



January 10, 2013

Ms. Kate Whitney  
Administrator  
Montana Public Service Commission  
1701 Prospect Avenue  
PO Box 202601  
Helena, MT 59620-2601

**Re: Tariff Letter No. 235-E**

Dear Ms. Whitney:

Enclosed for filing are three copies of NorthWestern Energy's (NorthWestern) Electric Utility revised Qualifying Facility (QF) QF-1 Tariff, Wind Integration (WI) WI-1 Tariff and Contingency Reserves (CR) CR-1 Tariff approved in Docket No. D2012.1.3, Final Order No. 7199d.

These tariffs are effective for service on and after January 10, 2013. Below are the Electric tariff sheets being filed for the Commission approval.

<u>NWE Sheet Number</u>	<u>Title of Sheet</u>	<u>Canceling NWE Sheet Number</u>
169 <sup>th</sup> Revised 1.1	Table of Contents	168 <sup>th</sup> Revised 1.1
120 <sup>th</sup> Revised 1.2	Table of Contents	119 <sup>th</sup> Revised 1.2
5 <sup>th</sup> Revised 74.1 & 74.2	Qualifying Facility Power Purchase	4 <sup>th</sup> Revised 74.1 & 74.2
2 <sup>nd</sup> Revised 74.6	Qualifying Facility Power Purchase	1 <sup>st</sup> Revised 74.6
1 <sup>st</sup> Revised 80.1 & 80.2	Wind Integration	Original 80.1 & 80.2
1 <sup>st</sup> Revised 85.1 & 85.2	Contingency Reserves	Original 85.1 & 85.2

The sheets that are three-hole punched are for retention in the Commission's files; and the other, unpunched sheets should be returned to NorthWestern after they have been certified and signed. Because NorthWestern's copies are used for publication and distribution purposes please do not stamp or mark the face of these copies, other than with the Commission Seal and signature.

If there are any questions, please call me at (406) 497-3362.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Schwarzenberger", with a long horizontal flourish extending to the right.

Joe Schwarzenberger  
Director of Regulatory Affairs

Enclosures

# ELECTRIC TARIFF



	169 <sup>th</sup>	Revised	Sheet No.	1.1
Canceling	168 <sup>th</sup>	Revised	Sheet No.	1.1

## TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates, rules and regulations affecting rates, service and information relating thereto in effect on and after the date indicated thereon.

<u>Title of Sheet</u>	<u>MPSC Sheet No.</u>
Title Page	Original 0.1
Table of Contents	169 <sup>th</sup> Revised 1.1; 120 <sup>th</sup> Revised 1.2; and 13 <sup>th</sup> Revised 1.3
 <u>PRELIMINARY STATEMENT</u>	
PART A – Recovery Mechanism Local Government Fees	Original 2.1
PART B – Electric Cost and Deferred Accounting Provision	1 <sup>st</sup> Revised 2.2 thru 2.3 and Original 2.4
PART C - State and Local Taxes and Fees Cost Recovery, Tracking and Deferred Accounting Mechanism	Original 2.5 thru 2.7

## RATE SCHEDULES

<u>Schedule No.</u>	<u>Title of Sheet</u>	<u>MPSC Sheet No</u>
EBS-1	Electric Billing Service	Original 6.1
REDS-1	Residential Electric Delivery Service	35 <sup>th</sup> Revised 10.1; 6 <sup>th</sup> Revised 10.2; 4 <sup>th</sup> Revised 10.3
RSGTOUD-1	Residential Smart Grid Time-of-Use Demonstration	Original 11.1 and 11.2
GSEDS-1	General Service Electric Delivery Service	21 <sup>st</sup> Revised 20.1; 34 <sup>th</sup> Revised 20.2; 1 <sup>st</sup> Revised 20.3, Original 20.4
GSEDS-2	General Service Substation/Transmission Electric Delivery Service	21 <sup>st</sup> Revised 21.1; 2 <sup>nd</sup> Revised 21.2, 1 <sup>st</sup> Revised 21.3
ISEDS-1	Irrigation Pumping & Sprinkling Electric Delivery Service	35 <sup>th</sup> Revised 30.1; 2 <sup>nd</sup> Revised 30.2, 1 <sup>st</sup> Revised 30.3
ELDS-1	Electric Lighting Delivery Service	21 <sup>st</sup> Revised 40.1; 31 <sup>st</sup> Revised 40.2; 1 <sup>st</sup> Revised 40.3, 2 <sup>nd</sup> Revised 40.4, 1 <sup>st</sup> Revised 40.5 thru 40.6

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RATE SCHEDULES

<u>Schedule No.</u>	<u>Title of Sheet</u>	<u>MPSC Sheet No.</u>
E-USBC-1	Electric Universal System Benefits Charge	Original 50.1 thru 50.2
ESS-1	Electricity Supply Service	108 <sup>th</sup> Revised 60.1; 22 <sup>nd</sup> Revised 60.2; 1 <sup>st</sup> Revised 60.3 and 60.4
CTC-QF-1	Competitive Transition Charge for Qualifying Facilities	10 <sup>th</sup> Revised 61.1; Original 61.2
CESGTC-1	Competitive Electric Supply General Terms and Conditions	1 <sup>st</sup> Revised 63.1; 2 <sup>nd</sup> Revised 63.2 Original 63.3 and 63.4
ECCGP-1	Electric Customer Choice Guidelines and Procedures	2 <sup>nd</sup> Revised 64.1 thru 64.6
EESS-1	Electric Emergency Supply Service	1 <sup>st</sup> Revised 65.1 and 65.2
EGPS-1	Electric Green Power Service	1 <sup>st</sup> Revised 66.1 and 66.2
QFLT-1	Qualifying Facility/Long-Term Power Purchase	Original 70.1 thru 70.3 7 <sup>th</sup> Revised 70.4
LTQF-1	Long-Term Qualifying Power Purchase Facility	Original 73.1 thru 73.12
QF-1	Qualifying Facility Power Purchase	5 <sup>th</sup> Revised 74.1 thru 74.2 3 <sup>rd</sup> Revised 74.3 Original 74.4 1 <sup>st</sup> Revised 74.5 2 <sup>nd</sup> Revised 74.6
LTPP-1	Cogeneration/SPP – Long-Term Power Purchase	Original 75.1 thru 75.3
WI-1	Wind Integration	1 <sup>st</sup> Revised 80.1 and 80.2
CR-1	Contingency Reserves	1 <sup>st</sup> Revised 85.1 and 85.2

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ELECTRIC TARIFF



	5 <sup>th</sup>	Revised	Sheet No.	74.1
Canceling	4 <sup>th</sup>	Revised	Sheet No.	74.1

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Schedule No. QF-1

QUALIFYING FACILITY POWER PURCHASE

APPLICABILITY: Applicable to any Seller with nameplate capacity of 10 MW or less who enters into a Power Purchase Agreement (Agreement) with the Utility for the sale of electric power to the Utility from a Qualifying Facility (QF) as defined under the Rules of the Commission.

QFs with nameplate capacity greater than 10 MW may also request a short-term Agreement under this Tariff, prior to completion of the next competitive solicitation, whereby purchases between the Utility and a Seller shall be accomplished in accordance with Rate Option 1(b), 2(a) or 2(b) of this Tariff.

The Utility shall purchase electrical energy for a term of not less than one month.

The QF-1 Tariff rates reflect system Interconnection Facilities related costs but do not reflect Network Upgrade costs. Seller must apply for interconnection and enter into the applicable generation interconnection agreement with the Utility addressing those items in addition to entering into an Agreement under the terms of this Tariff.

RATE OPTIONS: Seller may select from the following two rate options and sub-options:

For all Rate Options 1 and 2, refer to Special Terms and Conditions Item 3 Disposition of RECs, Item 4 Wind Integration and Item 5 Contingency Reserves.

For all Rate Options 1, the selected Option 1 Rate will be adjusted by addition of the value of Contingency Reserves for thermal generation, per the current Contingency Reserves Tariff CR-1. Subsequent to this adjustment, QFs must either self-provide or purchase Contingency Reserves as described in Item 5 under Special Terms and Conditions.

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Schedule No. QF-1

QUALIFYING FACILITY POWER PURCHASE

**Option 1(a):** Non-Wind Installations Only: Agreement lengths: 19 months to 25 years – long-term.

RATE:

Energy (\$/kWh):

Off-Peak Hours           \$ 0.04697

On-Peak Hours:           \$ 0.08656

Payments: Rate x kWh metered during each Off-Peak Hours and On-Peak Hours period.

kWh = Metered kilowatt-hours supplied to the Utility for each Off-Peak Hours and On-Peak Hours period.

**Option 1(b):** Agreement lengths: 1 month to 18 months – short-term.

RATE:

Energy (\$/kWh):       \$ 0.03100

Payments:     Hourly Rate x Hourly kWh

kWh = Metered kilowatt hours supplied to the Utility in each hour.

**Option 1(c):** Wind Installations Only: Agreement lengths: 19 months to 25 years – long-term.

RATE:

Off-Peak Hours:       \$ 0.04697

On-Peak Hours:       \$ 0.05233

Payments:     Hourly Rate x Hourly kWh

kWh = Metered kilowatt hours supplied to the Utility in each hour.

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# ELECTRIC TARIFF



	<u>2<sup>nd</sup></u>	Revised	Sheet No.	<u>74.6</u>
Canceling	<u>1<sup>st</sup></u>	Revised	Sheet No.	<u>74.6</u>

Schedule No. QF-1

## QUALIFYING FACILITY POWER PURCHASE

A QF that chooses to contractually retain RECs may still separately attempt to negotiate for the sale of RECs to NWE or other interested parties at any time that an Agreement remains in effect. Any such negotiation occurs separate from the Power Purchase Agreement and does not create a reopener that refreshes the rates in the Agreement.

QFs selecting Option 2 rates need not convey RECs to NWE, but may still separately attempt to negotiate for the sale of RECs to NWE or other interested entities at any time that an Agreement remains in effect.

- 4) Wind Integration: Sellers of Wind Energy selecting Options 1 or 2 must contractually agree to the provision of wind integration services for the term of the Agreement and may either self-supply sufficient within-hour regulating reserves under terms acceptable to NorthWestern or pay the Utility for these services according to the Wind Integration Tariff (WI-1). Payment to the Utility for selection of service through WI-1 will result in a deduction from the total monthly payment made to the QF to reflect the provision of integration services.
- 5) Contingency Reserves: QFs selecting Option 1 or Option 2 must either self-supply contingency reserves, or purchase the needed reserves from NWE under contract at the rate as specified according to the Contingency Reserves Tariff (CR-1). Under either Option 1 or Option 2, if the QF purchases reserves from NWE under contract, the CR-1 rate for the appropriate resource type will be deducted from the total monthly payment made to the QF to reflect the provision of contingency reserves.
- 6) Hourly Metering: Sellers are required to install interval metering capability if necessary to support the Rate Option chosen.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

# ELECTRIC TARIFF



Canceling 1<sup>st</sup> Original Revised Revised

Sheet No. 80.1  
Sheet No. 80.1

Schedule No. WI-1

## WIND INTEGRATION

APPLICABILITY: Applicable to any Wind Generator who enters into an Agreement with the Utility for the sale of electric power to the Utility under Schedule No. QF-1. Utility-provided Wind Integration Services shall be for the full generation output of the Wind Generator purchasing this service.

For QFs who do not choose Self-Supplied Wind Integration Service, an amount equal to the applicable rate, multiplied by the QF's nameplate capacity in kW, will be subtracted from the Agreement total monthly payments that the Utility makes to the QF under the Agreement. The Utility shall have no obligation to provide Wind Integration Service to Wind Generators who select Self-Supplied Wind Integration Service.

### RATE:

Option 1: Zonal Rate: Agreement lengths: 1 month to 18 months - short-term.

1(a) - Zone 1: Applicable to Wind Generators located less than 25 miles from the Judith Gap wind project.

\$1.09/kW/mo

1(b) - Zone 2: Applicable to Wind Generators located equal to or more than 25 miles and equal to or less than 60 miles from the Judith Gap wind project.

\$0.40/kW/mo

1(c) - Zone 3: Applicable to Wind Generators located more than 60 miles from the Judith Gap wind project.

\$0.15/kW/mo

Option 2: Zonal Rate: Agreement Lengths: 19 months to 25 years – long-term.

2(a) - Zone 1: Applicable to Wind Generators located less than 25 miles from the Judith Gap wind project.

\$1.58/kW/mo

2(b) - Zone 2: Applicable to Wind Generators located equal to or more than 25 miles and equal to or less than 60 miles from the Judith Gap wind project.

\$0.58/kW/mo

2(c) - Zone 3: Applicable to Wind Generators located more than 60 miles from the Judith Gap wind project.

\$0.21/kW/mo

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# ELECTRIC TARIFF



Canceling	<u>1<sup>st</sup></u>	Revised	Sheet No.	<u>80.2</u>
	<u>Original</u>	Revised	Sheet No.	<u>80.2</u>

Schedule No. WI-1

## WIND INTEGRATION

### SPECIAL TERMS AND CONDITIONS:

#### 1) Definitions:

- A. "Agreement" means the Power Purchase Agreement between Seller and the Utility for a term of not less than one month.
- B. "Commission" means the Montana Public Service Commission.
- C. "Regulating Reserves" is spinning reserve immediately responsive to Automatic Generation Control (AGC) to provide sufficient regulating margin to allow the Balancing Authority to meet North American Electric Reliability Council (NERC) Control Performance Criteria (BAL-001).
- D. "Self Supplied" means a Wind Generator that self-provides Wind Integration Services or contracts for Wind Integration Services from a third party.
- E. "Utility" means NorthWestern Energy or NWE.
- F. "Wind Generator," for purposes of this schedule, is any individual, partnership, corporation, association, government agency, political subdivision, municipality or other entity that:
  - 1. Operates a QF Wind facility;
  - 2. Has entered into agreements with the Utility stipulating the terms and conditions of both the interconnection and sale of electric power to the Utility;
- G. "Wind Integration Services" means those services necessary to integrate wind generation into the Utility's electric transmission and/or distribution system(s) in a manner such that all operational and reliability criteria are met. Wind Integration Services include, but are not limited to, Regulating Reserves, imbalance service, and scheduling.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

# ELECTRIC TARIFF



Canceling	<u>1<sup>st</sup></u>	Revised	Sheet No.	<u>85.1</u>
	<u>Original</u>	Revised	Sheet No.	<u>85.1</u>

Schedule No. CR-1

## CONTINGENCY RESERVES

APPLICABILITY: Applicable to any Qualifying Facility (QF) with nameplate capacity of 10 MW or less who enters into a Power Purchase Agreement (Agreement) with the Utility for the sale of electric power to the Utility from a QF as defined under the Rules of the Commission, or to QFs with a nameplate capacity greater than 10MW that are paid according to the QF-1 Tariff under the short-term purchase options.

The Utility shall offer contingency reserve services to a Seller for the full generation output of the QF. Sellers choosing Rate Option 1 or 2(a) will receive a positive rate adjustment (\$0.707/MWh) equal to the value of Contingency Reserves for a thermal resource type that is the basis of the Contingency Reserve rate included in this tariff.

Subsequent to this adjustment, QFs must either purchase Contingency Reserves pursuant to this tariff or self provide Contingency Reserves. Self provided Contingency Reserves must be approved by NorthWestern.

For Sellers who choose a market-based QF-1 rate Option 2(b), the cost of Contingency Reserves is already included in the rate. Such sellers will not receive the rate adjustment but will be required to purchase Contingency Reserves or to self provide them pursuant to this tariff.

### RATE:

The rate for the 2012 Calendar Year and until subsequently updated is:

\$10.10/MWh

An amount equal to the above rate, multiplied by the reserve requirement as specified in the table below for specific resource types, will be subtracted from the Agreement total monthly payment that NWE makes to the QF should the QF opt to purchase Contingency Reserves from NWE.

#### Reserve Requirement:

Hydroelectric Resources: 5% of expected hourly generation (\$0.505/MWh)

Wind and Solar Resources: 5% of expected hourly generation (\$0.505/MWh)

Thermal Resources: 7% of expected hourly generation (\$0.707/MWh)

These requirements are based upon applicable Western Electric Coordinating Council (WECC) and Northwest Power Pool (NWPP) guidelines and therefore are subject to change in the future and such changes shall be applicable at that time.

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Schedule No. CR-1

CONTINGENCY RESERVES

SPECIAL TERMS AND CONDITIONS:

1) Definitions:

- A. "Agreement" means the Power Purchase Agreement between Seller and the Utility for a term of not less than one month.
- B. "Calendar Year" means a twelve-month period beginning on January 1 of any year.
- C. "Commission" means the Montana Public Service Commission.
- D. "Contingency Reserves" are an amount of spinning and non-spinning reserves (at least half must be spinning reserve) sufficient to meet the North American Electric Reliability Council (NERC) Disturbance Control Standard BAL-002 consistent with Western Electric Coordinating Council and Northwest Power Pool requirements.
- E. "Expected Hourly Generation" means the next hour forecast for the QF as prepared by NWE.
- F. "Seller," for purposes of this schedule, is any individual, partnership, corporation, association, government agency, political subdivision, municipality or other entity that:
  - 1. Operates a QF; and
  - 2. Has entered into an agreement with the Utility stipulating the terms and conditions of both the interconnection and sale of electric power to the Utility.
- G. "Utility" means NorthWestern Energy or NWE.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

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