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MONTANA PUBLIC SERVICE COMMISSION

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Montana Public Service Commission approves contract terms for Greycliff Wind Farm

Development of project allowed to proceed

HELENA, Mont. – July 19, 2016 – The Montana Public Service Commission voted 4-1 Tuesday to establish contract terms and conditions between Greycliff Wind Prime LLC. and NorthWestern Energy, for a 25-megawatt wind farm in southcentral Montana.

In July 2015, Greycliff Wind Prime LLC. and NorthWestern Energy had entered into negotiations to establish contract terms for the project amongst themselves, but were unable to reach an agreement, eventually requiring PSC mediation.

The Greycliff Wind Farm will move forward as a qualifying facility (QF) under the federal Public Utilities Regulatory Policies Act (PURPA), a law which requires utilities like Northwestern Energy to purchase power from independent renewable generators less than 80-megawatts in size, at the utility's "avoided cost." Avoided cost is the cost the utility would have incurred had it supplied the same amount of power itself, or obtained it from another source.

Speaking to the Commission's decision, Commissioner Roger Koopman, R-Bozeman, said,

"Unfortunately, in every QF docket, the Commission is faced with trying to make sense out of federal policies that make no sense. The best the Commission can do with unworkable law is try to strike a fair balance with the best information we currently have available, thereby providing as much consistency and predictability as possible to the renewable energy marketplace. Moreover, if QF developers are going to insist on fixed, long-term power purchase agreements, then the Commission must strive to make its first priority the protection of the consumer, by avoiding rates that appear to be insupportably high. Hopefully in our actions today, we struck a good balance that was fair to these dedicated wind entrepreneurs, while putting the legitimate interests of ratepayers first."

Central to the dispute between NorthWestern Energy and Greycliff Wind Prime LLC. was the price that NorthWestern's customers would pay for the electricity produced by the wind farm. The Commission approved a rate based upon calculation of the utility's avoided cost.

Greycliff Wind Prime LLC. requested to be compensated at a price of \$53.39 per megawatt-hour of electricity produced, NorthWestern Energy proposed a price of \$35.65 per megawatt-hour. The discrepancy between the proposed purchase prices required mediation by the Montana PSC.

"It was our goal to calculate a price that complies with the law by not overcharging consumers, while at the same time fully compensating Greycliff for the power it produces, and the Commission's decision achieves exactly that," said PSC Chairman Brad Johnson, R-East Helena.

The two primary points of dispute resolved by the PSC are,

- The project will move forward with a contract length of **up to 25 years at \$45.49 per megawatt-hour** for the full length of the contract.
- NorthWestern has the right to curtail purchase of Greycliff's power during light load hours ONLY for safety purposes. NorthWestern had requested curtailment rights for economical reasons in addition to safety, but that request has been denied.

"I am not at all satisfied with the high price that was approved, but the law requires the Commission to mediate the negotiations of this contract, and resolve any disputes between the parties," said Commissioner Bob Lake, R-Hamilton. "Federal law limited the amount of discretion the Commission could use in setting the price consumers pay for this wind power, and we had very little authority to include additional benefits for consumers that we felt were necessary."

Dissenting from the Commission's decision, Commissioner Kirk Bushman, R-Billings, said,

"Today's decision is extremely disappointing and will be harmful to ratepayers for years to come. The terms and conditions put forth in this agreement between the utility and the wind developer is a result of the Commission ignoring its obligation to maintain avoided cost, set length of contracts, and in addition, allows the cost of carbon to be put into rates."

To view the full docket, visit: <http://bit.ly/2a5Lwxn>

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