

Montana Public Service Commission



Brad Johnson - Chairman
Travis Kavulla - Vice Chairman
Kirk Bushman - Commissioner
Roger Koopman - Commissioner
Bob Lake - Commissioner

October 28, 2016

Jason Brown
Montana Consumer Counsel
P.O. Box 201703
111 North Last Chance Gulch, Suite 1B
Helena, MT 59620-1703

RE: Data Requests in Docket D2016.5.39

Dear Mr. Brown:

Enclosed please find Data Requests PSC-042 through PSC-047 of the Montana Public Service Commission to the Montana Consumer Counsel in the above-referenced Docket. Please provide a response by November 14, 2016. If you have any questions, please contact me at 444-6191.

Sincerely,

Neil Templeton
Regulatory Division
Montana Public Service Commission

Enclosure

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

IN THE MATTER OF NorthWestern) REGULATORY DIVISION
Energy's Application for Interim and Final) DOCKET NO. D2016.5.39
Approval of Revised Tariff No. QF-1,)
Qualifying Facility Power Purchase)

**DATA REQUESTS PSC-042 THROUGH PSC-047 OF THE MONTANA PUBLIC
SERVICE COMMISSION TO THE MONTANA CONSUMER COUNSEL**

PSC-042

Regarding: Valuing QF-1 Power under Long Conditions
Witness: Stamatson

At 8:8-10 you state: "When a QF puts energy onto NorthWestern's system, the Company must take it. In order to accommodate that energy, NorthWestern has to back down its marginal generating unit."

- a. Please confirm, or deny with explanation that NorthWestern will not back down its marginal generating unit to accommodate QF energy under Long 1 conditions, but will sell the energy at market to capture the difference between operating cost and market for customer benefit.
- b. Please confirm, or deny with explanation that operating the marginal unit for sale at market under Long 1 conditions is generally prudent, and that if NorthWestern failed to pursue opportunity revenues it would risk a finding of imprudence.
- c. Please confirm, or deny with explanation, that when NorthWestern seeks preapproval for a new energy resource because its extant resources are not sufficient, the cost prudence of the proposed resource will not be evaluated in comparison to avoided operating costs of resources already under NorthWestern's control, but rather in comparison to the cost of alternative resources such as market purchases.
- d. Please confirm, or deny with explanation that the Commission should seek consistency over time and across resources, including QFs, in its valuation of the cost prudence of resource acquisitions.

PSC-043

Regarding: Valuing QF-1 Power under Long Conditions

Witness: Stamatson

- a. Please confirm, or deny with explanation that pricing QF power at zero during forecasted Long-2 conditions is logically equivalent to curtailing without compensation under Long-2 conditions.
- b. Please confirm, or deny with explanation that NorthWestern is obliged to preserve consumer indifference with respect to the procurement of QF power, or power from any other source, including its owned or proposed resources.
- c. Please confirm, or deny with explanation, that NorthWestern customers are indifferent between these choices: 1) Purchasing QF power at market price for immediate sale at market price (assuming zero transaction costs); or 2) No purchase of QF power.
- d. Please confirm, or deny with explanation, that NorthWestern customers are not indifferent between these choices: 1) Purchasing QF power at market price for immediate sale at market price (assuming non-zero transaction costs); or 2) No purchase of QF power.
- e. Please confirm, or deny with explanation, that NorthWestern customers are not indifferent between these choices: 1) Purchasing QF power at less than market price with immediate sale at market for customer profit; or 2) No purchase of QF power.

PSC-044

Regarding: Valuing QF-1 Power under Long Conditions

Witness: Stamatson

- a. Please confirm, or deny with explanation that NorthWestern customers incur brokering costs and market price risk associated with buying and selling QF power under long conditions.
- b. Please confirm, or deny with explanation that MCC would support the pricing of QF power under long conditions at projected market prices, less the fair value of, at least, NorthWestern's power brokering services and market price risk.
- c. If confirmed at (b), please provide and support an estimate of a reasonable deduction to market to compensate NorthWestern customers for expected cost and risk.

PSC-045

Regarding: Modeling of Carbon Prices in PowerSimm
Witness: Stamatson

- a. Please confirm, or deny with explanation that a triangular distribution is an appropriate probability distribution for the purpose of modeling carbon risk.
- b. If confirmed, please confirm or deny with explanation that you agree with the parameter specification of NorthWestern's triangular distribution.
- c. If you support the use of the triangular distribution but do not support the specified parameters, please specify supportable parameters.
- d. If you do not support the use of the triangular distribution but would support the use of an alternative probability distribution, please specify a supportable alternative with supportable parameters.
- e. At 11:17-12:3 you refer to NorthWestern's proposed carbon prices as assumptions rather than forecasts, due to the absence of historical carbon price data. Does the absence of price history preclude the specification of a reasonable probability distribution for carbon prices?

PSC-046

Regarding: Annual Changes to QF-1 Rates
Witness: Stamatson

Please describe the MCC position on annual updates to QF-1 Tariff rates based upon changes in price indices and other factors in the approved avoided cost calculation.

PSC-047

Regarding: Levelized Costs
Witness: Stamatson

Please describe the MCC position on the use of levelized costs to set standard rates in the QF-1 Tariff.