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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	UTILITY DIVISION DOCKET NO. D2015.8.64

PREFILED DIRECT TESTIMONY OF ROBERT STANTON WALKER ON BEHALF OF GREYCLIFF WIND PRIME, LLC IN SUPPORT OF PETITION TO SET TERMS AND CONDITIONS FOR QUALIFYING SMALL POWER PRODUCTION FACILITY PURSUANT TO M.C.A. § 69-3-603

Q. Please describe your education, background and work experience.

A. I graduated in 1990 from Texas A&M University with a Bachelor of Arts degree. I later attended the Texas A&M University School of Law, graduating in 1996. In 1997, I worked for Delhi Energy Services, Inc., as a power trader. In February of 1998, I moved to Tenaska Power Services, Inc., and was a power trader until July of 1998, and then became a senior power trader at Cargill-Alliant, LLC until June of 2002. In 2003, I opened my own law practice in Dallas, Texas. In 2006, I joined Cargill Power Markets, LLC as the Director of North American Transmission and Origination. In 2013, I left Cargill to join National Renewable Solutions, LLC

("NRS") to become Executive Vice President of NRS and I presently serve in that capacity. My resume is attached hereto as Exhibit 1.

Q. What is NRS' role in the Greycliff Wind Prime, LLC ("Greycliff") wind project?

A. Greycliff Wind Prime is a wholly owned subsidiary of Greycliff Wind LLC. Greycliff Wind Prime is a special purpose entity formed to hold the wind assets of this phase of the project. National Renewable Solutions is the managing partner and developer of Greycliff Wind, LLC. NRS also holds a minority equity interest in Greycliff Wind, LLC.

Q. Are you familiar with the way in which utilities' typically calculate avoided costs?

A. I am familiar with the concept of utilities using an avoided cost calculation for determining prices they would pay for energy and/or capacity from Qualifying Facilities. I understand there are a number of different methods for determining avoided cost, and I generally understand these calculations.

Q. Have you testified before in front of state regulatory commissions or courts?

A. Yes. In 2012 I testified before the Alberta Utilities Commission in a case involving the interpretation of rules for determining the priority treatment of offers for energy to be delivered and sold into the Alberta electric system as imports.

Q. Have you ever testified before on avoided costs?

A. No.

Q. Has understanding avoided costs and the manner in which they are calculated been part of your duties at either your past or present positions?

A. Yes, but only as a part of my understanding the energy markets and prospective pricing impacts in the energy markets where we participated.

Q. What is the purpose of your testimony?

A. To explain how Greycliff Wind Prime, LLC (hereinafter "Greycliff") arrived at the proposed contract rate based on various avoided costs recently approved by the Montana Public Service Commission ("Commission").

Q. How did Greycliff arrive at the contract rate in its offer to NorthWestern Energy ("NWE") that Greycliff tendered to NWE on July 2, 2015, and which was included as Exhibit 3 to the Greycliff petition in this Docket?

A. We based it on avoided cost rates or contract rates recently approved or which were acceptable to NWE. First, we were obviously aware of the testimony of Bleau J. LaFave in Montana Public Service Commission Docket D2015.2.8, wherein he stated: "NorthWestern's current 25-year levelized avoided cost for Greycliff is $45.01 excluding regulation. Including the 25-year levelized price of $3.39 for RECs, the overall cost for Greycliff increases to a total of $48.40 per MWh excluding regulation, (Exhibit BJL-02)." Prefiled Direct Testimony of Bleau J. LaFave, BJL-10, lines 7-10. Noting that the avoided cost calculation utilized by Mr. LaFave specifically excludes integration costs, we felt the contract rate for our generation was eminently in line with what NWE seemed comfortable with only a few months ago.

Q. Why do you think NWE was comfortable with the proposed contract rate for purchases from Greycliff in Docket D2015.2.18?

A. Mr. LaFave testified in the docket that the best way to compare the "cost effectiveness" of the Greycliff project was as a Community Renewable Energy Project ("CREP"). Mr. LaFave testified that there was a "strong basis" for concluding Greycliff's CREP proposal was cost effective under the CREP statute. BJL-8, line 22. Mr. LaFave further testified that NWE utilized the same method to calculate avoided costs as it used in the Greenfield Docket, D2014.4.43. BJL-11, lines 14-15. Mr. LaFave also testified that NWE used the same energy

price forecast in the Greycliff CREP evaluation that NWE had used in the Greenfield docket which was derived from NWE's 2013 Montana Electricity Supply Resource Procurement Plan. BJL-12, lines 4-5. Mr. LaFave also testified that integration costs for the Greycliff Project ranged from $3.81 to $6.53 per MWh. BJL-14, lines 8-9. Finally, Mr. LaFave testified that the Greycliff CREP proposal was "the least cost PPA resource resulting from a CREP RFP with a purchase price below the existing QF-1 Wind rates of $53.14 per MWh in Off-Peak Hours and $58.50 per MWh in On-Peak Hours established by the Commission in Docket No. D2012.1.3." BJL-15, lines 12-15. In short, we thought our proposed contract rate was consistent with what we had proposed before. NWE had testified that it was cost effective, that it was lower than NWE's QF-1 Tariff rate for wind projects, and that our proposed contract rate was consistent with the methodology and the avoided cost rates calculated for the Greenfield project.

Q. But the avoided cost proposal you have made in this Docket differs from your CREP proposal? Why the difference?

A. Well, the proposal is different based on a number of considerations. Greycliff chose to increase the size of its project from 20 MW to 25 MW. This was done because the Greycliff project could realize economies of scale advantages with a larger project, which allows Greycliff to offer to sell its power at a lower price. Greycliff had initially signed a Small Generation Interconnection Agreement ("SGIA"). The SGIA limited the size of the project to 20 MW. As a part of expanding the project to 25 MW, Greycliff signed a Large Generator Interconnection Agreement ("LGIA"). Greycliff's proposed contract rate of $53.85 with an effective rate of $50.35 is quite reasonable. NWE offered to charge nothing for wind integration when Greycliff was a CREP project; the subtraction of the wind integration cost from Greycliff's proposal in this Docket subtracts a levelized cost of $3.50/MWh for integration to reach the 25-year levelized

price of $50.35. As with Greycliff's CREP proposal, the renewable energy credits or "RECs" will be transferred to NWE.

Q. Are there other reasons you think the Greycliff proposed contract rate is reasonable?

A. Mr. LaFave testified that the appropriate avoided cost benchmark was the avoided cost rate Greenfield and NWE stipulated to in D2014.4.43. In that case, the Commission looked at various avoided cost proposals and avoided costs set forth in executed contracts before approving the settlement proposed jointly by Greenfield and NWE for a proposed contract rate of $53.99/MWh minus estimated integration costs of $3.50/MWh in the event Greenfield chooses not to self-supply. *See* Docket D2014.4.43, p.5, ¶ 20, and p. 6, n.3, Order on Reconsideration, No. 7347a (April 14, 2015)(hereinafter, "Greenfield Order at __"). Thus, over a 25-year term, the price approved by the Commission for Greenfield of $53.99, minus $3.50 for integration, produced a levelized "all in" price of $50.49, which is almost identical to the proposal Greycliff is making in this proceeding.

Q. In deciding to approve the stipulation between Greenfield and NWE, did the Commission compare the stipulated avoided cost rate to other benchmarks?

A. Yes, the Commission considered six other estimates of avoided costs in determining the settlement between Greenfield and NWE was reasonable. First, the Commission considered NWE's initial proposal in the Greenfield Docket, which produced an estimated avoided cost of $47.41 per MWh for energy, capacity and RECs over the proposed contract term. Greenfield Order, at p. 6, ¶ 22. Second, the Commission considered Greenfield's CREP bid in the 2013 CREP solicitation, which was a levelized rate of $50.91 per MWh. *Id.*, ¶ 23. Third, the Commission considered NWE's response to Commission data request PSC-012. In that

response, NWE provided estimates of two different scenarios, one by which it calculated total electric supply costs including existing resources (inclusive of the newly acquired hydroelectric facilities), and another by which it calculated total electric supply costs utilizing existing resources plus adding Greenfield's at zero cost. *Id.*, ¶ 24. Utilizing assumptions from NWE's 2013 Plan, and taking the difference between the two scenarios produced a levelized rate of $52.91 per MWh. *Id.* Fourth, the Commission considered NWE's relatively recent acquisition of Spion Kop, which had a projected levelized cost of $53.15/MWh. *Id.*, ¶ 25. Fifth, the Commission considered the current QF-1 rate, which produced a levelized rate of $53.58/MWh. *Id.*, ¶ 26. Finally, the Commission considered NWE's market-based discounted cash flow analysis NWE proposed in its acquisition of PPL Montana's hydroelectric facilities, which – utilizing Greenfield's projected output and PowerSimm mean market price projections – produced a levelized rate of $54.83/MWh. *Id.*, pp. 6 & 7, ¶ 27.

Q. Did the Commissions' decision in the Greenfield Docket D2014.4.43, affect your opinion of the reasonableness of Greycliff's proposed avoided cost rate it offered NWE and requests in this proceeding?

A. Yes. After reviewing the mostly very recent Commission sources of avoided cost data, I was comfortable that our proposal was not only consistent with our prior CREP proposal, but it was consistent with the Commissions' approval of the Greenfield-NWE stipulation in D2014.4.43, and all the other potential sources of avoided cost calculations the Commission considered in the Greenfield docket.

Q. Does this Conclude Your Testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served on this 18th day of September, 2015 upon the following by first class mail postage pre-paid:

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

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EXPERIENCE

October 2013 – Present, **National Renewable Solutions, LLC**, Wayzata, Minnesota.

> **Executive Vice President.** Responsible for negotiations of purchase and sale agreements for renewable energy generation projects, acquisition of firm transmission rights for energy delivery, and origination of opportunities for renewable energy development.

October 2006 – September 2013, **Cargill Power Markets, LLC**, Hopkins, Minnesota.

> **Director, North America Transmission and Origination.** Responsible for acquisition, maintenance and trading of long-term physical transmission rights in North America. Position requires understanding Open Access Transmission Tariffs; rules, processes and decisions of the Federal Energy Regulatory Commission; experience with the Open Access Same-Time Information Systems (OASIS); familiarity with business practices of Transmission Providers; and strong written and verbal communication skills.

January 2003 – September 2006, **Law Office of Robert Stanton Walker, P.C.**, Dallas, Texas.

> **Attorney**. Solo practitioner representing individuals and small businesses with matters involving contracts, collections, employment, and business formation.

July 1998 – June 2002, **Cargill-Alliant, LLC**, Minnetonka, Minnesota.

> **Senior Power Trader.** Began as leader of the 24-hour, real-time trading team. Promoted to regional trading team with focus on SPP, MAPP, MAIN and ERCOT next-day through prompt month physical transactions and financial trading at Entergy, ComEd and Ameren. Promoted to Senior Trader with emphasis on ERCOT, with responsibility for trading and coordinating energy and transmission positions next day through two years forward in ERCOT, SPP, MAPP and MAIN. Last position held included short-term, directional trading for the ERCOT, Entergy, TVA and SOCO cash markets.

February 1998 – June 1998, **Tenaska Power Services, Inc.**, Arlington, Texas.

> **Power Trader**. Same responsibilities as position at Delhi below. In addition, real-time desk managed all realtime energy procurement and marketing for an ERCOT utility.

February 1997 – December 1997, **Delhi Energy Services, Inc.**, Dallas, Texas.

> **Power Trader**. Began as scheduler in 24-hour, rotating shift operation, responsible for next-hour and next-day energy trading and scheduling in ECAR, ERCOT, MAIN, MAPP, SERC and SPP Initiated contract negotiations with transmission providers. Promoted to Power Trader, responsible for same month markets, including trading at the TVA hub.

PROFESSIONAL ACTIVITIES

January 2012 – December 2013, Member, WREGIS (Western Renewable Energy Generation Information System) Committee

June 2007 – September 2013, Member, Southwest Power Pool Markets and Operations Policy Committee

June 2007 – July 2012, Vice Chair, Southwest Power Pool Business Practices Working Group

EDUCATION

J.D., 1996; **Texas A&M University University School of Law**, Fort Worth, Texas.

B.A., 1990; **Texas A&M University**, College Station, Texas.