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PSC completes action on state's first hybrid wind project

HELENA – In ground-breaking action, the Montana Public Service Commission gave the go-ahead today to a “hybrid” wind energy project that combines 120 MW of power generation with 40 MW of integrated battery storage.

The Caithness Beaver Creek (CBC) project is planned for Stillwater County near Rapelje. Reportedly, it is the first proposal of its kind to be approved by a state utility commission. As a “qualifying facility” (QF) under federal law, the project is subject to rates and terms set by the PSC. NorthWestern Energy is then required to purchase the energy and capacity output.

By linking the wind project’s power production to its ability to store excess energy in quickly-dispatchable batteries, hybrids like CBC seek to overcome the intermittent generation challenges faced by renewable energy. Following a 3-day hearing in October, the PSC was tasked with determining how effective the batteries would likely be, in creating reliable “firm” energy from the project, along with increased capacity.

“CBC is a great example of creative entrepreneurship in the energy field,” said Roger Koopman (R-Bozeman), whose commissioner district includes the CBC site. “Commissioners and staff were excited to be part of this process. Yet in many ways we were navigating uncharted waters, since there is no real history of similar hybrid projects out there to draw from. Thus, the PSC’s approach was one of careful consideration, based on the record evidence the parties provided. I believe we struck a reasonable balance that provides ample incentive to project developers and strong protections to the consumer,” he said.

Key among the commission’s determinations:

1. Full and fair compensation for the CBC project, based not on what was claimed or promised, but on the basis of what is ultimately proven and delivered.
2. The opportunity for CBC to receive significantly higher capacity payments than conventional wind projects, based on a review after 3 years of actual capacity production.
3. Disallowance of a separate “carbon dioxide adder” to rates, while allowing CBC to retain all renewable energy credits and value.
4. Approval of a 20-year power purchase contract with NWE. The PSC resisted a motion to reduce the contract length to 15 years.

5. Replacement of the monthly average modeling with the more accurate hourly modeling for the calculation of avoided cost.
6. Rejection of NWE's position that electricity market prices will drop dramatically in the coming years, and that CBC's rates should be reduced accordingly.
7. Approval of network upgrade costs to be paid by CBC in the amount of \$5.1 million.

The commission voted 3-0 to approve the Caithness Beaver Creek project. Commissioner O'Donnell was excused for medical reasons, and Chairman Johnson was also excused.