

Stillwater County wind projects get green light from PSC

HELENA – The 80 MW Grizzly Wind and Black Bear Wind projects proposed for Stillwater County is now able to proceed, the Public Service Commission having taken final action on Tuesday, to establish contract rates and terms between the developers and NorthWestern Energy.

The two projects were designated Qualifying Facilities (QFs) by federal law, thus requiring NWE to purchase all their combined 160 MW of output on a “must take” basis. When as in this case, negotiations break down, it’s the PSC’s job to conduct a docketed investigation, and establish the length, rates and terms of the contract based on the evidence.

The “PURPA” statute requires that utility customers pay no more for the QF power than they would be paying for the next generating plant the utility would otherwise build for itself. Termed “avoided cost”, the commission goes through a lengthy and involved process of calculations and forecasting before arriving at a number determined to be as accurate as possible.

The commission set the rate NWE customers will pay for both projects’ electricity at the around-the-clock rate of \$21.35 per MWH. This rate takes into account market price projections, wind intermittency (requiring ancillary services), capacity contribution, interconnection costs and a variety of other factors.

Commissioners wrestled with several key issues before the final vote, including contract length, pricing of the QFs’ output when NorthWestern has no need and must re-sell it on the market, and whether to factor the risk of future carbon (CO2) regulation into the rates. The commission settled on a 15-year contract, market prices for unneeded energy, and a disallowance of any carbon costs added to the rates.

“While the two projects were pressing for 25-year level-price contracts, we believed that was excessively long, and burdened the rate-payer with unjustified risk,” said Commissioner Tony O’Donnell, (R-Billings.) “There are entirely too many factors that can change dramatically over 25 years, to have any chance of arriving at an accurate and equitable avoided cost rate.”

Commissioner Roger Koopman, (R-Bozeman), addressed the proposed \$2.23 carbon adder.

“There is no carbon regulation in Montana. Any way you cut it, we cannot charge ratepayers for something that does not exist, on the sheer speculation that someday it might,” he said.