



June 26, 2014

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

RE: Docket No. D2013.12.85  
PPLM Hydro Assets Purchase  
PSC Set 14 Data Requests (305-354)  
**Updated Response to PSC-336b**

Dear Ms. Whitney:

Enclosed for filing is a copy of NorthWestern Energy's updated response to PSC-336b in PSC Set 14 Data Requests (305-354). A hard copy will be mailed to the most recent service list in this Docket this date. The Montana Public Service Commission and the Montana Consumer Counsel will be served by hand delivery this date. This updated response will also be e-filed on the PSC website and emailed to counsel of record.

Should you have questions please contact Joe Schwartzberger at 406 497-3362.

Sincerely,

Nedra Chase  
Administrative Assistant  
Regulatory Affairs

NC/nc  
CC: Service List

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of NorthWestern Energy's updated response to PSC-336b in PSC Set 14 Data Requests (305-354) in Docket D2013.12.85, the PPLM Hydro Assets Purchase, has been hand delivered to the Montana Public Service Commission and to the Montana Consumer Counsel this date. This updated response will be e-filed on the PSC website and served on the most recent service list by mailing a copy thereof by first class mail, postage prepaid and will also be emailed to counsel of record.

Date: June 26, 2014



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Nedra Chase  
Administrative Assistant  
Regulatory Affairs

**Docket No D2013.12.85  
Hydro Assets Purchase  
Service List**

Joe Schwartzberger  
NorthWestern Energy  
40 E Broadway  
Butte MT 59701

Patrick R Corcoran  
NorthWestern Energy  
40 E Broadway  
Butte MT 59701

Nedra Chase  
NorthWestern Energy  
40 E Broadway  
Butte MT 59701

Al Brogan  
NorthWestern Energy  
208 N Montana Ave Suite 205  
Helena MT 59601

Sarah Norcott  
NorthWestern Energy  
208 N Montana Ave Suite 205  
Helena MT 59601

Kate Whitney  
Montana Public Service Commission  
1701 Prospect Ave Box 202601  
Helena MT 59620-2601

Robert A Nelson  
Montana Consumer Counsel  
111 North Last Chance Gulch Ste1B  
Helena MT 59620-1703

John W Wilson  
J W Wilson & Associates  
1601 N Kent Ste 1104  
Arlington VA 22209

Albert E Clark  
2871 Conway Rd. 127  
Orlando FL 32812

Michael J Uda  
Uda Law Firm, P C  
7W 6<sup>th</sup> Ave Suite 4E  
Helena MT 59601

Roger Kirk/Ben Singer  
Hydrodynamics Inc  
825 W Rocky Creek Rd  
Bozeman MT 59715-8693

Joe Hovenkotter Gen Counsel  
Energy Keepers Inc  
110 Main Street Suite 304  
Polson MT 59860

Ranald McDonald  
CSKT Tribal Legal Dept  
P O Box 278  
Pablo MT 59855

Thorvald Nelson  
Holland & Hart LLP  
6380 South Fiddlers Green Circle  
Suite 500  
Greenwood Village CO 80111

Nikolas Stoffel  
Holland & Hart LLP  
6380 South Fiddlers Green Circle  
Suite 500  
Greenwood Village CO 80111

Charles Magraw  
501 8<sup>th</sup> Ave  
Helena MT 59601

Dr Thomas Power  
920 Evans  
Missoula MT 59801

Fred Szufnarowski  
Essex Partnership, LLC  
65 Main St. Suite 22  
Ivoryton, CT 06442

Monica Tranel  
Montana Consumer Counsel  
111 North Last Chance Gulch  
Suite 1B  
Helena MT 59620-1703

**NorthWestern Energy  
Docket D2013.12.85  
PPLM Hydro Assets Purchase**

**Public Service Commission (PSC)  
Set 14 (305-354)**

Data Requests served May 23, 2014

PSC-336

Regarding: California Carbon Prices  
Witness: Dorris

- a. Does California's cap-and-trade system impose price increases on wholesale electric markets outside of California, or does it decrease prices on such markets (because more resources are priced out of California market), or is it neutral on prices in such markets? Please explain.
- b. What is the prevailing \$/ton price for carbon in California?

RESPONSE:

- a. California's cap and trade system ("AB 32") has varied effects on neighboring markets. At the most basic level, AB 32 increases demand and price for certified, low-emissions resources that can be imported into California. The opposite is true for high-emissions resources or resources lacking certification of their emissions factor. The overall impact on prices in neighboring markets depends on the balance of resources in each market and many other factors and is very difficult to quantitatively measure.

Importantly, AB 32 will soon be superseded by new federal regulations, and thus the impact of California's regulations on the price of low- versus high-emissions resources will be replicated, to some extent, in all regional markets. Namely, the value of low-emissions resources will grow relative to the value of high-emissions resources.

- b. As of May 30, 2014 the price of 2014 vintage permits was \$11.90/tonne<sup>1</sup> equivalent to \$13.09 per ton. As noted in my testimony, this price must rise at an annual rate of at least 5% over inflation, per California law. Thus, the 2025 California floor price for carbon is \$23.16/ton.

UPDATED RESPONSE (June 26, 2014):

- b. The price of 2014 vintage permits as of May 30, 2014 was equivalent to \$10.80 per ton, not \$13.09 per ton.

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<sup>1</sup> [www.californiacarbon.info](http://www.californiacarbon.info)