Service Date: December 2, 2015

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

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

NOTICE OF COMMISSION ACTION

On September 24, 2015, the Montana Public Service Commission (Commission) issued a *Notice of Inquiry and Opportunity to Comment* (Notice) on its implementation of the Public Utility Regulatory Policies Act of 1978, which requires electric utilities to purchase energy and capacity made available from qualifying facilities (QFs). 16 U.S.C. § 824a-3(a). The Commission invited comments on five categories of issues,[1] and specifically asked, "for each change to Commission policy that commenters propose, . . . address how such a policy would promote the symmetrical, non-discriminatory treatment of [QFs] and utility-owned resources."

In October 2015, the Commission received initial comments from the following entities: Crazy Mountain Wind, LLC; Hydrodynamics, Inc.; LEO Wind, LLC; Montana Consumer Counsel; Montana Department of Natural Resources and Conservation, State Water Projects Bureau; NorthWestern Energy; NW Energy Coalition; Renewable Northwest Project; and WINData, LLC. In November 2015, the Commission received additional comments from: Boulder Hydro Limited Partnership; Cypress Creek Renewables, LLC; Everpower Wind Holdings, Inc.; Hydrodynamics, Inc.; LEO Wind, LLC; Montana Consumer Counsel; and NorthWestern Energy.

At a regularly-scheduled work session on November 17, 2015, it was observed that some commenters had proposed policies that could cause QFs and utility-owned resources to further diverge in how they earn revenue. Despite the Commission's request to address the symmetrical,

[1] These five categories of issues were: (1) Methods for estimating avoided costs; (2) standard rate design, including technology-specific rates, contract length, levelization, performance-based rate adjustors, and standard contracts; (3) market price forecasting methods; (4) resource capacity values; and (5) requirements for creating a "legally enforceable obligation" under PURPA. *See* Order 7338b, Dkt. D2014.1.5, ¶ 28 (Apr. 14, 2015).

non-discriminatory treatment of QFs and utility-owned resources, commenters did not identify specific policies that would alter the treatment of utility-owned resources in light of proposed changes to QFs resources. The Commission reiterated its *Notice of Inquiry* and directed parties to address the symmetrical treatment of QF and utility-owned resources. Specifically, for each proposal listed below, parties should explain whether and how utility-owned resources would be treated in a similar manner if the Commission were to adopt such a proposal for QFs:

- Reduce the length of QF contracts (e.g., re-evaluate plant usefulness based on value to consumers rather than a cost-of-service-based revenue requirement);
- Maintain a preference for competitive solicitations (e.g., ensure that utility-owned resources must participate in and be selected through a comparable process);
- Further reduce rates for energy and capacity to reflect the lower capacity value and other operating characteristics of intermittent technologies (e.g., similarly discount the value of utility-owned intermittent resources in planning and preapproval dockets;
- Approve interim integration rates (e.g., adjust revenue requirements to reflect more accurate integration cost information as it becomes available based on further study);
- Offer small QFs escalating instead of levelized rates (e.g., using escalating annual revenue requirements);
- Exclude all CO2 costs from market price forecast(s) and account for all environmental attributes through RECs (e.g., exclude CO2 costs from utility planning and preapproval dockets); and
- Implement a bright-line LEO test such as Texas' '90-day Rule' (e.g., require similar readiness for any utility proposal as a minimum filing requirement for preapproval filings).

Montana's "Mini-PURPA" law requires the Commission to "encourage" long-term QF contracts "in order to enhance the economic feasibility of [QFs.]". Mont. Code. Ann. § 69-3-604. The Commission requested additional comments on the meaning of "long-term," and how to ensure consumer indifference in the context of this mandate. It also requested additional comments addressing how other states are implementing PURPA. Finally, commenters are invited to respond to any comments that have been filed to-date.

The Commission hereby invites interested persons to submit additional written comments addressing these topics **no later than December 23, 2015**, either by mail or delivery to the Commission at 1701 Prospect Avenue, Helena, MT, 59620, or by email to psc_utilitycomment@mt.gov.

BY THE MONTANA PUBLIC SERVICE COMMISSION

BRAD JOHNSON, Chairman
TRAVIS KAVULLA, Vice Chairman
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