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PSC adopts request for longer energy contracts

Developers may obtain 15-year agreements, PSC reaffirms "level playing field" for all resources

Helena, Mont. – The Montana Public Service Commission today voted unanimously to take up reconsideration of a June 22 order to establish standard rates and contract terms for small renewable energy projects up to three megawatts in size known as Qualifying Facilities (QFs). The Commission voted 4-1 to increase the maximum term of contracts available to these projects to 15 years, up from 10 years.

The PSC declined to adopt a number of other proposed changes to its order, including modifications to the capacity payment given to solar and whether to include a hypothetical carbon price adder to payments to renewable generators. Parties who requested the Commission reconsider its previous order included Vote Solar and the Montana Environmental Information Center, FLS Energy and Cypress Creek Renewables, and NorthWestern Energy.

Speaking to the decision to grant reconsideration, Chairman Brad Johnson, R-East Helena, said,

"The Commission strives to render even-handed decisions based first and foremost on record evidence and detailed legal analysis. We listened closely to the various motions from the parties and the Commission welcomed the opportunity to further improve on our final order through the reconsideration process."

"A 15-year contract provides sufficient protection for the ratepayer, while giving investors the certainty that they need to move forward with energy projects in Montana," said Commissioner Bob Lake, R-Hamilton.

A federal law called the Public Utilities Regulatory Policy Act (PURPA) requires utilities like NorthWestern Energy to purchase power from small renewable energy projects at what it would otherwise cost the utility to purchase the same amount of energy and capacity provided by the facility, known as the utilities "avoided cost." At the end of the 15-year contract term, if PURPA remains in effect, the utility will be required to continue purchasing electricity from the QF at an updated rate, which reflects the utilities avoided cost at that time.

Commissioner Roger Koopman, R-Bozeman, opposed the increased contract lengths, believing that 10-year contracts "were entirely fair and equitable, while providing much stronger protection to ratepayers."

"Nothing has changed since we made our original decision, and the Commission should have stood its ground. Adding another five years to level rate contracts increases the over-charge risk to consumers exponentially. Many examples of this already exist, where Montana rate-payers are forced to pay rates that are dramatically above market, due to very long-term QF power purchase contracts," he said.

Additionally, the Commission reaffirmed by a 4-1 vote its ruling that the 15-year limit applies to all new power plants, regardless of ownership or resource type, not just the small renewable generators. Commissioner Lake dissented. The Commission will take up this matter in NorthWestern's ongoing resource planning process where the utility has previously suggested that it plans to own or contract with a substantial number of gas-fired generators in the future.

"It's a bedrock principle of the Commission that we need a level playing field between projects owned in one case by the monopoly utility and in the other by independent developers," said Commissioner Travis Kavulla, R-Great Falls.

The rate available to Qualifying Facilities under the Commission's modified order breaks payments to Solar QFs up into two separate time periods. During times where demand for energy is high NorthWestern must pay $37.26 per megawatt hour (MWh), but when demand drops off, the rate falls to $28.14 per MWh.

To view the full docket, visit: http://bit.ly/2kqQFor

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Made up of five elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.