

Michael J. Uda
Uda Law Firm, P.C.
7 West Sixth Avenue
Power Block West, Suite 4H
Helena, MT 59601
Telephone: (406) 457-5311
Email: michaeluda@udalawfirm.com

Attorney for Petitioner Greycliff Wind Prime, LLC

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

| | |
|---|---|
| IN THE MATTER of the Petition of Greycliff Wind Prime, LLC To Set Terms and Conditions for Qualifying Small Power Production Facility Pursuant to M.C.A. § 69-3-603 | Cause No. D2015.8.64 GREYCLIFF WIND PRIME, LLC'S RESPONSE TO DATA REQUESTS FROM PUBLIC SERVICE COMMISSION |
|---|---|

PSC-001

Regarding: Greycliff Avoided Costs

Witness: Walker

On page 4 you explain that Greycliff's proposed contract rate is \$50.35, excluding regulation costs.

- a. Do you agree that, excluding wind integration, Greycliff's 25-year levelized CREP RFP bid were \$42.77 in 2012, and \$49.02 in 2014? Why or why not?

RESPONSE:

Greycliff agrees subject to the caveat that these levelized rates were based on discount rates utilized by NorthWestern Energy ("NWE") that produced these levelized rates. As Greycliff recalls, NWE utilized a 7.14 percent discount rates. Depending on the discount rate applied over the 25 year term of a PPA, the rate could be higher or lower. Greycliff did not scrutinize the appropriateness of the discount rate selected by NWE because the overall rate would have permitted Greycliff to proceed to financing and

constructing its project. However, the use of discount rates is somewhat subjective, and the higher or lower the discount rate would affect the overall levelized rate over the contract term. Greycliff also believes that avoided cost methodologies in Montana are not typically resource specific. In other words, the Montana Public Service Commission (“Commission”) has expressed a preference after an initial experiment with an avoided cost rate based solely on the use of a wind resource as a surrogate avoided resource, instead has directed to utilize all resources as the basis for calculating NWE’s avoided costs. The CREP bidding process is therefore not an appropriate surrogate for an avoided cost calculation, and we presume based on the Commission’s prior actions the Commission would agree.

b. Do you agree that Greycliff’s CREP bids, if viable, establishes a ceiling estimate for NWE’s July 2, 2015 avoided costs for Greycliff at those times? Why or why not?

RESPONSE:

Greycliff does not know what NWE’s avoided costs were on July 2, 2015. NWE has access to the data and information to determine its avoided costs. Greycliff does not have access to that information. Greycliff priced its project in those CREP proposals such that it was the lowest price that Greycliff believed would make the Greycliff project economically viable and Greycliff is not in a position to speak to NWE’s actual avoided costs on July 2, 2015. We know the two Greycliff CREP bids were competitively priced and had the Commission accepted those proposals the projects would have been financed and built.

c. Do you agree that Greycliff’s PPA price of \$50.35, if viable, establishes a ceiling estimate for NWE’s July 2, 2015 avoided cost for Greycliff? Why or why not?

RESPONSE:

Greycliff does not know the range of potential avoided costs for NWE as of July 2, 2015. As noted above, without instituting this petition Greycliff would have no access to the information to determine NWE’s avoided cost range. As explained in the prefiled direct testimony of Robert Stanton Walker, Greycliff reviewed recent Commission decisions

approving avoided cost rates or rates that NWE testified were reasonable. Greycliff believes that its proposal is a reasonable approximation of NWE's avoided costs in light of those very recent Commission decisions and NWE's similarly recent testimony regarding the Greycliff CREP project. It should be noted that the \$50.35 should not be viewed without consideration of integration costs. Greycliff's proposed avoided cost minus integration is \$50.35; without taking into account that Greycliff proposes to pay Greycliff for integration, its proposed avoided cost is \$53.85. Again, Greycliff believes its proposal falls within the reasonable range of NWE's avoided costs in light of very recent NWE testimony and Commission decisions.

d. Please explain why Greycliff's price increased from \$42.77 to \$49.02 to \$50.35.

RESPONSE:

First, Greycliff does not believe there was a "price increase" in these rates. Instead, Greycliff believes that the difference between the 2012 CREP bid and the 2014 CREP bid was based in part on the fact that Greycliff had secured a special deal with low cost turbines that was no longer available as of the time of the Greycliff 2014 bid. Second, nominal carrying costs for the Greycliff project necessary to keep the project alive were incurred in an amount of approximately \$500,000. The difference between the Greycliff avoided cost proposal in 2015 was based in part on the fact that again Greycliff incurred additional expenses in the interim between its 2014 CREP proposal and its 2015 avoided cost proposal, and Greycliff's avoided cost proposal in 2015 was based not on a CREP calculation but on NWE's own testimony in D2015.2.18 and the Commission's approval in Greenfield in Docket 2014.4.43. Third, the Greycliff project now has a commercial operation date of 2016 instead of 2015, which will add additional expense.

e. If the Commission determines the \$50.35 is not appropriate, at what rate below \$50.35 would the Greycliff project cease to be viable?

RESPONSE:

First, Greycliff has not done an exhaustive sensitivity analysis to determine at what price point the project is not viable. The issue of viability of the Greycliff project is and was

not a primary component of Greycliff's CREP bids. It is whether the project can reasonably attract financing and earn a reasonable rate of return, which is an issue related to but distinct from viability. Second, Greycliff believes the point is that Greycliff as a QF is entitled to NWE's full avoided costs, whatever that full avoided cost calculation may be. Greycliff believes its avoided cost proposal is within the reasonable range of NWE's full avoided costs.

PSC-002

Regarding: Current Avoided Cost Information

Witness: Walker

Please provide any current North Western Energy avoided cost calculation for Greycliff's 25 MW project requested by or provided to Greycliff after the Commission's decision in Docket D2015.2.18 (May 27, 2015) and before Greycliff's July 2, 2015 tendered PPA.

RESPONSE:

Greycliff has performed no detailed avoided cost analysis or calculations to date. Greycliff believes that without filing this petition it had no reasonable access to data that would allow Greycliff to carefully, timely, and accurately perform such a calculation. NWE has this data, or reasonably should have it, and Greycliff expects that NWE will provide it when it files its testimony. However, as stated previously many times, given NWE's very recent testimony in D2015.2.18, and the Commission's very recent order in D2014.4.3, Greycliff believes its proposal falls within that reasonable range of estimated avoided costs and there was no reason for Greycliff to attempt to recreate NWE's avoided costs a few months later.

PSC-003

Regarding: Project Output

Witness: Walker

Please provide the expected monthly heavy load hour and light load hour production from the 25 MW Greycliff project.

RESPONSE:

This information is to be provided by a third party provider subject to a protective order which will be submitted as soon as possible. Upon the Commission's decision on the protective order, Greycliff will provide the requested information.

PSC-004

Regarding: Commercial Operation Date

Witness: Walker

Please provide the expected commercial operation date assuming the Commission's order in this proceeding sets contract rates and conditions that permit the project to proceed.

RESPONSE:

Greycliff expects COD to be December 15, 2016.

PSC-005

Regarding: Levelization

Witness: Walker

Why did Greycliff adopt a levelized price in its tendered PPA, rather than an escalating price?

RESPONSE:

Greycliff was attempting to mirror the Commission-approved levelized pricing arrangement from the Greenfield Docket, D2014.4.43. Greycliff also believes that a levelized pricing structure may prove more attractive for investors.

PSC-006

Regarding: Competitive Pricing

Witness: Walker

The lowest cost short-listed offer North Western received for a 25 MW wind project in its June 2014 CREP RFP was \$50.88 per MWh, inclusive of wind integration costs estimated to be \$3.69

per MWh. Would it be reasonable to use that \$50.88 per MWh competitive bid based cost as a measure of North Western's avoided costs in this proceeding? Why or why not?

RESPONSE:

As stated previously, a CREP bidding process is not a Commission-approved avoided cost methodology. Notwithstanding that caveat, the project to which this data request inquires is Invenergy's Tiger Butte Project, which was submitted both as a power purchase agreement ("PPA") and a build own transfer proposal ("BOT"). Lands Energy Consulting outlined the risks of that proposal, some of which are set forth here:

The project sponsor for Judith Gap II (Invenergy) also submitted the Tiger Butte proposal:

- Tiger Butte features the same developer strengths as Judith Gap II, as well as competitive B-T price, but doesn't benefit from adjacent substation and O&M infrastructure;

- Waiting for MPSC approval of an advanced-approval filing by NWE would make December 31, 2015 commercial operation date difficult to achieve. Interconnection substation construction could be the critical path, if not a fatal flaw due to step-up transformer delivery schedules.

- Withdrawal of upstream projects with senior queue positions from the NWE interconnection queue could affect the interconnection plan of service for Tiger Butte by placing additional line sectionalizing requirements (more PCBs) at the point of project interconnection.

See Exhibit DEF-9, pp. 3-4, Docket D2015.2.18.

Greycliff offers Lands Energy Consulting's analysis not as a way to criticize the Tiger Butte Project, or its proposed PPA price, but only to point out that there were development risks associated with Tiger Butte which led NWE not to select Tiger Butte as a CREP proposal. There were significant potential interconnection issues with Tiger Butte that were not associated with Greycliff, and at the time Greycliff submitted its proposal, it was believed by NWE to be more likely to achieve a COD of December 31, 2015. The price, therefore, was not the only consideration. Moreover, in its post-

hearing brief, Invenergy made clear that Tiger Butte was a BOT project. BOT projects posed different risks and costs, and those risks and costs would need to be separately evaluated and Greycliff does not think it is necessary at this point to do so.

NWE's post-hearing brief made it clear that: "*Greycliff is the lowest cost PPA offered in response to the 2014 CREP RFP.*" Docket D2015.2.18, at p. 4 (emphasis in original). NWE further made it clear that the CREP program "[D]oes not require NorthWestern to spend approximately \$50 million to purchase a wind farm from a *non-CREP developer so that it can achieve CREP status.*" *Id.* (emphasis added). NWE further stated:

Although it was not obligated by the Act to do so, NorthWestern offered to enter into a build-transfer agreement with Invenergy for Tiger Butte, if Invenergy could commit to a commercial on-line date ("COD") before year end 2015. Invenergy was unable to do so, and NorthWestern negotiated PPAs with both Greycliff and New Colony.

Id.

If Greycliff is reading NWE's brief correctly, Invenergy would not qualify as a CREP without a BOT with NWE, and Greycliff would not commit to a COD as of December 2015. Whether these differences would ultimately have produced a different contract rate for Tiger Butte is unclear, but there are enough differences that comparing the Tiger Butte BOT price to Greycliff's proposed avoided cost price to assume that this would not be an apples-to-apples comparison.

As noted previously, the use of another wind plant's CREP proposal would also seem inconsistent with the Commission's approved avoided cost methodologies, which appear to be required by the Montana Supreme Court's Whitehall Wind decision to be based at least in part on NWE's least cost plan. *Whitehall Wind, LLC v. Mont. PSC*, 2010 MT 2, ¶¶ 26-27, 355 Mont. 15, ¶¶ 26-27, 223 P.3d 907, ¶¶ 26-27. As noted above, since the

avoided wind resource rate option was eliminated by the Commission several years ago, the avoided costs have been based more expressly on specific NWE system wide estimated avoided costs, including market purchases and building of potential combined cycle gas generation units.

PSC-007

Regarding: Avoided Cost Calculation Methods

Witness: Walker

- a. Generally describe the methods for determining avoided cost of which you are aware.

RESPONSE:

There are multiple methods. As explained in a presentation by Carolyn Elefant to the National Association of Regulatory Commissioners (“NARUC”), there are multiple methods for calculating avoided costs:

- Proxy Unit Methodology: Assumes that the utility is avoiding building a proxy generating unit itself by utilizing the QF’s power. The fixed costs of this hypothetical proxy unit set the avoided capacity cost and the variable costs set the energy payment.
- Peaker Unit Methodology which assumes that a OF allows the utility to avoid paying for a marginal generating unit on its system, usually a combustion turbine. The capacity payment is based on the fixed costs of the utility’s least cost peaker unit and the energy payments are forecast payments for a peaker unit over the lifetime of the contract.
- Differential Revenue Requirement calculates the difference in cost for a utility with and without the QF contribution to generating capacity.
- IRP Based Avoided Cost Methodology relies on state integrated resource planning to predict future needs and costs that will be avoided by QF generation; based on IRP, may then apply proxy, DRR or other methodologies.
- Market Based Pricing: QFs with access to competitive markets receive energy and capacity payments at market rates.
- Competitive Bidding Allows states to utilize open, bidding processes. The winning bids are regarded as equivalent to the utility’s avoided cost.

[http://www.narucmeetings.org/Presentations/25%20PURPA%20Avoided%20Cost%20Calculati
on%20Differences%20Across%20States-Carolyn%20Elefant.pdf](http://www.narucmeetings.org/Presentations/25%20PURPA%20Avoided%20Cost%20Calculati%20Differences%20Across%20States-Carolyn%20Elefant.pdf)

- b. Explain whether you prefer any particular method for determining avoided cost and why you prefer that method.

RESPONSE:

Greycliff does not prefer one method over the other at present. Greycliff would not have access to avoided cost data prior to filing this petition and receipt of any testimony from NWE on its current avoided costs which would permitted the use of any of these methods, except perhaps a pure market method which would appear not to be consistent with prior Commission orders. Instead, Greycliff based its proposed avoided cost on very recent testimony of NWE and on prior Commission orders just recently approved.

- c. Do you support the method North Western used to determine the 25-year levelized avoided cost for Greycliff of \$45.01? Why or why not?

RESPONSE:

Greycliff lacks the relevant information to know whether to support NWE's calculations. However, Greycliff does not believe that NWE's CREP calculation is the same as an avoided cost calculation. The PPA avoided cost rate includes delivery of all renewable energy credits and proposes that Greycliff pay for wind integration. All in all, Greycliff sees the proposed Greycliff CREP calculation as being very close to its PURPA avoided cost rate proposal, and within the range of other Commission-reviewed or approved avoided cost rates very recently approved.

- d. Explain whether and to what extent you evaluated the method North Western Energy used to determine the 25-year levelized avoided cost rate for Greycliff of \$45.01, which NorthWestern initially proposed in Docket D2014.4.43.

RESPONSE:

Greycliff did not evaluate NWE's avoided cost methodology. As noted many times previously, Greycliff was interested more in the reasonableness of the proposed avoided cost rate, the

Commission's consideration and approval of that rate, and the fact that NWE witnesses compared the cost-effectiveness of the Greycliff project to the Greenfield Docket when seeking approval for the Greycliff CREP PPA proposal.

PSC-008

Regarding: Avoided Cost Calculation

Witness: Walker

- a. Why is it reasonable to calculate avoided costs for Greycliff in this docket using the market price forecast from North Western's 2013 Electricity Supply Resource Procurement Plan?

RESPONSE:

It is Greycliff's understanding that NWE has yet to publish its 2015 Electricity Supply Resource Procurement Plan, and thus it is reasonable to calculate avoided costs on the 2013 Electricity Supply Resource Procurement Plan. Greycliff further understands that the Whitehall Wind decision cited previously requires that NWE's avoided costs be based on its least cost plan, which includes now under A.R.M. § 38.5.1902(5), NWE's Electricity Supply Resource Procurement Plan. It would be inappropriate to base avoided cost rates on data that had not been properly submitted and vetted by the utility, the Commission and other interested parties.

- b. Provide any current (within the last 4 months) Mid-Columbia market electricity price forecasts in the possession of Greycliff Wind, LLC, Greycliff Wind Prime, or National Renewable Solutions LLC.

RESPONSE:

Greycliff has acquired no such Mid-Columbia market electricity price forecasts. Greycliff further doubts the utility of such forecasts except when utilized as part of a broader market based fundamentals forecast approach.

PSC-009

Regarding: PPAs

Witness: Walker

Please provide any and all Purchase Power Agreements executed between Greycliff and North Western Energy.

RESPONSE:

The most recent executed agreement between Greycliff and NWE was submitted as part of Docket D2015.2.18, and appears as an exhibit to the prefiled direct testimony NWE witness Dave Fine in his (DEF-3, pages 1-42). Since it is already part of the docket in that case, Greycliff assumes that the PSC does not need a copy of it. If this assumption is mistaken, Greycliff will provide it. The other executed PPA contains confidential business information and will be submitted as soon as the Commission acts on Greycliff's motion for protective order which will be submitted as soon as possible.

PSC-010

Regarding: Communication between Greycliff and North Western

Witness: Walker

Please provide any and all communication between Greycliff and North Western Energy since Greycliff became certified as a Qualifying Facility.

RESPONSE:

Since Greycliff became certified as a Qualifying Facility, there has only been a single discussion. This telephone conversation took place between Pat Pelstring on Greycliff's behalf and Bleau LaFave of NWE on Friday, October 9, 2015. To summarize that conversation:

- Mr. Pelstring and Mr. LaFave discussed NWE's ongoing CREP process in which Greycliff submitted a bid.
- Mr. Pelstring made it clear to Mr. LaFave that Greycliff was not attempting to negotiate the QF proposal as part of the call.
- Mr. Pelstring inquired of Mr. LaFave about other resource proposals.

Prior to being certified, Mr. Patrick Pelstring also had a conversation with Mr. Dave Fine of NWE in Butte on May 20, 2015, after the Commission rejected Greycliff's proposal wherein Mr. Pelstring introduced the idea of Greycliff becoming a QF. This discussion was general and no commitments were made.

PSC-011

Regarding: Greenfield Production

Witness: Walker

On page 5 you mention the avoided cost rate that Greenfield and North Western stipulated to in D2014.4.43 as a reason why Greycliff's proposed contract rate is reasonable.

- a. Did Greycliff treat Greenfield production as an avoidable resource when Greycliff tendered its July 2, 2015 offer to North Western?

RESPONSE:

Greycliff performed no avoided cost calculations and thus made no assumptions regarding whether Greenfield is an avoidable resource.

- b. Did Greycliff adjust its July 2, 2015 offer in recognition of Greenfield production, avoidable or unavoidable?

RESPONSE:

Greycliff performed no avoided cost analysis and thus did not consider whether Greenfield was avoidable. Thus, it did not adjust its avoided cost proposal to NWE in any way based on Greenfield's status as an avoidable resource.

- c. Does Greycliff consider Greenfield production avoidable today? Why or why not?

RESPONSE:

Greycliff is generally aware that NWE has taken the position in the past that the entering into a contract to purchase energy and capacity is not thereafter avoidable. Greycliff does not know whether NWE considers this to be the case whether project milestones and obligations are met or unmet. Greycliff does not know the status of the Greenfield project.

- d. In the event that Greenfield production is currently unavoidable by North Western, would North Western's avoided cost for Greycliff change? Please Describe.

RESPONSE:

Greycliff did not take a position either way nor does it believe Greenfield's production would have a material effect on NWE's avoided costs. However, since Greycliff has not performed that analysis, it does not take a position on it.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served on this 16th day of October, 2015 upon the following by first class mail postage pre-paid:

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

John Alke
Northwestern Energy
208 N. Montana Ave
Suite 205
Helena, MT 59601

Sarah Norcott
Northwestern Energy
208 N. Montana Ave
Suite 205
Helena, MT 59601

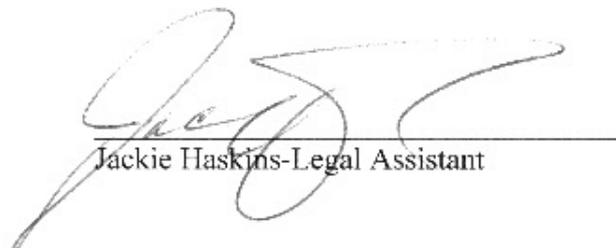
Pam LeProwse
Northwestern Energy
40 E. Broadway
Butte, MT 59701

Monica Tranel
Montana Consumer Counsel
P.O. Box 201703
Helena, MT 59620

Joe Schwartzenberger
Northwestern Energy
40 E. Broadway
Butte, MT 59701

I hereby certify an original was e-filed, and six copies of the foregoing were hand-delivered to the following:

Public Service Commission
1701 Prospect Ave.
P.O. Box 202601
Helena, MT 59620-2601



Jackie Haskins-Legal Assistant