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OCT 23 2015

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

MONT. P.S. COMMISSION

IN THE MATTER OF Inquiry by the ) REGULATORY DIVISION  
Montana Public Service Commission into )  
its Implementation of the Public Utility ) DOCKET NO. N2015.9.74  
Regulatory Policies Act of 1978 )

Renewable Northwest (RNW) appreciates the opportunity to file public comment on the Montana Public Service Commission's (the Commission's) inquiry into its implementation of the Public Utility Regulatory Policies Act of 1978 (PURPA).

Renewable Northwest is a nonprofit advocacy organization with a membership base that includes renewable energy developers and associated businesses. We work particularly closely with wind, solar, and geothermal renewable energy developers and with policymakers and state and federal agencies on developing and implementing renewable energy polices.

At this stage of the Commission's inquiry, Renewable Northwest has only limited comments to make regarding the Commission's implementation of PURPA and the questions posed in the staff memorandum associated with this docket. However, in addition to the perspectives supplied here, we look forward to participating in the roundtable discussions and review of PURPA implementation at the Commission.

We respectfully submit the following comments regarding section #2 of the questions listed in the staff memorandum. We ask that we may reserve the right to offer additional perspectives on the questions in our reply comments.

**2. Standard Rate Design Questions for stakeholders (from staff memorandum):**

*a) Should the Commission set separate standard rates for small solar, hydroelectric, and/or other eligible generating technologies that reflect the specific generating characteristics of those technologies? Why or why not?*

Renewable Northwest neither advocates for nor against setting separate standard rates for specific generating technologies. However, any resource-specific rates that include technology-specific integration rates or capacity value calculations should include regular robust reviews of integration cost studies and timely updates of gas and market assumptions.

*b) What contract length is sufficient to enable a viable QF project to obtain financing?*

A 25 year contract is sufficient to enable a viable QF project to obtain financing. Based on our organization's 20+ years of experience in the renewable energy industry as well as informal surveying of our energy developer members, the industry norm for long-term contracts is at least 20 years, with 25 years often offering additional benefits. Not only does a shorter contract term make it more difficult to finance projects, but it also denies consumers the benefits associated with long-term rate stability. Long-term contracts with renewable QFs help insulate ratepayers from fluctuating fuel prices that fueled generating resources are subject to, and thus provide a good hedge against volatile market prices.

*c) Does a 25 year standard rate contract length impose undue forecast risk on consumers? If so, why?*

No. Forecast risk exists in every long-term decision-making exercise facing utilities and the Commission. Its presence in the designing of standard offer contracts is not unique, and in fact the Commission and Commission staff's ability to make such determinations are likely enhanced by the regular exercise of setting avoided cost tariffs. Theoretically, over time, unbiased and well-informed forecast risk would undercompensate standard offer contract takers as often as it overcompensates them. If anything, the smaller, incremental nature of PURPA development can potentially act as a natural check on the uncertainty in forecasts and market trends, giving the Commission the opportunity to reexamine avoided cost tariffs based on forecasts depending upon market reaction. This ability to reexamine a market in action is in contrast to the "big bet" utilities and Commissions can place on forecasts that inform larger, one-time acquisitions and developments.

*d) Comment on the reasonableness of shortening the maximum contract length in NWE's standard QF tariff schedules.*

PURPA does not have a rigid concept of what constitutes a long-term contract. However, it is reasonable to assume that both PURPA and Montana law requiring the Commission to encourage long-term QF contracts are designed to ensure that QF project developers have the same or similar options and certainty of options as incumbent utilities to finance projects over a significant portion of the economic life of the resource being developed or acquired.

*e) To what extent should the length of a standard rate QF contract reflect the economic life of alternative resources NWE is planning to acquire?*

Utility customers would be harmed and the principle of consumer indifference would be compromised if the Commission were to require that standard rate QF contract lengths must be based only on the resource the incumbent utility is planning to build or acquire. Such a policy would make the mistake of presupposing that a particular resource's operating characteristics better serve consumers.

*f) Should standard rates reflect avoided costs levelized for the length of the contract? Why or why not?*

Levelized avoided costs for the length of the contract is the most intuitive approach to setting standard rates for QF projects; however, Renewable Northwest believes other approaches to setting standard rates can also be equitably designed.

*g) Montana law requires the Commission to encourage long-term contracts for purchases of electricity by utilities from QFs. Mont. Code Ann. § 69-3-604(2). How should the Commission interpret or define "long-term"?*

It makes the most sense for the Commission to interpret or define "long-term" within the context of the utility industry where the law applies. In the utility industry, "long term" resource decisions are made on a timescale that spans multiple decades and incumbent utilities are often granted the ability to depreciate/finance their own resource acquisitions over numerous decades.

*h) Should standard rates include performance standards and automatic rate adjustments for failure to meet the standards? Provide any specific recommendations you have for such standards and rate adjustments.*

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*i) Should the Commission approve a full standard power purchase agreement? Why or why not?*

Yes, having a full standard power purchase agreement helps make the contracting process more streamlined and efficient for both developers and utilities. It may also reduce uncertainty for developers and potential areas of conflict with the utility.

## **Conclusion**

When PURPA is implemented well, it promotes risk-mitigating diversity in utility generating resources and markets for cost-effective renewable resource market expansion; it encourages competition; it stimulates development of local resources; and it contributes to meeting the utility load needs in smaller increments, preserving options in a transitional time for the electric sector. When PURPA is implemented poorly it fails to create hospitable conditions for new renewable energy development and inhibits competition, or it overwhelms utilities with new contracts at uneconomic prices.

We look forward to discussing how to achieve the proper balance within PURPA implementation in order to maximize the benefits of PURPA for Montana customers and ratepayers.

RESPECTFULLY SUBMITTED this 23rd day of October, 2015

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