effect helps to reduce the purchase price of energy from wind farms benefiting Montana consumers. In order to be of value, the 2.3 cents per kilowatt-hour PTCs must be utilized by an entity profitable enough to have a tax liability greater than the value of PTCs produced by the wind farm. Given the large amounts of energy modern utility scale wind farms produce, this usually means involving large Wall Street financial entities with large tax liabilities and the ability to monetize the credits.

The financial structure proposed by Crazy Mountain project would have ensured that the majority of the voting interests, equity interests, and income interests flowed to Montana residents and Montana local controlled businesses when ownership requirements are assessed over the life of the 25-year PPA, as required by the "local owner" definition governing the CREP law.

According to our proposed financing structure, in years 1 through 10 of the PPA, a large (out-of- state) tax equity investor in Crazy Mountain would have had transactional rights and step in rights and retain the majority of the project's equity and income. In year 11, the majority of the right to equity and income would have reverted to the Sponsor entity controlled by Montana local owners through the end of the 25-year PPA. So, when ownership is assessed over the life of the project, the entity controlled by local owners would have owned the majority of the voting, equity and income interests of the Crazy Mountain wind project.

This flip structure is industry standard for financing wind projects and is commonly understood as one of the primary mechanisms to finance and construct a "community" renewable energy project. *See http://www.oregon.gov/energy/RENEW/Wind/docs/CommunityWindReportLBLforETO.pdf (describing different forms of this "community" ownership model and its use in other states at pages 75-82); http://emp.lbl.gov/sites/all/files/lbnl-4193e.pdf (noting on pages 3-4 that most community wind projects in the United States have been built with this "flip" structure)*.

Unfortunately, instead of finding that the Crazy Mountain wind project was CREP eligible the Commission found (3-2 vote) on February 25th, 2014, that "under Section 69-3-2003 of the Montana Code Annotated, an eligible renewable resource does not qualify as a CREP unless '"local owners have a controlling interest'" at the time of its interconnection and at any point thereafter." This finding added an additional significant financing hurdle to an already difficult, but appropriate, requirement of 50% local ownership for all CREP projects. The finding also effectively canceled the Crazy Mountain wind project's PPA with NorthWestern as the local entities involved in the project could not put together a new financing structure capable of meeting the PSC's definition of local owner within 30-days of signing the PPA as required by our contract.

In making its finding, it is my belief the PSC misinterpreted the intention of the Legislature's when it created the 50% local ownership requirement for CREP projects. In creating the local ownership requirement for CREP projects I believe the Legislature was interested in taking the long view on energy development in the state and seeking to ensure that a majority of the benefits from CREP development accrue to residents of Montana and Montana businesses and entities.

Regardless of whether I, or the PSC, have correctly interpreted the Legislature's intention when it comes to the local ownership requirement for CREP projects, had the PSC ruled the other way and declared the Crazy Mountain wind project a CREP eligible resource I am certain we would have obtained financing and constructed the project. If the Legislature is seeking ideas to make the CREP requirement more workable in the future, I suggest revising the local ownership definition to make clear that a project controlled by Montana interests over the duration of a long-term PPA is CREP eligible.

I would also suggest that the legislature consider permitting CREP projects to make use of standard wind project financing structures including the “flip” structure described above and the “inverted lease” structure and that these be considered CREP eligible structures for local owner financing. The inverted lease structure was proposed and discussed by WINData, NorthWestern and PSC staff members in May 2014 for our proposed 25MW Greenfield Wind CREP project in Teton County. It was uncertain that this financing structure would be approved by the PSC and so the Greenfield Wind CREP project PPA was not signed.

The Legislature was right to include a CREP requirement as part of Montana’s RPS to ensure Montana developers and interests could participate in Montana’s renewable energy development. Montana’s CREP requirement has been an effective and successful policy with over 75MW certified as CREP eligible by the PSC. I encourage the Legislature’s interest in keeping Montana’s CREP requirement and making it work better.

Sincerely,

Martin Wilde
CEO and Principal Engineer

Nowakowski, Sonja

From: Stuart Sites <smalljobs@wispwest.net>
Sent: Saturday, August 30, 2014 8:50 PM
To: Nowakowski, Sonja
Cc: beckie@mtco-ops.com; gary@mtco-ops.com
Subject: RPS

Sonja;

We support the RPS program because iy allows CoOp members to purchase electrical energy at an affordable rate. Most CoOp members are in a rural setting and can not afford higher rates.

Thank you,
Stu & Martha Sites
Park Electric CoOp
Livingston MT

September 3, 2014

Energy and Telecom Interim Committee
c/o Ms. Sonja Nowakowski, Research Analyst
Legislative Services Division
PO Box 201706
Helena, MT 59620-1706

Dear Members of ETIC:

On behalf of NorthWestern Energy, I have reviewed the content of ETIC's proposed bill to require electric utilities to prepare a biennial cost-benefit analysis of the Renewable Portfolio Standard and offer the following comments:

1. The utility has no objection to filing periodic reports with the Legislature on matters of important state policy such as the costs and benefits of the Renewable Portfolio Standard.

2. As written, the proposed bill will grossly underestimate the customer cost of complying with the RPS. The standard for measuring cost should be total customer cost, not wholesale or retail rates. Wind energy in particular has very high indirect customer costs for wind integration services, imbalance charges, and other fees. Those indirect costs can add 30%-50% to the invoiced cost of energy produced by an independent generator and must be accounted for in any valid cost-benefit analysis.

3. The proposed bill requires an estimation of avoided air pollutant emissions, in-state economic impacts, or other benefits of the Renewable Portfolio Standard. NorthWestern is in a poor position to estimate these benefits and any estimates submitted by NorthWestern to the Legislature would be subject to second-guessing by other parties.

4. The proposed bill looks backward at what the cost and benefits were during the preceding biennium. The RPS is law. The contracts and investments made by NorthWestern and MDU are a matter of fact. At this point, even if the cost-benefit analysis were to show that the RPS was having a harmful effect on utility customers, little can be done to undo what was done to comply with state law.

Cost-benefit analyses are more beneficial on a prospective rather than retrospective basis. The issue before the Legislature is, what are the costs and benefits of complying with the RPS in the future and, in particular, what are the costs and benefits of adding another increment of renewable power to that already required by law.

NorthWestern has repeatedly testified that this company's capacity to add additional wind generation on its system will require installing another generating unit at the Dave Gates Generating Station near Anaconda. That's a costly investment paid for by electricity consumers, but must be done to support additional wind generation on the company's system.

Very truly yours,

John S. Fitzpatrick
Executive Director
Governmental Affairs