

November 18, 2011

To: Montana Public Service Commission

Re: the Amendment of ARM 38.5.1902 Pertaining to Qualifying Facilities

Regulatory Division MAR Notice No. 38-5-214

From: Gordon Brittan

Commissioners:

My name is Gordon Brittan. I am Director of New Product Development at Exergy Integrated Systems, a wind technology company located in Montana, but more importantly for the purposes of this hearing, am, I think, the first person in the state to negotiate a QF wind contract, in 1984, with Montana Power Company and have followed the discussion of the issues involved closely ever since.

I oppose the MPSC Rule Reducing Standard Offer QF Capacity from 10MW to 2MW not because it is going to be of great consequence, but because the reasoning on which it is based is flawed. However much we all want to optimize the interests of rate-payers, utilities, and renewable energy producers, the case for the new Rule is not made. At the very least, it needs to be re-thought and re-written.

Three arguments are given for a change in size:

1. "Given the difficulties of establishing and maintaining an accurate avoided cost rate for those QFs under the Cap, Staff believes that a reduction in design capacity size is necessary."  
But this is to mix apples and oranges. It is difficult to establish an accurate avoided cost rate, but reducing standard QF capacity won't make it any easier, nor will it relieve the Commission of the obligation to establish the rate.. Moreover, the "accuracy" of rates from minute to minute has to be balanced against the advantages of locking rates in using long-term contracts. Just ask the people in California who wanted to set rates as a function of changes in spot-market prices.
2. "...requiring the utility to purchase energy from these larger QFs, which are almost all wind projects, at standard rates may not accurately reflect incremental integration costs or the need for additional wind resources may result in rates that are unjust, unreasonable, and not in the public interest."  
Any rate, QF or not, "may" not accurately reflect incremental integration costs or result in rates that are unjust (on what standard?), unreasonable, and not in the public interest. Changing the rule requires evidence that these things will happen to some high degree of probability if it isn't changed. But there is no such evidence. Indeed, wind is one of the lowest-priced resources in the state utilities' portfolios.
3. "...Staff believes the 10MW size is not needed as a response to high transaction costs."  
But the fact of the matter is that there was very little wind QF contracting prior to the 2007 PSC decision to increase the Cap to 10MW. Since 2007, there has been more QF contracting. The evidence indicates that the Staff's belief is mistaken.

The only argument given for a 2MW Cap, which is otherwise an arbitrary number, is that FERC has established a fast-track process for handling inter-connection requests which are 2MW or smaller. But there's no connection between a fast-track process and handling the continued acquisition of wind resources in an economical way. In fact, using FERC interconnection rules to establish the standard offer size could just as easily result in a 20MW maximum project size, which is the dividing line between the FERC's Large and Small Generator Interconnection Procedures.

From my perspective, elimination of the Option 3 cost rate has added a degree of uncertainty in obtaining reasonable integration costs to what is already, in fact, a rather difficult process of negotiating a QF contract with the utility. I very much doubt that a great deal of new QF wind will come on line in the foreseeable future even if the new size limitation Rule is not adopted.

With my thanks for your attention,

Gordon Brittan  
Box 1360  
Livingston, MT 59047  
[gbrittan@exergydevelopment.com](mailto:gbrittan@exergydevelopment.com)